

EXCEPTIONAL POLYMER PERFORMANCE

VICTREX plc ANNUAL REPORT 2004

VICTREX PLC IS AN INNOVATIVE, WORLD LEADER IN HIGH PERFORMANCE MATERIALS THROUGH THE MANUFACTURE 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 every day life applications such as heating and cooling systems, coffee machines, cars, microchip manufacture, aeroplanes, mobile phones and surgical instruments.

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highlights

Sales volume up 22%

Asia-Pacific volume up 50%

Turnover up 21%

Profit before taxation up 26%

Earnings per share up 25%

Dividend per share up 15%



▲ World Head Office
▲ Sales Offices

chairman's statement

I am pleased to report a year of excellent progress at Victrex, with record sales and profits, further development of our supply chain, and continued success in developing new product applications and markets.

RESULTS AND DIVIDEND

Profit before tax grew by 26.1% to a record of £28.5m (2003: £22.6m) on turnover of £86.6m (2003: £71.5m). Cash generation of £11.0m for the year resulted in a net cash position at the year end of £17.0m (2003: £6.0m). This leaves us well placed to support the future growth of the business, particularly through our capital expenditure programme.

In recognition of this performance, the Directors have recommended a final dividend of 6.2p (2003: 5.3p) per ordinary share, making a total of 8.6p (2003: 7.5p) per ordinary share for the year, an increase of 15% over last year. This represents dividend cover of 2.8 times.

PROGRESS

The continuing growth of Victrex depends on our ability to develop new products and processes, expand into new market areas, further improve product quality and customer support and enhance capacity. We have continued to make good progress on all these fronts. During the year we have commercialised 436 new applications (2003: 433). We achieved a step change in sales volume in Asia-Pacific (up by 50% on 2003). We have launched a number of new products and further improved product quality. Invibio®, our medical implant materials business, has continued to perform strongly with further expansion into new market areas.

We have completed the uprate of our existing supply chain to support VICTREX PEEK polymer sales of 2,800 tonnes per annum. We have also completed construction of the new compounding plant and upgraded our melt filtration and granulation plant.

Our initial review of options to provide additional polymer capacity beyond 2,800 tonnes has concluded, in principle, that our next capacity expansion should comprise a new 1,000 tonnes per annum plant on our main UK site. We are currently carrying out the detailed design and costing process and expect to make the final decision to proceed during 2005.

With regard to our raw material supply chain, as announced in June, we do not intend to extend our agreement with Degussa (under which they currently undertake the oxidation stage in the manufacture of BDF, our key raw material) beyond its expiry date of 31 December 2006 and are working to become self-sufficient in oxidation.

PEOPLE

The results we have achieved this year are due to the commitment and hard work of our employees and I would like to congratulate them on the success they have once again achieved. In this regard I would refer you to the new employee share schemes which are subject to Shareholder approval at our Annual General Meeting next February. Details of the schemes are set out in a separate letter. We believe these schemes, which largely replace existing schemes that are due to expire, provide an important element of motivating and rewarding our employees.

OUTLOOK

Sales volume has remained strong across all of our markets since the year end. Provided this level of demand is sustained, particularly in the electronics segment, we expect first half volumes to be above the second half of last year, although gross margin will be impacted by the weaker US Dollar. We remain optimistic about the growth potential of the business.

Peter Warry

Chairman

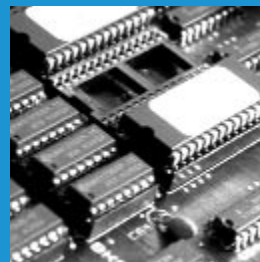
6 December 2004

VICTREX PEEK is used in a wide range of industries and markets across the globe.

- ▲ In transport, increased performance demands, reduced weight and lower production costs have driven **VICTREX PEEK**'s continued success. **VICTREX PEEK** continues to replace aluminium and other metals as the material of choice in a wide range of applications.
- ▲ **VICTREX PEEK** is increasingly used in industrial applications including energy (downhole petroleum, nuclear and hydro) and chemical processing as temperature requirements increase, chemicals become harsher and production downtime due to component failure is critical.
- ▲ Electronic component manufacturers are being challenged with ever changing product requirements. Whether it's increased processing temperatures, new assembly challenges or extreme chemical and thermal process environments, **VICTREX PEEK** provides the best solution.
- ▲ **VICTREX PEEK** has successfully replaced glass, stainless steel and other metals in a growing range of medical applications where it provides cost effective, innovative components.

VICTREX PEEK provides exceptional polymer performance

- ▲ **VICTREX PEEK** can withstand continuous temperatures of up to 260°C.
- ▲ **VICTREX PEEK** resists friction and wear over a wide range of pressures, velocities, temperatures and surfaces.
- ▲ **VICTREX PEEK** polymer demonstrates excellent chemical resistance against acids, bases, organics and inorganics.
- ▲ **VICTREX PEEK** is highly resistant to fire with extremely low smoke emission and toxic gas evolution.
- ▲ **VICTREX PEEK** polymer is not affected by water at high temperatures and pressures. Tests have shown that **VICTREX PEEK** can withstand steam at very high temperatures and pressures for extended periods without any effect on its properties.
- ▲ **VICTREX PEEK** maintains electrical properties over a far wider temperature range than most other compounds. Its high temperature performance makes it ideal for any process involving lead-free soldering.
- ▲ **VICTREX PEEK** has extremely high mechanical strength and has a higher strength to weight ratio than many metals and alloys.
- ▲ Many polymers exhibit strength and resistance, but only due to additives. **VICTREX PEEK** polymer is different, inherently pure, it derives its properties from its own chemical structure, with extremely low levels of organic, inorganic and ionic impurities.
- ▲ **VICTREX PEEK** compounds have an extremely low co-efficient of thermal expansion. High creep and fatigue resistance also means **VICTREX PEEK** is built to last.



operating & financial review

RESULTS

Turnover for the year was £86.6m (2003: £71.5m). Gross profit increased by 21.1% to £47.7m (2003: £39.4m) representing 55.1% of turnover (2003: 55.1%).

Sales, marketing and administrative expenses increased to £19.9m (2003: £16.8m), primarily as a result of our ongoing investment programme in product development and marketing, together with increased staff bonuses and higher insurance costs.

Profit before tax was £28.5m (2003: £22.6m) up 26.1% and basic earnings per share were up 25.1% at 23.9p (2003: 19.1p). Compared with the previous year, exchange rates have had an adverse impact of £0.9m on profit due to a weaker Dollar partially offset by a stronger Euro and Yen.

The overall effective tax rate (including deferred tax) remained at 32.5%.

CASH FLOW

Cash flow from operating activities increased to £32.3m (2003: £26.1m) primarily as a result of improved trading.

Capital expenditure payments amounted to £9.5m (2003: £6.5m) and were mainly related to the building of our own compounding facility and the capacity uprate of our melt filtration and granulation plant. Taxation paid was £6.1m (2003: £6.2m) as increased profits were more than offset by repayments received in respect of prior years and increased capital allowances claimed for the year.

At the year end, the Group was ungeared with net cash of £17.0m (2003: £6.0m). The Group has a committed bank facility of £40m, all of which was undrawn at the year end. This facility expires in September 2008.

INTERNATIONAL FINANCIAL REPORTING

International Financial Reporting Standards ("IFRS") are due to become mandatory for all listed companies within the EU for accounting periods beginning on or after 1 January 2005.

Accordingly, the Group's interim results for the first six months of the financial year ending 30 September 2006 will be prepared in compliance with IFRS. Information regarding the main effects of IFRS implementation will be made available at the time of our next interim results announcement in June 2005.

SALES

Total sales volume increased by 21.7% to 1,802 tonnes (2003: 1,481 tonnes) with second half volume of 933 tonnes (2003: 738 tonnes) compared with 869 tonnes (2003: 743 tonnes) for the first half.

Of our principal market segments, electronics sales volume was up 64.5% on 2003 at 578 tonnes which was principally due to a strong recovery in semiconductor sales and continued growth in consumer electronics applications which now represent around 40% of our total electronics sales. Second half sales of 290 tonnes were in line with the first half (288 tonnes).

transport

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

Why **VICTREX PEEK**?

- ▲ **Metal replacement**
- ▲ **Outstanding mechanical performance over a wide temperature range**
- ▲ **Ease of processing**
- ▲ **Excellent fatigue properties**
- ▲ **Outstanding resistance to chemicals, solvents and fuels**
- ▲ **Excellent wear performance**
- ▲ **Cost reduction in moving from machined metal to injection moulded VICTREX PEEK**

VICTREX PEEK application areas:

- ▲ **Transmissions**
- ▲ **Engines**
- ▲ **Sensors**
- ▲ **Heating, ventilation and air conditioning**
- ▲ **Gears**
- ▲ **Wire coating and cable protection**
- ▲ **Convuluted tubes and conduits**
- ▲ **Jet engines**
- ▲ **Fasteners and brackets**
- ▲ **Structural parts/composites**
- ▲ **Fuel line protection**
- ▲ **Avionics**
- ▲ **Dampers and clutches**
- ▲ **Actuators**

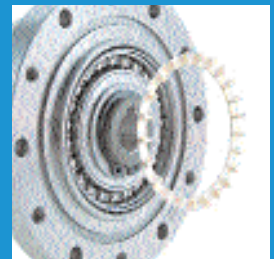
Strengthening around gear wheels

VICTREX PEEK is becoming established as a gear wheel material for areas under severe stress, due to its balanced, high-quality specifications. Comprehensive studies have demonstrated **VICTREX PEEK's** superior performance over competitive materials and have validated the polymer as a suitable metal replacement.



Bearing cages for aerospace applications at Harmonic Drive (Germany)

Harmonic Drive relies on **VICTREX PEEK** bearing cages as they can withstand operating temperatures of -55°C to 150°C , are non corrosive and inherently lubricious. The gear units, of which they form a part, are extremely compact, lightweight and generate very high sudden impact stress.



operating & financial review - continued

Transport sales volume was up 3.9% on 2003 at 503 tonnes as a result of increased automotive sales in the second half. Overall, transport volume (259 tonnes) in the second half was 6.5% up on the first half (244 tonnes).

Industrial sales volume at 510 tonnes, showed an increase of 17.2% over the previous year mainly as a result of increased demand for industrial machinery and compressor applications in Europe. Second half sales of 278 tonnes were up 19.7% on the first half of 232 tonnes.

Regionally, Asia-Pacific volume increased by 50.2% to a record level of 291 tonnes. This strong performance was the result of our ongoing commercial investment and increased electronics demand in this region. Second half sales volume (147 tonnes) was slightly ahead of the first half performance (144 tonnes). We believe this region offers the highest growth potential in the medium term and will continue investing to realise this.

Europe achieved a record sales volume of 906 tonnes which was 14.5% up on 2003, with growth across all market segments. Second half volume (478 tonnes) was ahead of the strong first half performance (428 tonnes) due to increased demand in transport applications.

United States volume increased by 22.0% to 605 tonnes, largely due to increased semiconductor demand. Sales volume for the second half (308 tonnes) was slightly ahead of the first half (297 tonnes).

BUSINESS DEVELOPMENT

The continuing growth strategy of Victrex is dependent on our ability to expand our market space based on products and platforms derived from our core polyketone technology. To succeed, we are developing new products and processes, further improving product quality and customer support, and expanding into new market areas.

This year has seen the launch of a number of new products including VICTREX High Flow PEEK to enable customers to produce thin wall, intricate parts, VICTREX Ultra-High Purity PEEK to meet the increasing demands of the semiconductor industry and VICTREX PEEK-based coatings which offer superior performance over existing coating systems. We are also working on even higher temperature polymers, film grades, further advanced compounds and innovative processing technology. We have achieved further quality enhancements as part of our ongoing improvement programme, frequently driven by particular application requirements.

We are also focusing on certain key market areas within our major segments. In transport, we are enabling automotive companies to reduce noise and weight by replacing metal in increasingly demanding gear wheel applications. In industrial compressors and machinery, we are helping to reduce downtime by developing Victrex PEEK based applications such as valve components, bearing and wear parts, and star gears. In electronics, the move towards lead-free solder is demanding very high temperature performance in board level components. Victrex PEEK is addressing this need in applications such as LEDs and batteries. Where appropriate, these programmes are supported by scientific studies and research projects with leading universities, and through the development of in-house capabilities such as our state of the art gear wheel test facility.

industrial

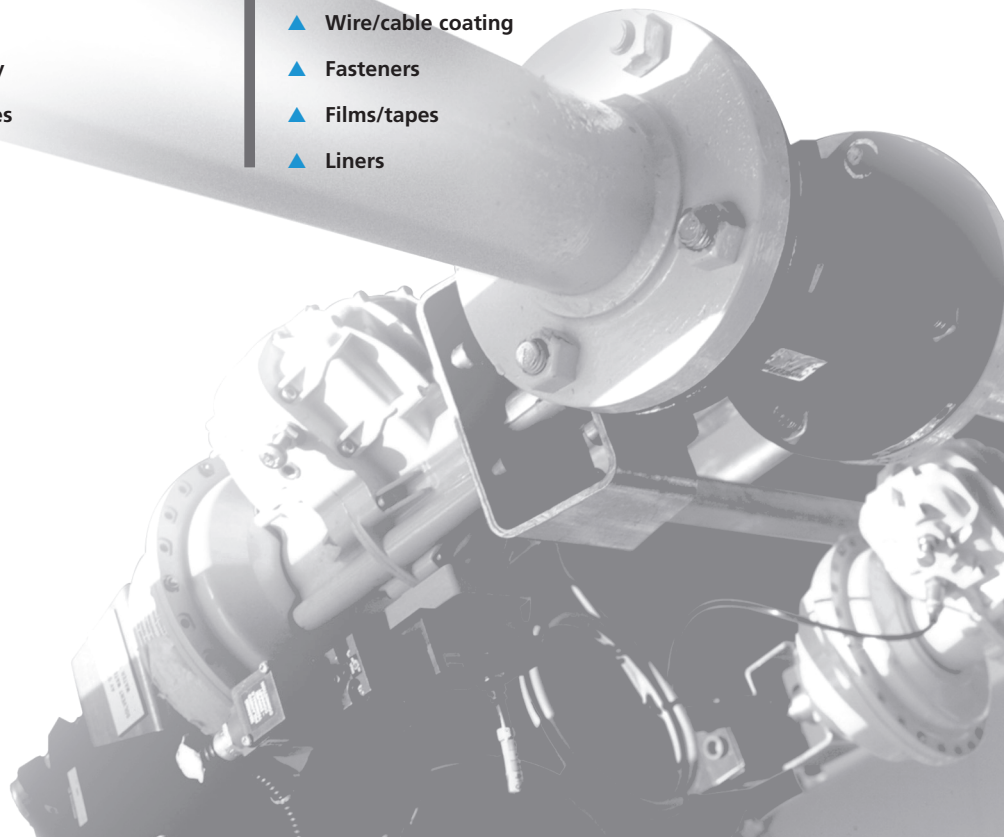
A wide range of applications for **VICTREX PEEK** in the industrial, chemical and food processing industries reflect the excellent physical properties and processability of the material.

Why **VICTREX PEEK**?

- ▲ Outstanding mechanical performance in extreme temperature and pressure conditions
- ▲ Excellent fatigue and creep performance dynamics
- ▲ Excellent chemical, corrosion and wear resistance
- ▲ Hydrolysis resistance
- ▲ Dimensional and thermal stability
- ▲ High performance wear properties
- ▲ Excellent physical strength
- ▲ Cryogenic performance
- ▲ Self lubricating properties
- ▲ Excellent dielectric strength

VICTREX PEEK application areas:

- ▲ Bearings
- ▲ Bushings
- ▲ Valves
- ▲ Seals
- ▲ Pumps
- ▲ Compressor components
- ▲ Filters/fabrics
- ▲ Wire/cable coating
- ▲ Fasteners
- ▲ Films/tapes
- ▲ Liners



Impeller for vacuum cleaner digital motor at Dyson (UK)

Dyson chose **VICTREX PEEK** for the impeller in their new 'Dyson Digital Motor' as it was the only material to offer the right combination of toughness and fatigue strength. The life expectancy of the motor is now double that for a conventional vacuum cleaner motor due to the engineering design changes.



Swivel ring on portable stove at Coleman Company (Japan)

Coleman Company have chosen heat resistant **VICTREX PEEK** for the swivel ring on their portable stove. It is used for the fitting base of the pan support, directly under the burner that produces a 1,500°C to 1,600°C flame. The switch to **VICTREX PEEK** has provided a 10% weight reduction to the main unit.



operating & financial review - continued

During the year we commercialised 436 new applications (2003: 433) having an estimated mature annualised volume ("MAV") of 305 tonnes (2003: 470 tonnes). At the year end, the pipeline contained 1,431 developments (2003: 1,508) with an estimated MAV of 2,051 tonnes (2003: 2,081 tonnes) if all of the developments were successfully commercialised.

Invibio® has continued to perform strongly with turnover amounting to £5.7m (2003: £3.2m). During the year we entered into 30 additional PEEK-OPTIMA® polymer long-term supply assurance agreements with implantable medical device manufacturers. New market areas covered by these agreements include applications in the cardiovascular and dental markets. Invibio also launched PEEK-CLASSIX™ polymer during the year which is designed and manufactured for short-term blood and tissue contact for use in applications such as drug delivery and analytical equipment.

SUPPLY CHAIN

The supply chain can currently support 2,800 tonnes per annum of VICTREX PEEK polymer sales. While this is clearly sufficient for our near-term requirements, as previously announced, we have been reviewing the options for providing additional polymer capacity in the future. We have now completed our initial review and have concluded, in principle, that our next capacity expansion should comprise a new 1,000 tonnes per annum plant on our main UK site. We are currently carrying out the detailed design and costing process and expect to make the final decision to proceed during 2005.

We have completed a previously announced uprate to increase capacity of our melt filtration plant from 900 to 1,800 tonnes per annum to support increased demand for our purified, granular product at a capital cost of £2.8m.

As previously reported, we are bringing production of standard grades of our VICTREX PEEK compounds in-house and have constructed our own compounding facility at a cost of £4.5m in order to phase out toll manufacture in 2005. This will allow much greater control over this key manufacturing step, improve product quality and provide efficiency benefits.

With regard to our raw material supply chain, as announced in June, we do not intend to extend our agreement with Degussa (under which they currently undertake the oxidation stage in the manufacture of BDF, our key raw material) beyond its expiry date of 31 December 2006.

Accordingly, we are carrying out a detailed design and costing exercise for our own oxidation plant, the construction of which would be completed by late 2006. We are also discussing the alternative possibility of acquiring Degussa's oxidation plant and expect to make a final decision on the best route forward early in 2005.

electronics

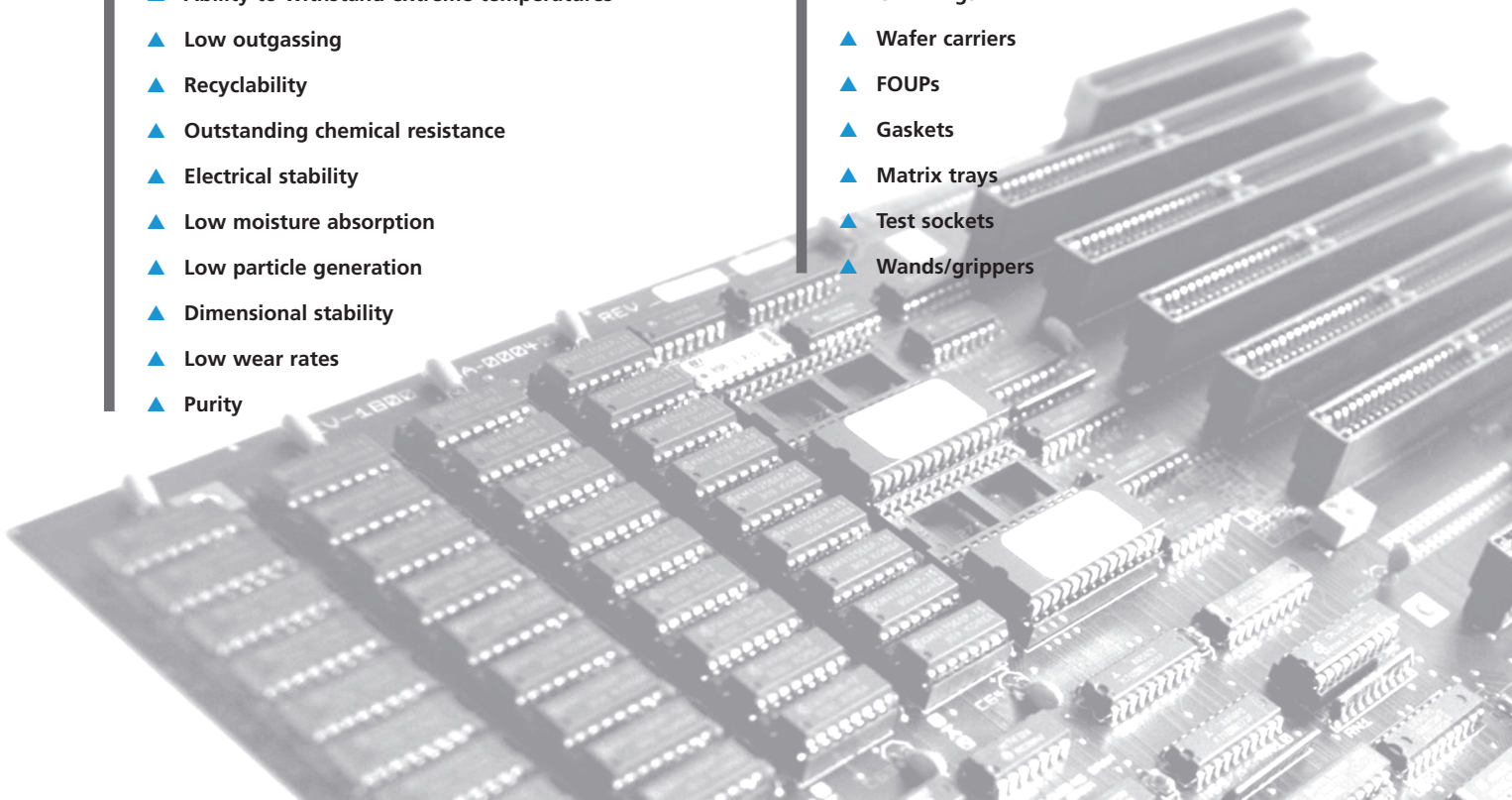
The combination of physical properties of **VICTREX PEEK** delivers leading edge application development to the electronics and semiconductor industry. In electronics, due to its high temperature resistance, **VICTREX PEEK** can withstand the rigours of printed circuit board processing techniques, including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

Why **VICTREX PEEK**?

- ▲ Ability to withstand extreme temperatures
- ▲ Low outgassing
- ▲ Recyclability
- ▲ Outstanding chemical resistance
- ▲ Electrical stability
- ▲ Low moisture absorption
- ▲ Low particle generation
- ▲ Dimensional stability
- ▲ Low wear rates
- ▲ Purity

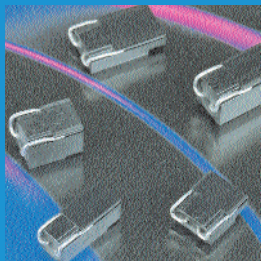
VICTREX PEEK application areas:

- ▲ Flexible printed circuit boards
- ▲ Speaker components
- ▲ Heating elements
- ▲ Capacitors
- ▲ Relays
- ▲ LEDs
- ▲ Connectors
- ▲ CMP rings
- ▲ Wafer carriers
- ▲ FOUPs
- ▲ Gaskets
- ▲ Matrix trays
- ▲ Test sockets
- ▲ Wands/grippers



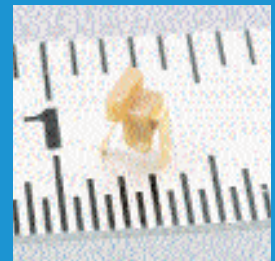
Lead-free trends led to Shoeni (Japan) application

Shoeni decided to use **VICTREX PEEK** due to its dimensional stability, temperature resistance and the patented design of the electrolytic capacitors, which achieves maximum size with consistent capacity by simply extruding the complete unit including the terminal connectors.



Continuous strip over-moulding of micro connectors at VP Plast (France)

Using glass-fibre reinforced **VICTREX PEEK** VP Plast have designed a micro connector that allows space between two electronic cards to be reduced, while still ensuring that there is good electrical continuity, and is capable of withstanding the high temperatures in a lead-free solder bath.



operating & financial review - continued

Taken together, the investments outlined above will enable us to consolidate strategic control of our supply chain and further improve product quality and customer service. Self-sufficiency in oxidation will give us even greater control of costs and quality in our raw material supply chain, while increased capacity and control over downstream elements of polymer production will allow us to work more closely with our customers and better meet their needs.

PEOPLE

The significant achievements of the past year across the business are again largely due to the dedication and efforts of our employees. I would like to thank them for their major contribution towards making this another successful year. These achievements were specifically recognised this year by the receipt of the Institute of Materials "Prince Philip Award for Polymers in the Service of Mankind".

David Hummel

Chief Executive

6 December 2004

medical



PEEK-OPTIMA polymer is the material of choice for the development of long-term medical implant applications. Since its introduction to the market, **PEEK-OPTIMA** has quickly gained the confidence and acceptance of the medical community as a highly reliable implantable material. 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.

Why **PEEK-OPTIMA**?

- ▲ Extensive biocompatibility testing
- ▲ No-change agreement for assured long-term supply
- ▲ Radiographic imaging versatility
- ▲ Excellent mechanical performance
- ▲ High wear resistance
- ▲ cGMP production

PEEK-OPTIMA application areas:

- ▲ Cardiovascular
- ▲ Dental
- ▲ Electrostimulation
- ▲ Gastroenterology
- ▲ Orthopaedics



PEEK-CLASSIX polymer is pre-certified to USP Class VI and ISO testing standards, enabling medical customers to benefit from reduced development time and costs associated with biocompatibility testing and regulatory approvals. It is one of the most chemically resistant polymers available and can be repeatedly sterilised using conventional sterilisation methods without the degradation of its mechanical properties. **PEEK-CLASSIX** is the preferred material for the development of short-term medical device applications.

Why **PEEK-CLASSIX**?

- ▲ Meets US Pharmacopoeia Class VI / ISO 10993 Standards
- ▲ Able to withstand repeat autoclaving
- ▲ Superior chemical resistance
- ▲ Available in custom colours and compounds

PEEK-CLASSIX application areas:

- ▲ Analytical equipment
- ▲ Catheters
- ▲ Drug delivery
- ▲ Surgical instruments

VICTREX Medical

VICTREX PEEK polymer has successfully replaced glass, stainless steel and other metals in a growing range of non-implantable medical applications, including surgical and dental instrumentation where it provides cost-effective, innovative parts with outstanding wear, heat, electrical and chemical resistance.

Why **VICTREX PEEK**?

- ▲ High strength
- ▲ High repeat autoclavability
- ▲ Chemical resistance
- ▲ Impact and wear resistance
- ▲ Processing and design flexibility

VICTREX PEEK application areas:

- ▲ Components for sterilisable instruments
- ▲ Gas and liquid chromatography

Pulmonary artery banding

PEEK-OPTIMA polymer was chosen for the design of an implantable pulmonary artery band used to regulate blood flow to the lungs of children with congenital heart defects. The band is controlled remotely to release or constrict blood flow in the weeks following implantation, thereby eliminating the need for re-operation and prolonged hospital stays.



Delivery tube

Due to its extreme chemical resistance and biocompatibility, **PEEK-CLASSIX** polymer is used for the delivery tube assembly of a bone void filling mixing and delivery system designed for use with a variety of biomaterials including PMMA bone cement. The delivery tube allows transfer of the prepared biomaterial through a cannula to the desired anatomic site.



the board

Non-executive Directors



Peter Warry (55)
MA CEng FIEE FIMechE FCMA
*Non-executive Chairman * † #*

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



Anita Frew (47)
BA MPhil
*Non-executive Director * † #*

Appointed in 2000. Chairman of the Remuneration Committee and Senior Independent Director. Currently a non-executive Director of Aberdeen Asset Management plc, Archant Ltd, Northumbrian Water Limited and Securities Trust of Scotland plc. Previously she was an executive Director of Abbott Mead Vickers PLC and NXT 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 (50)
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 26 years experience in the automotive industry, including 15 years in general management and 4 years in corporate planning. This has entailed international assignments in the US, France and Germany.



Jonathan Azis (47)
MA Solicitor
*Non-executive Director * † #*

Appointed in 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 (46)
BSc
*Chief Executive **

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



Michael Peacock (46)
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 (41)
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 (56)
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 2004.

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 & Financial Review on page 5.

RESULTS AND DIVIDENDS

Group profit after tax for the year was £19.2m (2003: £15.2m).

The Directors recommend the payment of a final dividend of 6.2p per share, on 2 March 2005, to all shareholders on the register on 4 February 2005. This makes a total dividend of 8.6p per share for the year (2003: 7.5p per share), leaving retained profits of £12.4m (2003: £9.2m) to be transferred to reserves.

SHARE CAPITAL

During the year 312,953 shares were issued in respect of options exercised under employee share schemes, as summarised in note 19 to the financial statements.

DIRECTORS

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 3 December 2004.

	Number of ordinary shares	
Fidelity International Limited	6,841,733	8.50%
The AEGON UK plc Group	3,254,492	4.04%
Legal & General Group Plc	3,253,821	4.04%
Standard Life Investments Limited	2,607,233	3.24%
Prudential plc	2,471,086	3.07%

DONATIONS

The Group made charitable donations of £13,265 (2003: £2,896) 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 (2003: 31 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
6 December 2004

CORPORATE GOVERNANCE

The new Combined code on Corporate Governance issued by the Financial Services Authority in July 2003 (the "new Code") applies for reporting periods commencing on or after 1 November 2003. Although the Board intended to report on compliance with the new Code in respect of the year ended 30 September 2004, it is required to report compliance with the current 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") as this reporting period commenced before 1 November 2003. Accordingly the Directors will first report on compliance with the new Code in respect of the year ending 30 September 2005.

For the current year ended 30 September 2004, the Directors have reviewed the Group's compliance with 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. 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. Anita Frew is the 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 led by the Chief Executive.

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 seven times during the year. With the exception of Jonathan Azis, who was 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 two 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 Remuneration Committee in conjunction with the Chief Executive. 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 twice during the year and there was full attendance at both 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 seven times during the year and 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, with the exception of Anita Frew, who was unable to attend one meeting, 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 each year 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 2004 (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 98% 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 20 and 27 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. This year, the Committee utilised the services of New Bridge Street Consultants LLP to benchmark Directors' remuneration.

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. The Company also provides private health insurance and company car benefits.

Annual cash bonus

Each executive Director was eligible to receive an annual cash bonus of up to 50% of basic salary. This was 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 the financial year.

The actual bonus payable to each executive Director for the year ended 30 September 2004 was 49% of basic salary. This comprised 30% 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 LLP 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 22 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 US, participate in a defined contribution scheme and a life assurance plan operated in respect of US 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. In calculating the amount payable to a Director on termination of employment, the Board would take into account the commercial interests of the Company and apply usual common law and contractual principles.

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 2004 was as follows:

	Date of service contract	Basic salary £	Bonus £	Benefits in kind £	Total 2004 £	Total 2003 £
Executive Directors						
D R Hummel	6 Dec 95	261,129 ⁽¹⁾	102,208	1,450	364,787	310,115
M W Peacock	1 Feb 00	155,344 ⁽¹⁾	70,744	15,339	241,427	183,637
B Souder	16 Sept 02	149,268 ⁽¹⁾	67,912	11,526	228,706	247,410
T J Walker	1 May 99	154,950 ⁽¹⁾	66,885	2,062	223,897	185,483
Chairman						
P T Warry	1 Oct 01	75,243	–	–	75,243	71,660
Non-executive Directors						
A M Frew	1 Aug 00	25,000	–	–	25,000	22,050
J G A Azis	22 Sept 03	25,000	–	–	25,000	673
C E Irving-Swift	12 Feb 02	25,000	–	–	25,000	22,050
Total remuneration		870,934	307,749	30,377	1,209,060	1,043,078

The total payments (including pension contributions) made to the highest paid Director, D R Hummel, were £375,343 (2003: £321,119).

⁽¹⁾ In accordance with the policy outlined on page 20, basic salary for D R Hummel includes an additional salary supplement of £38,176 with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme and £6,625 and £2,229 for D R Hummel and B Souder 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 £10,969 and £9,000 respectively with regards to 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.

Pensions

	Age at 30/09/04	Accrued benefit at 30/09/03 £	Change in accrued benefit due to inflation £	Change in accrued benefit due to other factors £	Accrued benefit at 30/09/04 £	Transfer value at 30/09/03 £	Directors' contributions £	Increase in transfer value net of Directors' contributions £	Transfer value at 30/09/04 £
M W Peacock	46	6,785	208	1,899	8,892	37,696	4,919	30,903	73,518
T J Walker	56	8,173	251	1,897	10,321	87,340	4,919	39,069	131,328

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 £10,778 and £19,220 respectively.

The cost of pension contributions payable and accrued under defined contribution arrangements for D R Hummel and B Souder amounted to £10,556 (2003: £11,004) and £10,332 (2003: £8,665) respectively.

Directors' shares

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

	30/9/04 Beneficial	30/9/04 Non-beneficial	30/9/03 Beneficial	30/9/03 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	–	2,000	–
T J Walker	21,576	–	21,148	–
Chairman				
P T Warry	57,067	–	57,067	–
Non-executive Directors				
A M Frew	9,184	–	9,184	–
J G A Azis	1,125	–	–	–
C E Irving-Swift	1,000	–	1,000	–

Between 30 September 2004 and 3 December 2004, the beneficial shareholding for T J Walker increased by 69 shares.

The Directors' share options at 30 September 2004 under the Victrex 1995 Employee Share Option Scheme were as follows:

	30/9/03	30/9/04	Exercise price ⁽¹⁾	Normal exercise period
D R Hummel	112,903	112,903	170.0p	1998-2005
B Souder	100,000	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 2004 was 314p (2003: 355p). The range in the financial year was 314p to 393p (2003: 203p to 383.5p).

The Directors' SAYE share options at 30 September 2004 were as follows:

	30/9/03	30/9/04	Exercise price ⁽¹⁾	Normal exercise period
M W Peacock	748	748	254p	2005
T J Walker	4,587	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.

No 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 2004, as set out below, were as follows:

	30/9/03	Granted in year	Lapsed in year	30/9/04
D R Hummel	311,336	62,140	(59,710)	313,766
M W Peacock	153,465	44,151	(34,350)	163,266
B Souder	51,740	41,289	–	93,029
T J Walker	153,465	41,743	(34,350)	160,858
	670,006	189,323	(128,410)	730,919

The market value of the shares granted in the year was 327p per share on the date of the grant.

Outstanding option awards granted annually under the LTIP:

Granted in year	1999	2000	2001	2002	2003	2004	30/09/04
D R Hummel	81,247	35,000	43,845	10,044	81,490	62,140	313,766
M W Peacock	–	40,000	22,367	5,778	50,970	44,151	163,266
B Souder	–	–	–	–	51,740	41,289	93,029
T J Walker	–	40,000	22,367	5,778	50,970	41,743	160,858
	81,247	115,000	88,579	21,600	235,170	189,323	730,919

LTIP performance period

- three years ending	30/09/01	30/09/02	30/09/03	30/09/04	30/09/05	30/09/06
Total Shareholder Return ⁽¹⁾	18 th	14 th	27 th	108 th	n/a ⁽³⁾	n/a ⁽³⁾
EPS growth ⁽²⁾	16.8%	12.2%	7.6%	4.8%	n/a ⁽³⁾	n/a ⁽³⁾
Exercisable rate (% of grant)	100.00%	100.00%	74.88%	14.40%	n/a ⁽³⁾	n/a ⁽³⁾

⁽¹⁾Victrex plc's Total Shareholder Return ranked relative to companies in the FTSE Mid 250 as at the start of the period.

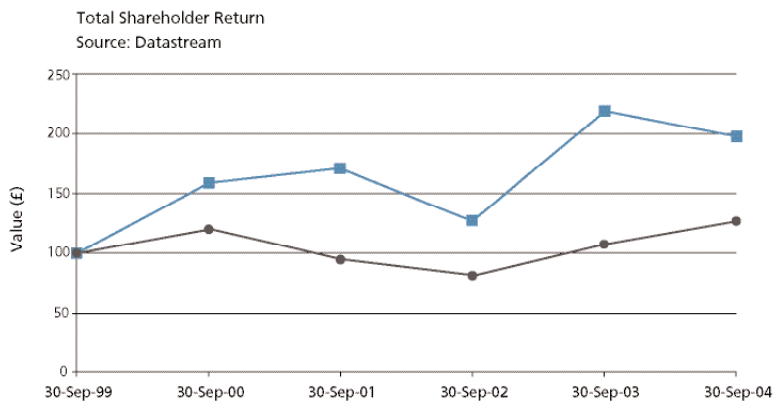
⁽²⁾The average percent per annum by which the Group's earnings per share growth exceeded inflation.

⁽³⁾The three year performance periods in respect of the awards granted in 2003 and 2004 are not yet complete and hence the exercisable rate has yet to be determined.

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

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 for consistency as it was the index against which the Company's Total Shareholder Return was measured in the last statutory accounts and also because the Company retains a market capitalisation in line with some of the constituents of the index.



This graph shows the value, by 30 September 2004, of £100 invested in Victrex plc on 30 September 1999 compared with the value of £100 invested in the FTSE Mid 250 Index. The other points plotted are the values at intervening financial year-ends.

■ Victrex plc ● FTSE Mid 250 Index

ANITA FREW

Chairman of the Remuneration Committee

6 December 2004

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 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 sixteenth successive year. The Group received the Royal Society for the Prevention of Accidents ("RoSPA") Gold Medal in 2004 for the third 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 safety, health and environmental 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 safety, health and environmental 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 give a true and fair view and whether the financial statements and the part of the Report on Directors' Remuneration to be audited have been 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 regarding 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 2004 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

6 December 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September	Note	2004 £000	2003 £000
Turnover: Group and share of Japanese joint venture		93,497	76,616
Less: share of Japanese joint venture		(6,921)	(5,116)
Turnover	2	86,576	71,500
Cost of sales		(38,915)	(32,131)
Gross profit		47,661	39,369
Sales, marketing and administrative expenses		(19,905)	(16,841)
Group operating profit		27,756	22,528
Share of operating profit in Japanese joint venture		570	350
Total operating profit		28,326	22,878
Interest receivable	5	271	107
Interest payable and other similar charges	6	(138)	(420)
Profit on ordinary activities before taxation	2-6	28,459	22,565
Taxation on profit on ordinary activities	7	(9,249)	(7,334)
Profit on ordinary activities after taxation		19,210	15,231
Equity dividends paid and proposed	8	(6,853)	(5,989)
Retained profit for the financial year	18	12,357	9,242
The Company		6,005	8,037
Group undertakings and joint venture		6,352	1,205
		12,357	9,242
Earnings per ordinary share – Basic	9	23.9p	19.1p
Diluted	9	23.7p	19.0p

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	
		2004 £000	Restated 2003 £000	2004 £000	Restated 2003 £000
Fixed assets					
Intangible assets	10	6,677	7,949	–	–
Tangible assets	11	49,347	42,992	–	–
Investments	12	–	–	11,251	11,251
Investment in Japanese joint venture:					
share of gross assets	12	2,089	1,643	–	–
share of gross liabilities	12	(1,800)	(1,843)	–	–
		56,313	50,741	11,251	11,251
Current assets					
Stocks	13	18,833	16,415	–	–
Debtors	14	10,578	9,369	52,833	46,582
Cash at bank and in hand		17,004	6,040	32	1
		46,415	31,824	52,865	46,583
Creditors: amounts falling due within one year	15	(22,704)	(16,169)	(7,045)	(6,809)
Net current assets		23,711	15,655	45,820	39,774
Total assets less current liabilities		80,024	66,396	57,071	51,025
Provisions for liabilities and charges	16	(6,070)	(5,259)	–	–
Net assets		73,954	61,137	57,071	51,025
Capital and reserves					
Called up share capital	17-18	805	802	805	802
Share premium account	18	13,383	12,743	13,383	12,743
Profit and loss account	18	59,766	47,592	42,883	37,480
Equity shareholders' funds		73,954	61,137	57,071	51,025

The prior periods have been restated to reflect the adoption of UITF Abstract 38 Accounting for ESOP trusts and a revision of Abstract 17 Employee share schemes (see note 1).

These financial statements were approved by the Board of Directors on 6 December 2004 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	2004 £000	2003 £000
Net cash inflow from operating activities	24	32,336	26,104
Return on investments and servicing of finance			
Interest received		273	107
Interest paid		(36)	(373)
Net cash inflow/(outflow) from returns on investment and servicing of finance		237	(266)
Taxation – Taxation paid		(6,070)	(6,243)
Net cash outflow from capital expenditure – Purchase of tangible fixed assets		(9,468)	(6,505)
Equity dividends paid		(6,112)	(5,615)
Net cash inflow before financing		10,923	7,475
Financing			
Issue of ordinary shares exercised under option		3	6
Premium on issue of ordinary shares exercised under option		640	858
Purchase of own shares held		(602)	(640)
Debt due after more than one year – decrease in long-term borrowing		–	(8,000)
Net cash inflow/(outflow) from financing		41	(7,776)
Increase/(decrease) in cash in the year	25	10,964	(301)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September	2004 £000	2003 £000
Profit for the financial year	19,210	15,231
Exchange loss on consolidation	(24)	(14)
Total recognised gains and losses relating to the financial year	19,186	15,217

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 September	Group		Company	
	2004 £000	Restated 2003 £000	2004 £000	Restated 2003 £000
Profit for the financial year	19,210	15,231	12,858	14,026
Equity dividends paid and proposed	(6,853)	(5,989)	(6,853)	(5,989)
Retained profit for the financial year	12,357	9,242	6,005	8,037
Exchange loss on consolidation	(24)	(14)	–	–
Issue of ordinary shares exercised under option	3	6	3	6
Premium on issue of ordinary shares exercised under option	640	858	640	858
Purchase of own shares held	(602)	(640)	(602)	(640)
LTIP charge	443	321	–	–
Net movement in shareholders' funds	12,817	9,773	6,046	8,261
Opening shareholders' funds	61,137	51,364	51,025	42,764
Closing shareholders' funds	73,954	61,137	57,071	51,025

Opening shareholders' funds were originally £61,849,000 before deducting the prior year adjustment of £712,000 (see note 1).

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 2004.

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 agreement with Laporte Amalgamation plc (now owned by Degussa AG) has been accounted for as a joint arrangement that is not an entity ("JANE") 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 18 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
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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.

Own shares held UITF Abstract 38 Accounting for ESOP trusts and a revision of Abstract 17 Employee share schemes are effective for accounting periods ending on or after 22 June 2004. As a result the Group's own shares held by employee trusts, which are held at the lower of purchase cost or net realisable value and have previously been shown as tangible fixed asset investments, are now deducted in arriving at shareholders' funds. In addition, the charge for the LTIP has been reclassified within shareholders' funds. There has been no profit and loss effect from this change. The net effect on shareholders' funds was a deduction of £712,000 (2003: £393,000). The Group has taken advantage of the exemption permitted by UITF Abstract 17 (revised 2003) and not applied it to Inland Revenue approved SAYE schemes. Details are given in note 19.

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 22.

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:

	2004 £000	2003 £000
Europe	45,469	36,100
United States of America	28,799	26,547
Asia-Pacific	12,308	8,853
	86,576	71,500

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

	2004 £000	2003 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration: Audit services	78	76
Further assurance services	15	18
Tax services	19	17
Other services	4	26
Amortisation of intangible fixed assets	1,272	1,272
Depreciation and other amounts written off owned tangible fixed assets	3,588	3,065
Hire of plant and machinery – rentals payable under operating leases	305	253
Hire of other assets – rentals payable under operating leases	118	132
Research and development costs	3,470	2,595

The audit fee for the Company was £15,000 (2003: £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	2004	2003
Operations	113	108
Technical	43	37
Commercial	66	64
Administration	35	31
	257	240

The aggregate payroll costs of these people were as follows:

	2004 £000	2003 £000
Wages and salaries	11,194	10,553
Social security costs	912	778
Other pension costs (see note 22)	1,326	1,055
	13,432	12,386

5 Interest receivable

	2004 £000	2003 £000
Bank interest receivable	271	91
Interest on overpaid corporation tax	–	16
	271	107

6 Interest payable and other similar charges

	2004 £000	2003 £000
On bank loans and overdrafts repayable within five years	120	326
Other finance costs	12	88
Share of Japanese joint venture	6	6
	138	420

7 Taxation

(i) Analysis of tax charge in the year

	2004 £000	2003 £000
Current tax		
UK corporation tax at 30% (2003: 30%)	6,972	5,514
Foreign tax on profits for the year	884	564
UK corporation tax adjustments relating to prior years	37	(113)
Share of Japanese joint venture	269	190
Share of Laporte arrangement	276	298
Total current tax	8,438	6,453
Deferred tax		
Origination and reversal of timing differences	999	936
Increase in discount	(188)	(55)
Total deferred tax	811	881
Total taxation	9,249	7,334

(ii) Factors affecting the tax charge for the year

	2004 £000	2003 £000
Profit on ordinary activities before taxation	28,459	22,565
Tax charge at UK corporation tax rate of 30% (2003: 30%)	8,538	6,770
Effects of:		
Expenses not deductible for tax purposes	610	526
Capital allowances for the year in excess of depreciation	(1,118)	(915)
Movement in short-term timing differences	119	(21)
Higher rates of tax on overseas earnings	380	280
Unutilised overseas losses	–	39
UK research and development tax credits	(128)	(113)
Adjustments to UK tax charge relating to prior years	37	(113)
Current tax charge for the year	8,438	6,453

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 be higher if the proportion of profits from the overseas countries in which the Group operates increases reflecting higher local rates in certain of those countries.

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

8 Equity dividends

	2004 £000	2003 £000
Interim dividend at 2.4p per share (2003: 2.2p per share)	1,861	1,738
Final proposed dividend at 6.2p per share (2003: 5.3p per share)	4,992	4,251
	6,853	5,989

9 Earnings per share

	2004	2003
Basic	23.9p	19.1p
Diluted	23.7p	19.0p

Earnings per ordinary share is based on the Group's profit on ordinary activities after taxation of £19,210,000 (2003: £15,231,000).

The weighted average number of shares used in the calculation is: – Basic 80,394,636 (2003: 79,861,763);
– Diluted 80,945,671 (2003: 80,152,779).

Dilution is due to outstanding shares under option (see note 19).

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	2,482	2,288	4,770
Charge for the year	662	610	1,272
At end of year	3,144	2,898	6,042
Net book value			
At 30 September 2004	3,475	3,202	6,677
At 30 September 2003	4,137	3,812	7,949

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	2,220	934	50,612	2,912	312	2,543	59,533
Exchange rate adjustment	–	–	–	(6)	(5)	–	(11)
Additions	36	223	2,049	592	27	7,016	9,943
Disposals	–	–	–	(53)	–	(217)	(270)
Reclassification	32	66	1,890	–	–	(1,988)	–
At end of year	2,288	1,223	54,551	3,445	334	7,354	69,195
Depreciation							
At beginning of year	512	10	13,552	2,244	223	–	16,541
Exchange rate adjustment	–	–	–	(2)	(2)	–	(4)
Disposals	–	–	–	(53)	–	–	(53)
Charge for the year	71	21	2,802	436	34	–	3,364
At end of year	583	31	16,354	2,625	255	–	19,848
Net book value							
At 30 September 2004	1,705	1,192	38,197	820	79	7,354	49,347
At 30 September 2003	1,708	924	37,060	668	89	2,543	42,992

The Company has no tangible fixed assets.

The cost of freehold land not depreciated is £568,000.

NOTES TO THE FINANCIAL STATEMENTS continued

12 Fixed asset investments

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 positive balance of £289,000 (2003: negative balance of £200,000).

COMPANY	Shares in Japanese joint venture £000	Shares in Group undertakings £000	Total £000
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Cost and net book value

At beginning and end of year	131	11,120	11,251
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The principal companies in which the Group's interest is more than 20%, all of which are held by Victrex plc are:

	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%
Invibio Limited	Great Britain	Manufacture and sale of polymers	Ordinary	100%
Victrex Trading Limited	Great Britain	Manufacture and sale of polymers	Ordinary	100%
Joint venture				
Victrex-MC, Inc	Japan	Sale of polymers	Ordinary	51%

JANE

Syncserv Limited	Great Britain	Manufacture and sale of monomers	Ordinary	50%
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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 an 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	
	2004 £000	2003 £000	2004 £000	2003 £000
Raw materials and consumables	5,193	3,534	–	–
Work in progress	591	1,667	–	–
Finished goods and goods for resale	13,049	11,214	–	–
	18,833	16,415	–	–

14 Debtors

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade debtors	7,393	6,761	–	–
Amounts owed by subsidiary undertakings	–	–	52,811	46,558
Amounts owed by Japanese joint venture	1,273	1,412	–	–
Other debtors	1,494	760	22	22
Prepayments and accrued income	418	436	–	2
	10,578	9,369	52,833	46,582

There were no amounts due after one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	2004 £000	Restated 2003 £000	2004 £000	2003 £000
Bank overdrafts	–	–	–	1,347
Trade creditors	4,715	3,726	32	32
Amounts owed to Group undertakings	–	–	2,262	1,660
Other creditors including taxation and social security:				
Corporation tax	5,104	3,005	(246)	(486)
Other creditors	412	419	–	–
Accruals and deferred income	7,481	4,768	5	5
Dividends proposed	4,992	4,251	4,992	4,251
	22,704	16,169	7,045	6,809

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 Provisions for liabilities and charges

The amounts provided for deferred taxation are set out below:

	2004 £000	2003 £000
Timing differences		
Capital allowances in excess of depreciation	8,027	6,909
Short-term timing differences	(197)	(78)
Undiscounted provision for deferred taxation	7,830	6,831
Discount	(1,760)	(1,572)
Discounted provision for deferred taxation	6,070	5,259
Provision at beginning of year	5,259	4,378
Deferred taxation charge in profit and loss account (note 7)	811	881
Provision at end of year	6,070	5,259

No timing differences have arisen in the Company.

17 Called up share capital

	2004 £	2003 £
Authorised ordinary shares of 1p each	1,100,000	1,100,000
Allotted, called up and fully paid ordinary shares of 1p each	805,150	802,021

18 Share capital and reserves

GROUP	Share capital £000	Share premium account £000	Restated profit and loss account £000
At beginning of year	802	12,743	47,592
Retained profit for year	–	–	12,357
Issue of ordinary shares exercised under option	3	–	–
Premium on issue of ordinary shares under option	–	640	–
Purchase of own shares held	–	–	(602)
LTIP charge	–	–	443
Exchange adjustment	–	–	(24)
At end of year	805	13,383	59,766
COMPANY			
At beginning of year	802	12,743	37,480
Retained profit for year	–	–	6,005
Issue of ordinary shares exercised under option	3	–	–
Premium on issue of ordinary shares under option	–	640	–
Purchase of own shares held	–	–	(602)
At end of year	805	13,383	42,883

The Company's profit for the year was £12,858,000 before the payment of dividends (2003: £14,026,000).

The cumulative amount of goodwill resulting from acquisitions which has been written off directly against reserves is £9,095,000 (2003: £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.

Own shares held consists 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 2004 was 859,330 (2003: 699,723).

The market value of these shares at 30 September 2004 was £2,698,296 (2003: £2,484,017).

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

NOTES TO THE FINANCIAL STATEMENTS continued

19 Share option schemes

Employee share option scheme

During the year options over 60,064 shares were granted to employees at an option price of 327p per share and options over 449,883 shares were granted to employees at an option price of 355p.

Options over 169,523 shares were exercised during the year. Total consideration was £354,304.

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	156,018	170p	1998-2005
June 1997	11,329	177.5p	2000-2007
December 1997	26,936	227.5p	2000-2007
June 1998	6,467	202.5p	2001-2008
December 1998	7,344	172.5p	2001-2008
June 1999	97,376	187.5p	2002-2009
January 2000	21,103	171p	2003-2010
June 2000	126,169	234p	2003-2010
January 2001	46,339	351p	2004-2011
January 2001	19,450	369p	2004-2011
July 2001	156,790	388p	2004-2011
December 2001	80,945	315.5p	2004-2011
June 2002	186,782	316.5p	2005-2012
October 2002	100,000	214p	2005-2012
December 2002	63,548	257.5p	2005-2012
April 2003	25,000	265p	2006-2013
June 2003	235,090	317.5p	2006-2013
December 2003	60,064	327p	2006-2013
July 2004	449,883	355p	2007-2014
	1,876,633		

Save as you earn scheme ("SAYE")

During the year options over 129,342 shares were granted to employees at an option price of 262p per share.

Options over 143,430 shares were exercised during the year. Total consideration was £288,747.

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 2002	50,363	254p	2005
February 2003	188,792	206p	2006
March 2004	92,065	262p	2007
March 2004	34,955	262p	2009
	366,175		

20 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.

	2004 Book value £000	2004 Fair value £000	Restated 2003 Book value £000	Restated 2003 Fair value £000
PRIMARY FINANCIAL INSTRUMENTS				
Trade debtors	8,666	8,232	8,173	8,104
Cash at bank and in hand	17,004	16,813	6,040	5,947
Short term liabilities (trade creditors, bank overdraft and accruals)	(12,196)	(12,073)	(8,494)	(8,467)
	13,474	12,972	5,719	5,584
DERIVATIVE FINANCIAL INSTRUMENTS (HEDGES)				
Forward foreign currency contracts	502	1,117	135	(143)

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 2004	1,041	(426)	615
At 30 September 2003	728	(1,006)	(278)

All gains and losses that were unrecognised, on a fair market value basis, at 30 September 2003 have been recognised during the year. All gains and losses that are unrecognised, on a fair market value basis, at 30 September 2004 are expected to be recognised in the year to 30 September 2005.

NOTES TO THE FINANCIAL STATEMENTS continued

21 Commitments

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

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Contracted	2,499	1,064	–	–
Authorised but not contracted	2,890	3,984	–	–

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

GROUP	2004	2004	2003	2003
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	34	61	36	89
In the second to fifth years inclusive	80	265	63	130
Over five years	–	11	–	11
	114	337	99	230
JAPANESE JOINT VENTURE	£000	£000	£000	£000
Operating leases which expire:				
Within one year	–	2	208	2
In the second to fifth years inclusive	214	–	–	–
	214	2	208	2

The Company has no operating lease commitments.

The bank facility 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 facility was undrawn throughout the year, accordingly no interest was paid.

22 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 has two sections. One section provides benefits on a defined benefit basis with benefits related to final pensionable pay. Amounts are charged to the profit and loss account of the relevant company so as to spread the cost of defined benefit 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. The defined benefit section was closed to new members from 31 December 2001. From this date new employees have been invited to join a section that provides benefits on a defined contribution basis.

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 of the UK pension scheme was carried out at 31 March 2004 by the independent actuary. The principal assumptions and results of the valuation are set out below:

Discount rate and expected rate of investment return	6.85%
Rate of increase in pensionable salaries	4.75%
Rate of increase in pensions in payment and inflation assumption	3.00%
Market (and actuarial) value of assets	£9.7m
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	77.9%

The next actuarial valuation is due to be carried out no later than 31 March 2007.

The contributions of the employees have been set at the rates set out in the rules of the scheme. For the defined benefit section these are 1.6% of pensionable salary between the lower and the upper earnings limits and 6.5% of pensionable salary above that limit. The contributions of the relevant Group companies increased from 17.1% to 22.4% of pensionable pay with effect from 1 April 2004. This figure includes a contribution of 4.5% of pensionable pay 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 £1,031,000 (2003: £886,000). There were no outstanding or prepaid contributions at either the beginning or end of the year.

The total charge for the year in the accounts of the Group in respect of other pension arrangements outside of the UK was £295,000 (2003: £169,000).

(ii) FRS 17

The valuation used for FRS 17 disclosures has been based on a review of the fund at 31 March 2004. This has been amended to take account of the requirements of FRS 17 and updated to 30 September 2004. The principal assumptions are set out below:

	At 30 September 2004	At 30 September 2003
Discount rate	5.4%	5.4%
Rate of increase in pensionable salaries	4.83%	4.45%
Rate of increase in pensions in payment and inflation	3.08%	2.7%

NOTES TO THE FINANCIAL STATEMENTS continued

22 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 2004	At 30 September 2004 £000	At 30 September 2003	At 30 September 2003 £000	At 30 September 2002	At 30 September 2002 £000
Equities	8.0%	8,990	8.0%	7,235	8.0%	5,403
Bonds	5.4%	696	4.5%	1,072	4.7%	974
Cash	4.5%	820	3.5%	201	4.0%	462
Total market value of assets		10,506		8,508		6,839
Actuarial value of liability		(18,690)		(15,037)		(11,370)
Deficit in the scheme		(8,184)		(6,529)		(4,531)
Related deferred taxation asset		2,455		1,959		1,359
Net pension liability		(5,729)		(4,570)		(3,172)

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

	2004 £000	2003 £000
Operating profit		
Current service cost	(1,297)	(996)
Past service cost	–	–
Total operating charge	(1,297)	(996)

	2004 £000	2003 £000
Other finance income/(expenditure)		
Expected return on pension scheme assets	665	526
Interest on pension scheme liabilities	(843)	(663)
Net return	(178)	(137)

	2004 £000	2003 £000
Statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	400	204
Experience gains and losses arising on the scheme liabilities	152	(108)
Changes in assumptions underlying the present value of the scheme liabilities	(1,820)	(1,962)
Actuarial loss	(1,268)	(1,866)

Movement in deficit during the year

	2004 £000	2003 £000
Deficit in scheme at beginning of year	(6,529)	(4,531)
Current service cost	(1,297)	(996)
Contributions	1,088	1,001
Other finance expenditure	(178)	(137)
Actuarial loss	(1,268)	(1,866)
Deficit in scheme at end of year	(8,184)	(6,529)

History of experience gains and losses

	2004	2003
Difference between the expected and actual return on scheme assets:		
Amount (£000)	400	204
Percentage of scheme assets	3.8%	2.4%
Experience gains and losses on scheme liabilities:		
Amount (£000)	152	(108)
Percentage of present value of the scheme liabilities	0.8%	(0.7%)
Total amount recognised in statement of total recognised gains and losses:		
Amount (£000)	(1,268)	(1,866)
Percentage of present value of the scheme liabilities	(6.8%)	(12.4%)

23 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 £9,037,000 (2003: £7,775,000). The balance due as at 30 September 2004 from the Japanese joint venture was £1,273,000 (2003: £1,412,000).

NOTES TO THE FINANCIAL STATEMENTS continued

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

	2004 £000	2003 £000
Operating profit	28,326	22,878
Depreciation and amortisation charge	4,860	4,329
Earnings before interest, taxation, depreciation and amortisation	33,186	27,207
Increase in stocks	(2,418)	(2,469)
Increase in debtors	(1,221)	(1,142)
Increase in creditors	3,130	2,540
LTIP charge	443	321
Japanese joint venture profit in stock elimination	(190)	11
Share of operating profit in Japanese joint venture	(570)	(350)
Effect of foreign exchange rate changes	(24)	(14)
Net cash inflow from operating activities	32,336	26,104

25 Reconciliation of net cash flow to movement in net cash

	2004 £000	2003 £000
Increase/(decrease) in cash in year	10,964	(301)
Cash outflow from decrease in debt	–	8,000
Movement in net cash in year	10,964	7,699
Net cash/(debt) at beginning of year	6,040	(1,659)
Net cash at end of year	17,004	6,040

26 Analysis of changes in net cash

	At 30 September 2004 £000	Cash flow £000	At 30 September 2003 £000
Cash at bank and in hand	17,004	10,964	6,040
Debt due after more than one year	–	–	–
	17,004	10,964	6,040

27 Exchange rates

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

	Average exchange rate		Closing exchange rate	
	2004	2003	2004	2003
US Dollar	1.61	1.46	1.70	1.54
Euro	1.45	1.54	1.41	1.48
Yen	186	179	176	188

FIVE YEAR FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 SEPTEMBER	Restated 2000 £m	Restated 2001 £m	Restated 2002 £m	Restated 2003 £m	2004 £m
Results					
Turnover	58.7	72.1	59.1	71.5	86.6
Profit before taxation	15.9	22.3	19.0	22.6	28.5
Net assets - Companies Act format					
Fixed assets	42.1	43.5	48.8	50.7	56.3
Net current assets	5.4	3.6	14.9	15.7	23.7
Creditors: amounts due after more than one year	(12.3)	–	(7.9)	–	–
Provisions for liabilities and charges	(2.5)	(3.2)	(4.4)	(5.3)	(6.1)
Equity shareholders' funds	32.7	43.9	51.4	61.1	73.9
Comprising					
Fixed assets	42.1	43.5	48.8	50.7	56.3
Other operating net assets	10.5	9.5	15.6	17.0	16.8
Net (debt)/cash	(11.1)	1.0	(1.7)	6.0	17.0
Dividend and taxation creditors	(6.3)	(6.9)	(6.9)	(7.3)	(10.1)
Provisions for liabilities and charges	(2.5)	(3.2)	(4.4)	(5.3)	(6.1)
Equity shareholders' funds	32.7	43.9	51.4	61.1	73.9
Cash flow					
Net cash inflow from operating activities	28.9	27.8	17.2	26.1	32.3
Capital expenditure	(2.2)	(4.8)	(8.8)	(6.5)	(9.5)
Acquisitions	(21.0)	–	–	–	–
Interest, dividends, taxation and other items	(8.7)	(10.8)	(11.1)	(11.9)	(11.8)
Movement in net debt/cash in the period	(3.0)	12.2	(2.7)	7.7	11.0
Ratios					
Earnings per share - basic	14.1p	19.4p	16.2p	19.1p	23.9p
Dividend per ordinary share	6.1p	6.7p	7.0p	7.5p	8.6p
Net interest cover	12	42	42	73	n/a
Sales volume					
Tonnes	1,321	1,603	1,205	1,481	1,802

The prior periods 2000 and 2001 have been restated to reflect the adoption of FRS 19 - Deferred taxation.

All periods have been restated to reflect UITF Abstract 38 Accounting for ESOP trusts and a revision of UITF Abstract 17 Employee share schemes.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twelfth Annual General Meeting of Victrex plc ("the Company") will be held at 10.00am on 8 February 2005, 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 2004.
- 2 To approve the payment of a final dividend of 6.2p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2004.
- 3 To re-elect Mr P T Warry, who retires by rotation.
- 4 To re-elect Mr B Souder, who retires by rotation.
- 5 To re-appoint KPMG Audit Plc as Auditor of the Company and to authorise the Directors to determine their remuneration.
- 6 To approve the Report on Directors' Remuneration for the year ended 30 September 2004.

Special Business

To consider and, if thought fit, (and subject in the case of resolution 8 to the passing of resolution 7) pass the following resolutions which (in the case of resolutions 7, 10, 11 and 12) will be proposed as ordinary resolutions and (in the case of resolutions 8 and 9) will be proposed as special resolutions:

- 7 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 £290,619, 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, 8 May 2006) 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.
- 8 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 8 February 2005 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 £40,271;

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 8 May 2006), 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.

- 9 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 8,054,395;
 - (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 8 May 2006) 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.
- 10 That the rules of the Victrex 2005 Executive Share Option Plan (the "Executive Plan") referred to in the Chairman's letter to Shareholders dated 6 December 2004 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to:
- (a) make such modifications to the Executive Plan as they may consider appropriate to take account of the requirements of the UK Listing Authority, the Inland Revenue and best practice and to adopt the Executive Plan as so modified and to do all such acts and things as they may consider appropriate to implement the Executive Plan; and
 - (b) establish further plans based on the Executive Plan but modified to permit participation by employees of any overseas Group companies or of any joint venture companies and/or to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Executive Plan.
- 11 That the rules of the Victrex 2005 UK Sharesave Plan (the "Sharesave Plan") referred to in the Chairman's letter to Shareholders dated 6 December 2004 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to:
- (a) make such modifications to the Sharesave Plan as they may consider appropriate to take account of the requirements of the UK Listing Authority, the Inland Revenue and best practice and to adopt the Sharesave Plan as so modified and to do all such acts and things as they may consider appropriate to implement the Sharesave Plan; and
 - (b) establish further plans based on the Sharesave Plan but modified to permit participation by employees of any overseas Group companies or of any joint venture companies and/or to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Sharesave Plan.
- 12 That the rules of the Victrex 2005 Employee Stock Purchase Plan (the "Stock Purchase Plan") referred to in the Chairman's letter to Shareholders dated 6 December 2004 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to make such modifications to the Stock Purchase Plan as they may consider appropriate to take account of the requirements of the UK Listing Authority, the US Revenue and best practice and to adopt the Stock Purchase Plan as so modified and to do all such acts and things as they may consider appropriate to implement the Stock Purchase Plan.

By order of the Board

M W Peacock

Company Secretary

6 December 2004

NOTICE OF ANNUAL GENERAL MEETING continued

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 (excluding Saturdays and English public holidays) 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 7th February 2005 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.
- 4 A copy of the draft rules of the Executive Plan, the Sharesave Plan and Stock Purchase Plan are available for inspection at the offices of the New Bridge Street Consultants LLP during normal business hours from the date of this notice up to and including the date of the Meeting and will also be available for inspection at the place of the Meeting fifteen minutes before the Meeting until its close.

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 6.2p per ordinary share payable on 2 March 2005 has been recommended by the Directors for the year ended 30 September 2004. 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 and 4 – Re-election of Directors

Mr P T Warry and Mr B Souder 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 Director seeking re-election, the Board considers that Mr P T Warry, who has been Chairman since 1999, has made a significant contribution to the development of Victrex, bringing a wide range of experience from the industrial and scientific fields.

Resolution 5 – Re-appointment of Auditor/Auditors' remuneration

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

Resolution 6 – 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 7 – 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 8 May 2006, if sooner.

The resolution will provide for the Directors to be able to allot shares up to a nominal amount of £290,619. 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 8 – 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 £40,271, 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 8 May 2006, if sooner.

Resolution 9 – Authority to purchase own shares

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 9 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 3 December 2004, options over a total of 2,213,875 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 2.75% of the Company's issued ordinary share capital at 3 December 2004. It would represent 3.05% of the issued ordinary share capital if the authority to buy the Company's own shares had been used in full at that date.

Explanations for the Special Business resolutions 10, 11 and 12 are contained in a separate letter.

FINANCIAL CALENDAR

Ex-dividend date*	2 February 2005
Record date†	4 February 2005
Annual General Meeting	8 February 2005
Payment of dividend	2 March 2005
Announcement of 2005 interim results	June 2005
Payment of interim dividend	August 2005

*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.

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