PASSION INNOVATION PERFORMANCE

VICTREX plc ANNUAL REPORT **2005**

VICTREX® PEEK™ POLYMER

VICTREX PLC is an innovative world leader in high performance materials through the manufacture of VICTREX® PEEK™ polymer, a high performance, easy to process, thermoplastic.

VICTREX PEEK has a unique combination of chemical, wear, electrical, hydrolysis and temperature resistance, as well as excellent dimensional, mechanical and chemical stability combined with inherent purity and low flammability.

End users specify VICTREX PEEK to reduce systems costs, improve part performance, exploit greater design freedom and create a differentiated application. VICTREX PEEK is used across a broad range of applications in diverse markets including transport, industrial, electronics and medical. Invibio®, Victrex's biomaterials business, provides specialised solutions for medical device manufacturers.

Victrex's team of dedicated market development, sales, and technical support professionals work with customers around the world offering assistance in new application development, together with product performance data and processing support.

The Company's headquarters are in the UK where its manufacturing facilities are based. This is complemented by a global network of sales and distribution centres that serve more than 30 countries worldwide.

contents

highlights

Turnover up 17%

Profit before taxation up 23%

Earnings per share up 23%

Dividend per share up 40%

chairman's statement

Victrex has continued to make excellent progress this year with record sales and profits, further organic growth, continued success in developing new product applications and markets, and consolidation of our supply chain.

RESULTS AND DIVIDEND

Profit before tax grew by 23.3% to a record level of £35.1m (2004: £28.5m) on turnover of £101.6m (2004: £86.6m). Basic earnings per share were up 22.6% at 29.3p (2004: 23.9p).

In recognition of the continuing strong performance of the Company and the clear path forward on our capital expenditure programme, the Directors are recommending a rebasing of the final dividend to 9.3p (2004: 6.2p) per ordinary share, making a total of 12.0p (2004: 8.6p) per ordinary share for the year, an increase of 40% over last year. This represents dividend cover of 2.4 times.

PROGRESS

We continue to drive growth through development of new products and platforms based on our core polymer technology. During the year we commercialised 475 new applications (2004: 436). We also achieved further significant growth in two key areas of focus, our Asia-Pacific business and Invibio®, our biomaterials business.

As previously reported, we have purchased the operations of Degussa AG relating to the manufacture of BDF (the key raw material from which VICTREX PEEK is produced). This has consolidated Victrex's control of the BDF supply chain following the acquisition of the primary manufacturing stage of BDF in 1999. We also announced that a second VICTREX PEEK polymer powder manufacturing plant will be constructed on our main UK site at Thornton Cleveleys, Lancashire.

These developments to our supply chain will allow us to meet our growth expectations and demonstrate further security of supply to our customers.

PEOPLE

As always, the results we achieve are principally due to the skill and professionalism of our employees. I would like to thank them again for their hard work and commitment.

OUTLOOK

Sales volume has shown some strengthening since the year end. If this level of demand is sustained, first half volume will be higher than the second half of last year.

Despite weakening in our effective exchange rates, we still expect further enhancement in our gross margin for the year to 30 September 2006, principally due to the benefits arising from the recent acquisition of the BDF operations.

Peter Warry
Chairman
5 December 2005

operating & financial review

RESULTS

Turnover for the year was £101.6m (2004: £86.6m). Gross profit increased by 21.7% to £58.0m (2004: £47.7m), representing 57.1% of turnover (2004: 55.1%).

Sales, marketing and administrative expenses increased by 19.2% to £23.7m (2004: £19.9m), primarily as a result of our ongoing investment programme in product development and marketing, together with increased staff bonuses.

Profit before tax was £35.1m (2004: £28.5m) up 23.3% and basic earnings per share were up 22.6% at 29.3p (2004: 23.9p). Compared with the previous year, exchange rates have had an adverse impact of £2.2m on profit, principally due to a weaker Dollar offset by a marginally stronger Euro.

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

CASH FLOW

Cash flow from operating activities increased to £37.2m (2004: £32.3m) primarily as a result of improved trading.

The purchase on 1 April 2005 of the raw material manufacturing operations from Degussa resulted in a cash payment of £17.7m (including associated acquisition costs). Other capital expenditure for the year totalled to £6.0m (2004: £9.5m) and was mainly related to the design of our second powder plant, the extension of our UK technology centre and further investment in existing infrastructure.

Taxation paid was £9.7m (2004: £6.1m) as a result of increased profits.

At the year end, the Group had net cash of £15.8m (2004: £17.0m). 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

These results are the last to be published under UK Generally Accepted Accounting Practice ("UK GAAP"). The Group has adopted International Financial Reporting Standards ("IFRS") with effect from 1 October 2005. Accordingly, the Group's interim results and financial statements for the year to 30 September 2006 will be prepared in compliance with IFRS. In order to provide an indication of the main effects of IFRS implementation on the Group's results, an unaudited restated income statement for the year ended 30 September 2005, balance sheets as at 30 September 2004 and 2005 together with reconciliations from UK GAAP to IFRS are set out on pages 50 to 58.

The impact on the results for the year ended 30 September 2005 is summarised below:

	UK GAAP	IFRS	Variance
Profit before taxation	£35.1m	£35.3m	£0.2m
Earnings per share	29.3p	29.9p	0.6p
Closing equity shareholders' funds	£90.2m	£92.2m	£2.0m

operating & financial review - continued

MARKETS

Total sales volume increased by 9.4% to 1,972 tonnes (2004: 1,802 tonnes) with second half volume of 984 tonnes (2004: 933 tonnes) compared with 988 tonnes (2004: 869 tonnes) for the first half.

Of our three principal market segments, industrial sales volume was up 22.7% on 2004 at 626 tonnes, largely due to increasing demand from oil and gas and chemical processing customers. Second half sales of 337 tonnes were up 16.6% on the first half of 289 tonnes.

Transport sales volume was 552 tonnes, an increase of 9.7% over the previous year, as a result of increased automotive sales in Europe and Asia-Pacific and an upturn in commercial aerospace volume in the United States. The second half saw a slight softening in automotive sales and, as a result, volume was 265 tonnes, 7.7% down on the first half (287 tonnes).

Electronics sales volume for the year was down 3.6% on 2004 at 557 tonnes as a result of a 15.7% reduction in semiconductor sales, which was partially offset by a 16.9% increase in sales volume for consumer electronics applications. Second half sales volume of 265 tonnes was 9.2% below the first half of 292 tonnes. This was due to consumer electronics volume running below record first half levels offset by some recovery in semiconductor sales.

Regionally, we achieved another year of significant growth in Asia-Pacific where volume increased to 395 tonnes, up 35.7% on last year's record levels. This was largely due to the continued penetration of new consumer electronics applications in the first half combined with a recovery in semiconductor sales in the second half. Second half sales volume (185 tonnes) was 12% lower than the record first half (210 tonnes) due to lower Japanese sales.

Europe also achieved record sales volume which, at 969 tonnes for the year, was 7.0% up on 2004. Growth came mainly from the automotive and industrial segments. Second half volume (472 tonnes) was 5% down on the strong first half performance (497 tonnes).

At 608 tonnes, United States volume was in line with the previous year. There was a strong recovery in the second half with sales volume of 327 tonnes, up 16.4% on the first half (281 tonnes) due to increased demand in the oil and gas and chemical processing segments.

BUSINESS DEVELOPMENT

Victrex continues to invest in new products and platforms to extend the market range of products derived from our core polyketone technology. In 2005, we further expanded our grade range and successfully realised initial sales of new platforms such as VICTREX High Flow PEEK (into thin-walled automotive applications) and VICTREX Ultra-High Purity PEEK (into the semiconductor market).

VICTREX PEEK market segment:

transport

With a unique overall property profile, VICTREX PEEK is the material of choice for improved performance and reduced systems cost for automotive, aerospace and other transport applications. VICTREX PEEK offers an outstanding combination of physical and thermal characteristics at lighter weights and is easy to process. Large volume components with tight tolerances can be produced cost effectively and used without assembly or modification.

WHY VICTREX PEEK?

- ▲ Lightweight and meets industry demands for lower production costs
- ▲ The most thermally stable thermoplastic on the market, offering excellent mechanical performance at high temperatures and low flammability
- ▲ Increased design and processing flexibility ranging from injection moulding and extrusion to coatings
- ▲ Outstanding wear resistance for longer lasting components
- ▲ Superior chemical resistance versus metals and other high performance polymers, against fuels, solvents and fluids
- ▲ Wear and friction resistance
- ▲ Excellent creep and fatigue resistance over a wide temperature range

VICTREX PEEK is used in many transport applications such as piston units, seals, washers, bearings, transmission, braking and air conditioning systems, actuators, gears and electronics/sensors.

VICTREX PEEK provides exterior parts with excellent resistance to rain erosion. For aircraft interior components, its inherent flame retardancy and low smoke and toxic gas emission can reduce the hazards in the event of a fire.

operating & financial review - continued

In addition, we significantly expanded both our application pipeline and sales into the coating and film areas which we believe offer major new market opportunities for Victrex. In coating products, we commercialised new VICTREX PEEK coating applications for industrial and consumer components, leveraging VICTREX PEEK's unique combination of excellent wear and outstanding abrasion resistance. In film, we are developing a broad range of new applications, including speaker components, wire insulation, and substrates in consumer electronic components.

Our focus on major markets continues, as we define the next generation of applications where VICTREX PEEK not only improves performance but, in many cases, can reduce total system costs. In transport, we continue to focus on electro-mechanical components which demand superior performance in applications such as emergency brakes and ABS systems, while driving new opportunities such as electronic exhaust sensor systems to ensure emission standards are met. In oil and gas, VICTREX PEEK is enabling oil companies and their suppliers to develop downhole systems to access oil reserves where extreme temperature and chemical environments preclude the use of most other polymers. We support these evolving industry needs with both materials and applications knowhow, assisting the end user in developing complete systems solutions to accelerate the adoption of VICTREX PEEK.

The continuing effectiveness of our development programmes is best demonstrated by our ongoing success in delivering new applications. During the year we commercialised 475 new applications (2004: 436) having an estimated mature annualised volume ("MAV") of 351 tonnes (2004: 305 tonnes). At the year end, the pipeline contained 1,433 developments (2004: 1,431) with an estimated MAV of 2,344 tonnes (2004: 2,051 tonnes) if all of the developments were successfully commercialised.

As part of our continual effort to better meet customers' needs and drive further growth in Asia, we are investing in a new Asian Innovation and Technology Centre which will be located in Shanghai, China. The Centre, scheduled to open in Summer 2006, will provide customers with expertise in material specification, testing, research and application development.

INVIBIO®

Invibio has enjoyed another excellent year with turnover of £11.1m, showing an increase of 97.2% over 2004 (£5.7m). This reflects continued core product sales growth and successful development of new business across a broad range of end use markets.

During the year we entered into 33 additional PEEK-OPTIMA® polymer long-term supply assurance agreements with implantable medical device manufacturers. Important developments were realised in strategic market areas including arthroscopy, dental, orthopaedic, trauma and neurostimulation.

Initial sales of PEEK-CLASSIX® polymer (launched last year), designed and manufactured for short-term blood and tissue contact, have been ahead of expectations. Invibio also recently launched ENDOLIGN™ polymer, a continuous carbon fibre reinforced product, for use in orthopaedic applications where strengths comparable to implantable metals are required.

VICTREX PEEK market segment:

electronics

When it is critical to produce electronic parts with close tolerances and moulding flexibility for intricate snap-fit designs, VICTREX PEEK is ideal as it enables highly complex finished components to be mass produced without the need for additional machining.

In the semiconductor segment, the move to larger wafer sizes and smaller chips with narrower widths and/or feature sizes, requires higher performance demands of wafer handling and processing materials. Harsher manufacturing environments, coupled with increased sensitivity to contamination sources, necessitate the use of high performance polymers. VICTREX PEEK offers an excellent combination of properties that can greatly enhance the semiconductor fabrication process.

WHY VICTREX PEEK?

- ▲ Excellent electrical properties over a wide range of environmental conditions
- ▲ Long-term wear and friction resistance
- ▲ High purity for less reject, more yield and less scrap combined with particle and contamination reduction
- ▲ Heat resistance for improved processing productivity (no cooling between cycles)
- ▲ Maintains modulus when exposed to high heat
- ▲ Excellent mechanical properties for high impact resistance
- ▲ High chemical resistance to combat most chemicals for part protection and long-life
- ▲ Offers overall systems cost reduction while increasing yield
- ▲ Enables reduced cooling time and longer production life
- ▲ Low flammability

VICTREX PEEK is used in electronic components and in handling equipment for semiconductor and LCD flat panel display fabrication. The inherent purity of VICTREX PEEK, combined with excellent mechanical and chemical stability, minimises contamination and maximises safety during the handling of sensitive electronic componentry. VICTREX PEEK can also withstand the high temperatures associated with lead-free soldering processes.

operating & financial review - continued

Historically, Invibio's business has been focused on the US and European markets. We are now expanding into Asia-Pacific and are opening our first Asian office in Hong Kong. Long-term implantable devices that utilise PEEK-OPTIMA polymer have already been approved in China, Taiwan and, most recently, Japan.

SUPPLY CHAIN

The acquisition of the operations of Degussa AG relating to the manufacture of BDF (the key raw material from which VICTREX PEEK is produced) during the year has consolidated Victrex's control of the BDF supply chain following our previous acquisition of the primary manufacturing stage in 1999.

The newly acquired operations principally comprise an oxidation plant which undertakes the secondary manufacturing stage of BDF and a plant that manufactures fluoroboric acid (a key raw material for the primary manufacturing stage).

The supply chain can currently support 2,800 tonnes per annum of VICTREX PEEK sales. To allow us to meet our growth expectations and demonstrate further security of supply to our customers, we have commenced construction of a second VICTREX PEEK polymer powder manufacturing plant on our main UK site at Thornton Cleveleys, Lancashire. With an estimated capital cost of £29m, the new plant will have the capacity to support an additional 1,450 tonnes per annum of VICTREX PEEK sales. Construction is expected to be completed in late 2007.

To utilise this additional polymer capacity fully we will also need to uprate our BDF supply chain. We are currently carrying out a review of the supply chain before proceeding to detailed design and costing.

The investments outlined above will enable us to increase capacity and further improve product quality and customer service while giving us even greater control of costs.

PEOPLE

We recognise that our talented and internationally diverse workforce is a key element of our business. Our continued success is principally the result of their efforts and I would like to thank them for their passion, innovation and performance.

David Hummel
Chief Executive
5 December 2005

VICTREX PEEK market segment:

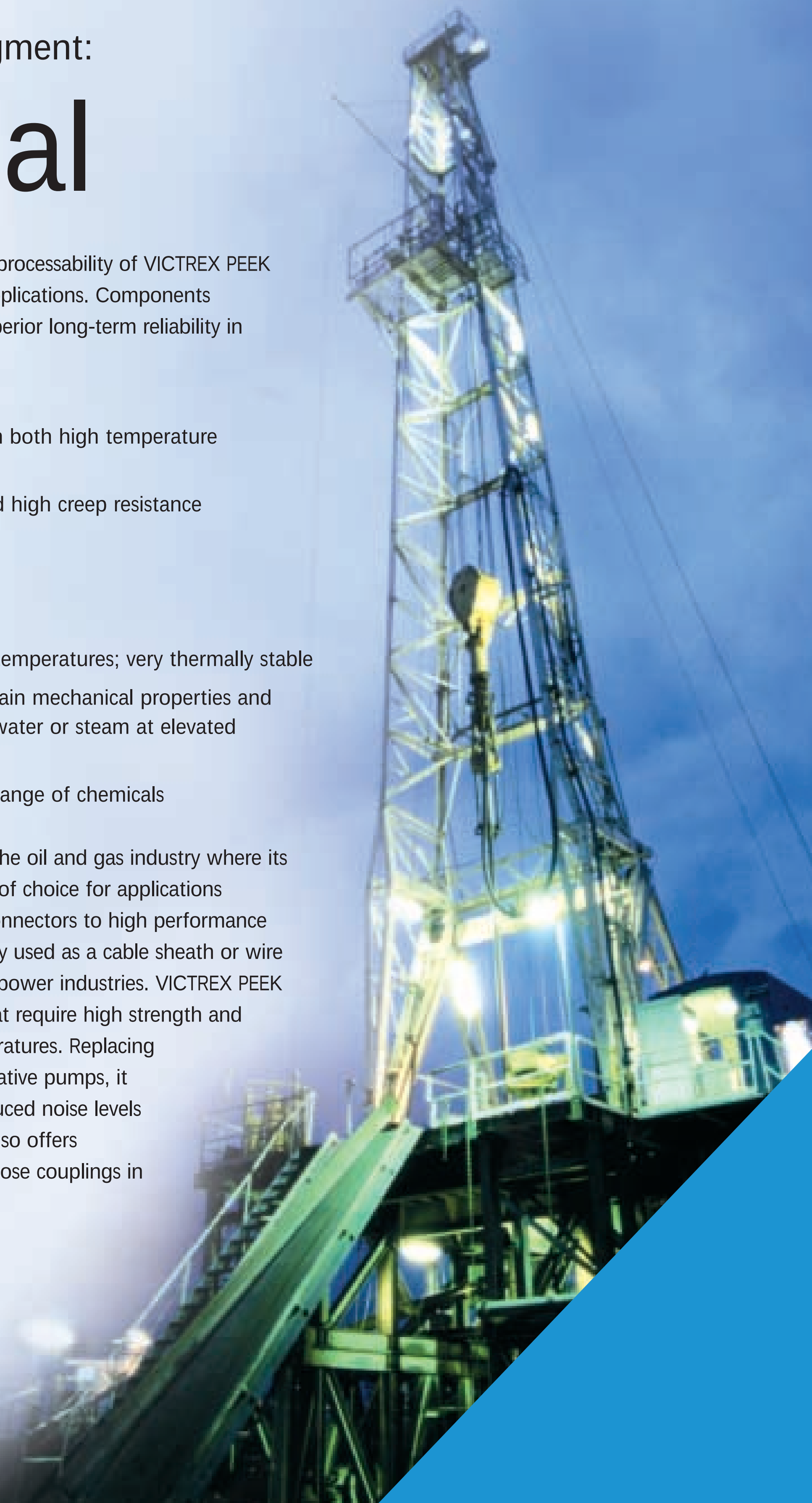
industrial

The combination of physical properties and processability of VICTREX PEEK makes it an excellent choice for industrial applications. Components designed with VICTREX PEEK can deliver superior long-term reliability in demanding environments.

WHY VICTREX PEEK?

- ▲ Outstanding mechanical performance in both high temperature and sub-zero conditions
- ▲ Excellent dynamic fatigue resistance and high creep resistance
- ▲ Extremely low gas permeability
- ▲ Excellent wear resistance
- ▲ Excellent erosion resistance
- ▲ Withstands high continuous operating temperatures; very thermally stable
- ▲ Good hydrolysis resistance; ability to retain mechanical properties and dimensional stability when exposed to water or steam at elevated temperatures
- ▲ Superior chemical resistance to a wide range of chemicals

VICTREX PEEK is increasingly being used in the oil and gas industry where its outstanding properties make it the material of choice for applications ranging from sealing rings and downhole connectors to high performance pipes and tubes. VICTREX PEEK is also widely used as a cable sheath or wire coating in both the oil and gas and nuclear power industries. VICTREX PEEK withstands the harshest of environments that require high strength and wear resistance over a wide range of temperatures. Replacing stainless steel in impeller wheels for regenerative pumps, it provides a significant reduction in wear, reduced noise levels and more consistent running properties. It also offers increased application potential in pipe and hose couplings in modern connector technology.



Invibio®

Invibio is an innovative, global leader in high performance biomaterial solutions for medical device manufacturers. Invibio is the sole manufacturer of PEEK-OPTIMA® polymer, PEEK-CLASSIX® polymer and the recently launched ENDOLIGN™ polymer, which are ideally suited for medical devices and pharmaceutical applications requiring the most stringent biocompatibility and biostability. Long-term implantable devices comprising PEEK-OPTIMA polymer have been approved by regulatory agencies in the US, Europe and Asia-Pacific and these devices are providing improved quality of life for people throughout the world.

- PEEK-OPTIMA polymer is designed and manufactured for use in the long-term implantable device market and has been extensively tested to the highest medical industry standards for biocompatibility, safety and biostability. Device and Drug Master Files containing these results (together with other critical information) have been lodged with the US FDA. This information can help device manufacturers accelerate the time for device approvals cost effectively. Invibio offers a "no-change" Supply Assurance Agreement, which guarantees the specification of, and production methods for, the biomaterial over an extended time period. PEEK-OPTIMA polymer based devices are radiolucent and have mechanical properties closer to cortical bone than implantable metals like titanium. Application areas include arthroscopy, cardiovascular, dental, drug delivery, neurology and orthopaedics.
- PEEK-CLASSIX polymer is a biocompatible thermoplastic pre-certified to US Pharmacopoeia Class VI and ISO 10993 testing standards. This enables medical device manufacturers to reduce development time and costs associated with biocompatibility testing for applications requiring blood or tissue contact of less than 30 days. Application areas include analytical equipment, catheters, short-term dental devices, surgical instruments and tubing.
- ENDOLIGN polymer, the recently launched continuous carbon fibre reinforced product incorporating PEEK-OPTIMA polymer, can be converted directly to finished components using composite flow moulding techniques. ENDOLIGN polymer combines the essential characteristics of PEEK-OPTIMA polymer with comparable strengths to traditional metallic implantable materials. Application possibilities in the orthopaedic market include translaminar pins, bone plates and fixation devices where high strength is required.

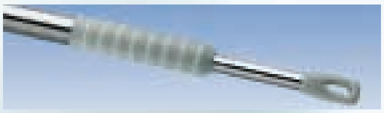
INVIBIO APPLICATION CASE STUDIES

ARTHROSCOPY

Invibio has had considerable success in the arthroscopy market, which comprises the minimally invasive surgical technique for soft tissue repair typically utilised for shoulder and knee procedures. PEEK-OPTIMA polymer offers an ideal alternative to the two materials traditionally used in this technique; metals and resorbable polymers.

Invibio PEEK-OPTIMA polymer performance benefits:

- ▲ Extensive biocompatibility and biostability
- ▲ Non-resorbable and inert attributes
- ▲ Mechanical properties closer to cortical bone than titanium
- ▲ Non-reactive with metal allergies and good lubricity
- ▲ Radiolucent (no image scatter for MRI or radiographs compared with metals)
- ▲ Permanent implant that can be easily removed if revision surgery is required



PEEK-OPTIMA polymer based soft tissue anchor

DENTAL

Invibio has also been actively developing the dental market. In 2005, this resulted in the extensive use of PEEK-CLASSIX polymer (with its pre-certified biocompatibility and aesthetic colour) in temporary dental healing devices. Furthermore, by working closely with Dentanium Technologies AG of Switzerland, PEEK-OPTIMA polymer is used as the basis for the biomaterial Dentanium® which provides a superior solution for metal free denture frameworks particularly crowns, bridges and implant superstructures.

Invibio PEEK-OPTIMA polymer performance benefits:

- ▲ Extensive biocompatibility and biostability
- ▲ High compressive strength and toughness
- ▲ Good aesthetics
- ▲ Metal free solution
- ▲ Reduced allergic reactions
- ▲ Elimination of temperature sensitivity
- ▲ Manufacturing productivity

PEEK-OPTIMA polymer based dentures

the board

Non-executive Directors

Peter Warry (56)
MA CEng FIEE FIMechE FCMA
Non-executive Chairman * † #

Appointed Chairman in 1999. Chairman of the Nominations Committee. Currently Chairman of Kier Group PLC, BSS Group PLC and the Particle Physics and Astronomy Research Council. He has previously held a number of senior positions in the engineering industry.

Anita Frew (48)
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, Northumbrian Water Limited and Securities Trust of Scotland plc. Previously she was an executive Director of Abbott Mead Vickers PLC.

Charles Irving-Swift (51)
BA MBA
Non-executive Director * † #

Appointed in 2002. Chairman of the Audit Committee. Served most recently as Managing Director of Glacier Vandervell Bearings, a global division of Dana Corporation, the US automotive component supplier. He has 27 years experience in the automotive industry, including 16 years in general management.

Jonathan Azis (48)
MA Solicitor
Non-executive Director * † #

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

Executive Directors

David Hummel (47)
BSc
Chief Executive *

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

Michael Peacock (47)
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 (42)
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 (57)
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.

Nominations Committee * Audit Committee † Remuneration Committee #

DIRECTORS' REPORT

The Directors present their Annual Report and Accounts for the year ended 30 September 2005.

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 4.

RESULTS AND DIVIDENDS

Group profit after tax for the year was £23.7m (2004: £19.2m).

The Directors recommend the payment of a final dividend of 9.3p per share, on 1 March 2006, to all shareholders on the register on 3 February 2006. This makes a total dividend of 12.0p per share for the year (2004: 8.6p per share), leaving retained profits of £14.0m (2004: £12.4m) to be transferred to reserves.

SHARE CAPITAL

During the year 720,546 shares were issued in respect of options exercised under employee share schemes, as summarised in note 19 to the financial statements.

OWN SHARES HELD

Details of own shares held are given in note 18 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 2 December 2005:

	Number of ordinary shares	
Schroder Investment Management Limited	9,243,174	11.38%
Fidelity International Limited	4,609,324	5.67%
The AEGON UK plc Group	3,254,492	4.01%
Legal & General Group Plc	3,253,821	4.01%
Standard Life Investments Limited	2,607,233	3.21%

DONATIONS

The Group made charitable donations of £13,698 (2004: £13,265) during the year of which £9,235 (2004: £5,857) was in the UK. No political donations were made (2004: £nil).

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 21 days (2004: 31 days) of purchases. The Company does not have any significant external trade creditors.

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
5 December 2005

CORPORATE GOVERNANCE

The Directors have reviewed the Group's compliance with the Combined Code on Corporate Governance issued by the Financial Services Authority in July 2003 (the 'Code').

For FTSE 250 companies, the Code requires that at least half of the Board, excluding the Chairman, should comprise non-executive Directors determined by the Board to be independent. Since 5 April 2005 (the date on which the Company entered the FTSE 250) the Group has not strictly complied with this requirement as there are four executive Directors and only three independent non-executive Directors although the Board also considers the Chairman to be independent. However the Board is unanimously of the view that the current balance between executive and non-executive members is conducive to the good governance of the business. Furthermore, the Board considers that, having taken advice from the Nominations Committee and in view of his skills, experience and training the Chairman's continued membership of the Audit and Remuneration Committees is beneficial.

Subject to the above paragraph, the Directors confirm that the Group complied in all respects 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 responsibility for 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 sufficient 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.

Training (including social, environmental and ethical matters) is provided for new Directors and subsequently as required. Directors can take independent professional advice 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 the Commercial Director, 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 and the Disclosure Committee whose membership is set out below.

The terms of reference of the Committees 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 (excluding the Chairman) 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 four 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 auditor taking into account the non-audit services provided by them.

Such non-audit services require approval by the Committee. In considering whether the provision of such services could impair the external auditor's independence or objectivity, the Committee is governed by the following guidelines, which are incorporated in its terms of reference:

- whether the skills and experience of the audit firm make it a suitable supplier of the non-audit service under consideration;
- whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- the nature of the non-audit services, the related fee levels individually and in aggregate relative to the audit fee and,
- the criteria which govern the compensation of the individuals performing the audit.

In principle the external auditor should not provide any service which:

- results in the external auditor auditing its own firm's work;
- leads to the external auditor making a management decision for the Company;
- creates a mutuality of interest or,
- leads to the external auditor being put in the role of advocate for the Company.

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

At its meeting on 26 November 2004, the Committee reviewed the Company's preliminary announcement of its results for the financial year ended 30 September 2004, and the draft report and accounts for that year. The external auditor reported to the Committee on the conduct of their audit, their review of the accounts, including accounting policies and areas of judgement, and

CORPORATE GOVERNANCE continued

commented on risk management and control matters. The results of regular internal control reviews were also considered, together with an update on the implementation of International Financial Reporting Standards ("IFRS"). The Committee carried out the annual appraisal of the external auditor (including reviewing non-audit fees) and the effectiveness of the audit process.

The Committee met on 8 February 2005 to carry out a detailed review of the impact of implementing IFRS.

At its meeting on 25 May 2005, the Committee reviewed the Company's interim results announcement and draft half year report. The external auditor reported to the Committee on their review. The Committee also reviewed the draft IFRS guidance announcement and considered the results of regular internal control reviews.

On 26 September 2005, the external auditor presented their proposed fees and scope for the audit for the year ended 30 September 2005. The Committee also carried out its annual performance appraisal and terms of reference review.

DISCLOSURE COMMITTEE

(Chairman – Peter Warry, David Hummel or Michael Peacock)

At the end of the year the Company established a Disclosure Committee. The Committee's responsibilities are to ensure that the Company's obligations to make timely and accurate disclosure of information in accordance with any applicable law or regulation are met in circumstances where it is impractical for the Board, or any other Board Committee with delegated responsibility, to fulfil those obligations. In accordance with these responsibilities the Committee may make disclosures on behalf of the Board.

The Committee comprises all Directors of the Company and senior finance executives. The Chairman of each Committee meeting will be appointed on an ad hoc basis. A quorum for a Committee meeting will be any two Committee members, provided that this includes at least one of the Company's Chairman, the Chief Executive or the Finance Director. Meetings of the Committee may be called by any member of the Committee on any period of notice provided that notice is given to all members.

The Committee will consider the circumstances that give rise to the potential need for a disclosure, whether it is practical for the Board or any other Board Committee to consider the potential disclosure and, if it is impractical, the form and content of a disclosure to be made on behalf of the Board.

The Committee will take such advice, including advice from the Company's brokers, external auditors and legal advisers, on the form and content of any disclosure it is considering, as it decides in the circumstances is in the interests of the Company.

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.

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 2005 (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

(Chairman - Tim Walker)

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

(Chairman - David Hummel)

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. The Board is responsible for setting the hedging policy.

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

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

Profitability can nevertheless vary due to the impact of fluctuating exchange rates on the uncovered portion of the transaction exposures and from revised forecasts of future trading, which can lead to an adjustment of currency cover in place. The impact of this hedging policy is disclosed in notes 20 and 28 to the financial statements.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

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

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

GOING CONCERN

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

REPORT ON DIRECTORS' REMUNERATION

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

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

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

The Remuneration Committee consists entirely of non-executive Directors, as set out on page 16, and is chaired by Anita Frew. The Remuneration Committee has access to independent advice where it considers it appropriate.

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 executive 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, basic salary would represent 37.75% of total remuneration, annual bonus 24.5% and LTIP 37.75% (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 65% of basic salary for the year ended 30 September 2005. This was determined by reference to performance targets based on the Group's financial results (up to 45% 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 2005 was 65% of basic salary. This comprised 45% based on performance against budgeted Group profit before tax and 20% 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 TSR element of an award will vest in full if the TSR ranks in the upper quartile, as measured over the three year period, relative to the constituents of the FTSE 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 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 Executive 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. The Company does not intend to grant options to executive Directors under the Victrex 2005 Executive Share Option Plan.

Michael Peacock and Tim Walker, residents of the UK, can participate in the 2005 UK Sharesave Plan and the Group's All Employee Share Ownership Scheme on the same basis as other UK employees.

David Hummel and Blair Souder, residents of the US, can participate in the Victrex 2005 Employee Stock Purchase Plan on the same basis as other US 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, at the Board's discretion, for early termination by way of payment of salary in lieu of 12 months notice. 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.

The service agreement of Blair Souder provides for payment of salary in lieu of 12 months notice (unmitigated) in the event of a change of control of the Company. This agreement is governed by and interpreted in accordance with the laws of Massachusetts.

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 2005 was as follows:

	Date of service contract	Basic salary £	Bonus £	Benefits in kind £	Total 2005 £	Total 2004 £
Executive Directors						
D R Hummel	6 Dec 95	259,788[(1)]	140,587	9,960	**410,335**	364,787
M W Peacock	1 Feb 00	172,566[(1)]	103,228	15,613	**291,407**	241,427
B Souder	16 Sept 02	155,901[(1)]	93,413	12,509	**261,823**	228,706
T J Walker	1 May 99	171,188[(1)]	97,598	2,724	**271,510**	223,897
Chairman						
P T Warry	1 Oct 01	77,651	–	–	**77,651**	75,243
Non-executive Directors						
A M Frew	1 Aug 00	28,300	–	–	**28,300**	25,000
J G A Azis	22 Sept 03	25,800	–	–	**25,800**	25,000
C E Irving-Swift	12 Feb 02	28,300	–	–	**28,300**	25,000
Total remuneration		919,494	434,826	40,806	**1,395,126**	1,209,060

The total payments (including pension contributions) made to the highest paid Director, D R Hummel, were £418,434 (2004: £375,343).

[(1)] In accordance with the policy outlined on page 20, basic salary for D R Hummel includes an additional salary supplement of £33,070 with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme and £6,250 and £2,085 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 £13,753 and £11,588 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 30/09/05	Accrued benefit at 30/09/04 £	Change in accrued benefit due to inflation £	Change in accrued benefit due to other factors £	Accrued benefit at 30/09/05 £	Transfer value at 30/09/04 £	Directors' contributions £	Increase in transfer value net of Directors' contributions £	Transfer value at 30/09/05 £
M W Peacock	47	8,892	236	2,042	**11,170**	73,518	5,100	17,363	**95,981**
T J Walker	57	10,321	274	2,054	**12,649**	131,328	5,100	31,223	**167,651**

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 £12,449 and £22,121 respectively.

The cost of pension contributions payable and accrued under defined contribution arrangements for D R Hummel and B Souder amounted to £9,476 (2004: £10,556) and £10,320 (2004: £10,332) respectively.

Directors' shares

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

	30/09/05 Beneficial	30/09/05 Non-beneficial	30/09/04 Beneficial	30/09/04 Non-beneficial
Executive Directors				
D R Hummel	3,638,629	179,000	3,505,931	254,000
M W Peacock	24,968	–	1,000	–
B Souder	2,000	–	2,000	–
T J Walker	70,639	–	21,576	–
Chairman				
P T Warry	57,067	–	57,067	–
Non-executive Directors				
A M Frew	9,184	–	9,184	–
J G A Azis	1,125	–	1,125	–
C E Irving-Swift	1,000	–	1,000	–

Between 30 September 2005 and 2 December 2005, the beneficial shareholding for T J Walker increased by 42 shares.

The Directors' share options at 30 September 2005 under the Victrex 1995 Employee Share Option Scheme were as follows:

	30/09/05	30/09/04	Exercise price [1]	Normal exercise period
D R Hummel	–	112,903	170.0p	1998-2005
B Souder	100,000	100,000	214.0p	2005-2012
T J Walker	–	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.

On 6 April 2005 D R Hummel exercised 112,903 share options at an option price of 170.0p per share when the market price was 445.0p per share.

On 8 September 2005 T J Walker exercised 50,000 share options at an option price of 187.5p per share when the market price was 603.75p per share.

REPORT ON DIRECTORS' REMUNERATION continued

The mid-market price of Victrex plc shares at 30 September 2005 was 598.5p (2004: 314p). The range in the financial year was 321.25p to 604.5p (2004: 314p to 393p).

The Directors' Sharesave options at 30 September 2005 were as follows:

	30/09/05	30/09/04	Exercise price [1]	Normal exercise period
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 2005, as set out below, were as follows:

	30/09/04	Granted in year	Exercised in year	Lapsed in year	30/09/05
D R Hummel	313,766	47,038	(116,247)	–	244,557
M W Peacock	163,266	35,849	(40,000)	–	159,115
B Souder	93,029	31,255	–	–	124,284
T J Walker	160,858	33,893	(40,000)	–	154,751
	730,919	148,035	(196,247)	–	682,707

The market value of the shares granted in the year was 443p per share on the date of the grant.

On 6 April 2005 D R Hummel, M W Peacock and T J Walker exercised 116,247, 40,000 and 40,000 shares respectively at an option price of £nil when the market price was 445p per share.

Outstanding option awards granted annually under the LTIP:

Granted in year	2001	2002	2003	2004	2005	30/09/05
D R Hummel	43,845	10,044	81,490	62,140	47,038	244,557
M W Peacock	22,367	5,778	50,970	44,151	35,849	159,115
B Souder	–	–	51,740	41,289	31,255	124,284
T J Walker	22,367	5,778	50,970	41,743	33,893	154,751
	88,579	21,600	235,170	189,323	148,035	682,707
LTIP performance period - three years ending	30/09/03	30/09/04	30/09/05	30/09/06	30/09/07	
Total Shareholder Return[1]	27th	108th	46th	n/a[3]	n/a[3]	
EPS growth[2]	7.6%	4.8%	19.0%	n/a[3]	n/a[3]	
Exercisable rate (% of grant)	74.88%	14.40%	100%	n/a[3]	n/a[3]	

[1] Victrex plc's Total Shareholder Return ranked relative to companies in the FTSE 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.

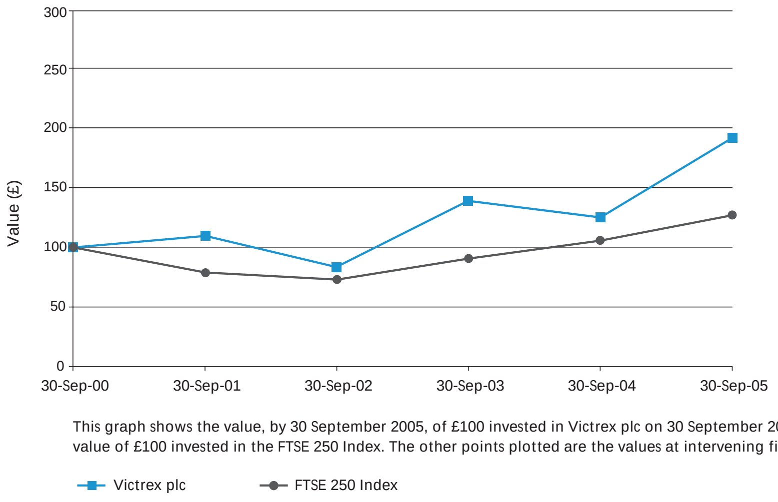
[3] The three year performance periods in respect of the awards granted in 2004 and 2005 are not yet complete and hence the excercisable rate has yet to be determined.

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 250 index. The FTSE 250 index has been selected for consistency as it is the index against which the Company's Total Shareholder Return is measured for the purposes of the LTIP. In addition, the Company is a constituent of the index.

Total Shareholder Return
Source: Thomson Financial



This graph shows the value, by 30 September 2005, of £100 invested in Victrex plc on 30 September 2000 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the values at intervening financial year-ends.

ANITA FREW
Chairman of the Remuneration Committee
5 December 2005

CORPORATE SOCIAL RESPONSIBILITY REPORT

As noted on page 15, the Board considers that the management of safety, health, environmental, social and ethical matters forms a key element of effective corporate governance. These areas are managed in conjunction with all other business risks and are covered by the internal control systems and procedures outlined on page 17.

A review of the Group's policies related to safety, health, environment, human resources and business ethics is set out below.

SAFETY, HEALTH AND ENVIRONMENT ("SHE")

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.

These 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 and,
- ensuring that all employees contribute to improving safety, health and environmental performance through regular and effective communication and consultation.

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 support 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.

The Group's excellent health and safety performance has continued with no employees having a reportable injury for the seventeenth successive year. The Group received the Royal Society for the Prevention of Accidents ("RoSPA") Gold Medal in 2005 for the fourth year, following five consecutive years of receiving the RoSPA Gold Award.

As in 2003 and 2004, there have again been no prosecutions, fines or enforcement action as a result of non-compliance with safety, health or environmental legislation.

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 was one reportable environmental incident during the year. As part of routine monitoring of emissions at our Rotherham plant, the amount of oxides of nitrogen released was found to be marginally greater than our agreed limit on one occasion.

The significant environmental impacts of our business are currently regulated by Integrated Pollution Control legislation and Integrated Pollution Prevention and Control legislation. These regimes impose restrictions on emissions to air and controlled water. We seek to minimise the environmental impacts of our business as far as practicable against a general background of business expansion.

REACH

We have been monitoring the development of the forthcoming Registration, Evaluation, and Authorisation of Chemicals Regulations ("REACH") and their potential impact on Victrex. Implementation of the regulations is due to commence in 2006 although full implementation is not expected to be completed until 2010. Although we cannot precisely quantify the financial impact on Victrex at this stage, we do not expect it to be material, particularly as polymers are currently outside the scope of the regulations.

EMPLOYEES

We recognise our talented and diverse workforce as a key business asset. Our business success is a reflection of the quality and skill of our people. Victrex is committed to seeking out, retaining and developing the highest calibre employees to maximise business growth and performance. Assessment of ongoing training needs comprises a key element of the annual appraisal process.

We operate an equal opportunities policy and regard this as a commitment to make full use of the talents and resources of all our employees, and to provide a healthy environment which will encourage good and productive working relationships within the organisation.

In Victrex, diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking style, experience, and education. We believe that the wide array of perspectives that result from such diversity promotes innovation and business success. As part of this policy, Victrex gives due consideration to employment applications from disabled people consistent with their capabilities and provides every opportunity to employees who become disabled to continue employment with appropriate training and career development.

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.

The Company supports employee share ownership, and where practical offers the opportunity to participate in share schemes. As at 30 September 2005, approximately 68% of employees worldwide were participants in employee share schemes, principally as option holders under the Company's employee share options schemes.

We also sponsor pension plans for employees throughout the world. These comprise a mixture of defined benefit or defined contribution arrangements, savings schemes and provident funds designed to provide appropriate retirement benefits based on local laws, custom and market practice. Details of the Group's principal pension schemes are set out in note 22 to the financial statements.

Largely as a result of the above approach, Victrex has low employee turnover, 4.5% in 2005.

BUSINESS ETHICS

We have recently introduced a formal global ethics policy which incorporates the Group's key principles and standards governing business conduct towards our key stakeholder groups. We believe that we should treat all of these groups with honesty and integrity. Our policy is set out below:

Our Customers

We recognise that satisfied customers underpin our future commercial prosperity, and that understanding and meeting their needs is key to our success.

We will seek to:

- have our product available to meet our promised delivery schedules, and deliver them when they are needed;
- continuously improve the quality and performance of our products and services in line with customer needs;
- provide prompt technical support for the products that customers have purchased;
- provide timely, reliable technical advice to customers on new product applications;
- collaborate with customers to provide innovative solutions to their material requirements and,
- operate to the highest ethical and business conduct standards.

CORPORATE SOCIAL RESPONSIBILITY REPORT continued

Our Suppliers

Our commitment to our customers is underpinned by a strong supply chain.

We will seek to:

- maintain appropriate standards of business conduct in our dealings with our suppliers;
- encourage suppliers to adopt similar principles and standards of business conduct to Victrex's own;
- where appropriate, collaborate with our suppliers to increase the performance, quality and efficiency of the supply chain;
- adhere to the contract terms agreed with suppliers and,
- encourage our suppliers to meet Victrex's own safety, health and environment standards.

Our Employees

We recognise that, whilst being an asset-based business, Victrex relies heavily on the skills, experience and competence of our employees to produce our products safely and efficiently, develop innovative new products, and support business development in our existing and new markets.

We will seek to:

- provide a clean, safe working environment which meets all legislative requirements and to provide all the necessary training support for employees to operate safely within it;
- provide appropriate remuneration for work carried out, and equal opportunities for development and career advancement;
- be intolerant of any unacceptable working practices such as any form of discrimination, bullying or harassment;
- prohibit the illegal use of drugs on our sites and encourage anyone with any form of addiction to seek help and,
- be intolerant of any corrupt practices by any level of employee and to encourage whistle blowing (through our formal procedure) if such practices are encountered. In particular, improper payments are prohibited and no gift whose value is material and could be interpreted as a form of inducement, should be offered or accepted by any employee.

Our Shareholders

Our shareholders are the ultimate owners of the business and we recognise that we have responsibilities towards them as stewards of their investments.

We will seek to:

- grow our business over time to maximise shareholder value;
- communicate in an open and timely manner regarding the performance, position and prospects of the business and,
- maintain sound systems of corporate governance to ensure that the Company is well directed and managed.

The Environment

We recognise that our operations have an impact on the environment, and that we have a responsibility to minimise this.

We will seek to:

- work within the regulatory frameworks of the countries in which we operate and apply appropriate standards and,
- minimise the environmental impacts of our operations as far as reasonably practicable.

The above Business Ethics Policy is supported by detailed regional procedures which are either already in place, or are being rolled out in the course of the current financial year. Implementation of these procedures is being supported and monitored by the Risk Management Committee.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF VICTREX PLC

We have audited the financial statements on pages 29 to 49. 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 corporate governance statement on pages 15 to 18 reflects the Company's compliance with the nine provisions of the 2003 FRC 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 control 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 2005 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
5 December 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September		Note	2005 £000	2004 £000
Turnover: Group and share of Japanese joint venture			108,741	93,497
Less: share of Japanese joint venture			(7,126)	(6,921)
Turnover		*2*	101,615	86,576
Cost of sales			(43,628)	(38,915)
Gross profit			57,987	47,661
Sales, marketing and administrative expenses			(23,733)	(19,905)
Group operating profit			34,254	27,756
Share of operating profit in Japanese joint venture			549	570
Total operating profit			34,803	28,326
Interest receivable		*5*	419	271
Interest payable and other similar charges		*6*	(143)	(138)
Profit on ordinary activities before taxation		*2-6*	35,079	28,459
Taxation on profit on ordinary activities		*7*	(11,401)	(9,249)
Profit on ordinary activities after taxation			23,678	19,210
Equity dividends paid and proposed		*8*	(9,682)	(6,853)
Retained profit for the financial year		*18*	13,996	12,357
The Company			2,856	6,005
Group undertakings and joint venture			11,140	6,352
			13,996	12,357
Earnings per ordinary share	Basic	*9*	29.3p	23.9p
	Diluted	*9*	29.0p	23.7p

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 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Fixed assets					
Intangible assets	*10*	**9,155**	6,677	**–**	–
Tangible assets	*11*	**63,812**	49,347	**–**	–
Investments	*12*	**–**	–	**11,251**	11,251
Investment in Japanese joint venture:					
share of gross assets	*12*	**2,291**	2,089	**–**	–
share of gross liabilities	*12*	**(2,266)**	(1,800)	**–**	–
		72,992	56,313	**11,251**	11,251
Current assets					
Stocks	*13*	**19,936**	18,833	**–**	–
Debtors	*14*	**13,049**	10,578	**60,077**	52,833
Cash at bank and in hand		**15,821**	17,004	**17**	32
		48,806	46,415	**60,094**	52,865
Creditors: amounts falling due within one year	*15*	**(24,854)**	(22,704)	**(9,635)**	(7,045)
Net current assets		**23,952**	23,711	**50,459**	45,820
Total assets less current liabilities		**96,944**	80,024	**61,710**	57,071
Provisions for liabilities and charges	*16*	**(6,770)**	(6,070)	**–**	–
Net assets		**90,174**	73,954	**61,710**	57,071
Capital and reserves					
Called up share capital	*17-18*	**812**	805	**812**	805
Share premium account	*18*	**15,243**	13,383	**15,243**	13,383
Profit and loss account	*18*	**74,119**	59,766	**45,655**	42,883
Equity shareholders' funds		**90,174**	73,954	**61,710**	57,071

These financial statements were approved by the Board of Directors on 5 December 2005 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	2005 £000	2004 £000
Net cash inflow from operating activities	*24*	**37,158**	32,336
Return on investments and servicing of finance			
Interest received		**419**	273
Interest paid		**(49)**	(36)
Net cash inflow from returns on investment and servicing of finance		**370**	237
Taxation – Taxation paid		**(9,734)**	(6,070)
Net cash outflow from capital expenditure – Purchase of tangible fixed assets		**(6,017)**	(9,468)
Acquisitions			
Purchase of business (including opening inventory)	*25*	**(16,300)**	–
Associated acquisition costs including stamp duty	*25*	**(1,447)**	–
Net cash outflow from acquisition		**(17,747)**	–
Equity dividends paid		**(6,996)**	(6,112)
Net cash (outflow)/inflow before financing		**(2,966)**	10,923
Financing			
Issue of ordinary shares exercised under option		**7**	3
Premium on issue of ordinary shares exercised under option		**1,860**	640
Purchase of own shares held		**(84)**	(602)
Net cash inflow from financing		**1,783**	41
(Decrease)/increase in cash in the year	*26*	**(1,183)**	10,964

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September	2005 £000	2004 £000
Profit for the financial year	**23,678**	19,210
Exchange loss on consolidation	**(114)**	(24)
Total recognised gains and losses relating to the financial year	**23,564**	19,186

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
For the year ended 30 September	2005 £000	2004 £000	2005 £000	2004 £000
Profit for the financial year	**23,678**	19,210	**12,538**	12,858
Equity dividends paid and proposed	**(9,682)**	(6,853)	**(9,682)**	(6,853)
Retained profit for the financial year	**13,996**	12,357	**2,856**	6,005
Exchange loss on consolidation	**(114)**	(24)	**–**	–
Issue of ordinary shares exercised under option	**7**	3	**7**	3
Premium on issue of ordinary shares exercised under option	**1,860**	640	**1,860**	640
Purchase of own shares held	**(84)**	(602)	**(84)**	(602)
LTIP charge	**555**	443	**–**	–
Net movement in shareholders' funds	**16,220**	12,817	**4,639**	6,046
Opening shareholders' funds	**73,954**	61,137	**57,071**	51,025
Closing shareholders' funds	**90,174**	73,954	**61,710**	57,071

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 2005.

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 the results 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.

Prior to the purchase of the operations of Degussa AG relating to the manufacture of BDF on 1 April 2005, the agreement with Laporte Amalgamation plc (now owned by Degussa AG) was 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

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 In accordance with UITF Abstract 38 Accounting for ESOP Trusts and a revision of Abstract 17 Employee Share Schemes, the Group's own shares held by employee trusts, which are held at the lower of purchase cost or net realisable value, are deducted in arriving at shareholders' funds. The charge for the LTIP is also within shareholders' funds. The Group has taken advantage of the exemption permitted by UITF Abstract 17 (revised 2004) 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:

	2005 £000	2004 £000
Europe	52,671	45,469
United States of America	32,444	28,799
Asia-Pacific	16,500	12,308
	101,615	86,576

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

	2005 £000	2004 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration: Audit services	101	78
Tax services	15	19
Other services	55	19
Amortisation of intangible fixed assets	1,469	1,272
Depreciation and other amounts written off owned tangible fixed assets	4,061	3,588
Hire of plant and machinery – rentals payable under operating leases	517	305
Hire of other assets – rentals payable under operating leases	239	118
Research and development costs	4,165	3,470

The audit fee for the Company was £15,000 (2004: £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	2005	2004
Operations	149	113
Technical	49	43
Commercial	78	66
Administration	41	35
	317	257

The aggregate payroll costs of these people were as follows:

	2005 £000	2004 £000
Wages and salaries	14,227	11,194
Social security costs	1,253	912
Other pension costs (see note 22)	1,583	1,326
	17,063	13,432

5 Interest receivable

	2005 £000	2004 £000
Bank interest receivable	419	271

6 Interest payable and other similar charges

	2005 £000	2004 £000
On bank loans and overdrafts repayable within five years	126	120
Other finance costs	12	12
Share of Japanese joint venture	5	6
	143	138

7 Taxation

(i) Analysis of tax charge in the year

	2005 £000	2004 £000
Current tax		
UK corporation tax at 30% (2004: 30%)	8,897	6,972
Foreign tax on profits for the year	1,955	884
Foreign corporation tax adjustments relating to prior years	(310)	–
UK corporation tax adjustments relating to prior years	–	37
Share of Japanese joint venture	191	269
Share of Laporte arrangement	(32)	276
Total current tax	10,701	8,438
Deferred tax		
Origination and reversal of timing differences	1,520	999
Increase in discount	(820)	(188)
Total deferred tax	700	811
Total taxation	11,401	9,249

(ii) Factors affecting the tax charge for the year

	2005 £000	2004 £000
Profit on ordinary activities before taxation	35,079	28,459
Tax charge at UK corporation tax rate of 30% (2004: 30%)	10,524	8,538
Effects of:		
Expenses not deductible for tax purposes	1,506	610
Capital allowances for the year in excess of depreciation	(1,566)	(1,118)
Movement in short-term timing differences	46	119
Higher rates of tax on overseas earnings	651	380
UK research and development tax credits	(150)	(128)
Adjustments to UK tax charge relating to prior years	–	37
Adjustments to foreign tax charge relating to prior years	(310)	–
Current tax charge for the year	10,701	8,438

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

	2005 £000	2004 £000
Interim dividend at 2.7p per share (2004: 2.4p per share)	2,127	1,861
Final proposed dividend at 9.3p per share (2004: 6.2p per share)	7,555	4,992
	9,682	6,853

9 Earnings per share

	2005	2004
Basic	29.3p	23.9p
Diluted	29.0p	23.7p

Earnings per ordinary share is based on the Group's profit on ordinary activities after taxation of £23,678,000 (2004: £19,210,000).

The weighted average number of shares used in the calculation is: – Basic 80,821,490 (2004: 80,394,636);
– Diluted 81,692,949 (2004: 80,945,671).

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 of year	6,619	6,100	12,719
Additions (see note 25)	3,947	–	3,947
At end of year	10,566	6,100	16,666
Amortisation			
At beginning of year	3,144	2,898	6,042
Charge for the year	860	609	1,469
At end of year	4,004	3,507	7,511
Net book value			
At 30 September 2005	6,562	2,593	9,155
At 30 September 2004	3,475	3,202	6,677

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	2,288	1,223	54,551	3,445	334	7,354	69,195
Exchange rate adjustment	–	–	–	(3)	(3)	–	(6)
Additions	–	1,019	12,980	794	37	3,696	18,526
Disposals	–	–	(43)	(164)	(14)	–	(221)
Reclassification	–	–	7,105	–	–	(7,105)	–
At end of year	**2,288**	**2,242**	**74,593**	**4,072**	**354**	**3,945**	**87,494**
Depreciation							
At beginning of year	583	31	16,354	2,625	255	–	19,848
Exchange rate adjustment	–	–	–	(2)	(2)	–	(4)
Disposals	–	–	(43)	(164)	(14)	–	(221)
Charge for the year	79	42	3,437	461	40	–	4,059
At end of year	**662**	**73**	**19,748**	**2,920**	**279**	**–**	**23,682**
Net book value							
At 30 September 2005	**1,626**	**2,169**	**54,845**	**1,152**	**75**	**3,945**	**63,812**
At 30 September 2004	1,705	1,192	38,197	820	79	7,354	49,347

The Company has no tangible fixed assets.

The cost of freehold land not depreciated is £818,000.

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 £25,000 (2004: positive balance of £289,000).

COMPANY	Shares in Japanese joint venture £000	Shares in Group undertakings £000	Total £000
Cost and net book value			
At beginning and end of year	**131**	**11,120**	**11,251**

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%

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.

13 Stocks

	Group		Company	
	2005 £000	2004 £000	**2005 £000**	2004 £000
Raw materials and consumables	**7,268**	5,193	**–**	–
Work in progress	**1,543**	591	**–**	–
Finished goods and goods for resale	**11,125**	13,049	**–**	–
	19,936	18,833	**–**	–

14 Debtors

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade debtors	8,668	7,393	–	–
Amounts owed by subsidiary undertakings	–	–	60,077	52,811
Amounts owed by Japanese joint venture	2,566	1,273	–	–
Other debtors	799	1,494	–	22
Prepayments and accrued income	1,016	418	–	–
	13,049	10,578	60,077	52,833

There were no amounts due after one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade creditors	3,233	4,715	5	32
Amounts owed to Group undertakings	–	–	2,345	2,262
Other creditors including taxation and social security:				
Corporation tax	5,866	5,104	(280)	(246)
Other creditors	501	412	–	–
Accruals and deferred income	7,699	7,481	10	5
Dividends proposed	7,555	4,992	7,555	4,992
	24,854	22,704	9,635	7,045

No interest is payable on financial liabilities, except for 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 when applicable.

NOTES TO THE FINANCIAL STATEMENTS continued

16 Provisions for liabilities and charges

The amounts provided for deferred taxation are set out below:

Timing differences	2005 £000	2004 £000
Capital allowances in excess of depreciation	9,593	8,027
Short-term timing differences	(243)	(197)
Undiscounted provision for deferred taxation	9,350	7,830
Discount	(2,580)	(1,760)
Discounted provision for deferred taxation	6,770	6,070
Provision at beginning of year	6,070	5,259
Deferred taxation charge in profit and loss account (see note 7)	700	811
Provision at end of year	6,770	6,070

No timing differences have arisen in the Company.

17 Called up share capital

	2005 £	2004 £
Authorised ordinary shares of 1p each	1,100,000	1,100,000
Allotted, called up and fully paid ordinary shares of 1p each	812,356	805,150

18 Share capital and reserves

GROUP	Share capital £000	Share premium account £000	Profit and loss account £000
At beginning of year	805	13,383	59,766
Retained profit for year	–	–	13,996
Issue of ordinary shares exercised under option	7	–	–
Premium on issue of ordinary shares under option	–	1,860	–
Purchase of own shares held	–	–	(84)
LTIP charge	–	–	555
Exchange adjustment	–	–	(114)
At end of year	**812**	**15,243**	**74,119**

COMPANY			
At beginning of year	805	13,383	42,883
Retained profit for year	–	–	2,856
Issue of ordinary shares exercised under option	7	–	–
Premium on issue of ordinary shares under option	–	1,860	–
Purchase of own shares held	–	–	(84)
At end of year	**812**	**15,243**	**45,655**

The Company's profit for the year was £12,538,000 before the payment of dividends (2004: £12,858,000).

The cumulative amount of goodwill resulting from acquisitions which has been written off directly against reserves is £9,095,000 (2004: £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 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. During the year the Company purchased 18,583 ordinary shares of 1p each for an aggregate consideration of £83,649. At the time of purchase this represented 0.02% of issued share capital. The total number of shares held in trust as at 30 September 2005 was 681,666 (2004: 859,330).

The market value of these shares at 30 September 2005 was £4,079,771 (2004: £2,698,296).

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

Executive share option schemes

During the year options over 6,741 shares were granted to employees at an option price of 408p per share and options over 501,169 shares were granted to employees at an option price of 450p.

Options over 671,379 shares were exercised during the year. Total consideration was £1,742,933.

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 1997	20,436	227.5p	2000-2007
June 1999	16,820	187.5p	2002-2009
January 2000	6,200	171p	2003-2010
June 2000	52,895	234p	2003-2010
January 2001	5,756	351p	2004-2011
July 2001	42,815	388p	2004-2011
June 2002	51,140	316.5p	2005-2012
October 2002	100,000	214p	2005-2012
December 2002	47,282	257.5p	2005-2012
April 2003	25,000	265p	2006-2013
June 2003	225,090	317.5p	2006-2013
December 2003	60,064	327p	2006-2013
July 2004	420,232	355p	2007-2014
October 2004	25,000	336.5p	2007-2014
December 2004	59,335	365p	2007-2014
February 2005	6,741	408p	2008-2015
June 2005	501,169	450p	2008-2015
	1,665,975		

Sharesave schemes

During the year options over 114,884 shares were granted to employees at an option price of 303p per share.

Options over 49,167 shares were exercised during the year. Total consideration was £124,884.

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 2003	182,371	206p	2006
March 2004	85,659	262p	2007
March 2004	34,955	262p	2009
March 2005	92,707	303p	2008
March 2005	18,427	303p	2010
	414,119		

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.

PRIMARY FINANCIAL INSTRUMENTS	2005 Book value £000	2005 Fair value £000	2004 Book value £000	2004 Fair value £000
Trade debtors	**11,234**	**11,022**	8,666	8,232
Cash at bank and in hand	**15,821**	**15,748**	17,004	16,813
Short-term liabilities (trade creditors, bank overdraft and accruals)	**(10,932)**	**(10,949)**	(12,196)	(12,073)
	16,123	**15,821**	13,474	12,972

DERIVATIVE FINANCIAL INSTRUMENTS (HEDGES)				
Forward foreign currency contracts	**302**	**427**	502	1,117

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 18. 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 £000
At 30 September 2005	**1,023**	**(898)**	**125**
At 30 September 2004	1,041	(426)	615

All gains and losses that were unrecognised, on a fair market value basis, at 30 September 2004 have been recognised during the year. All gains and losses that are unrecognised, on a fair market value basis, at 30 September 2005 are expected to be recognised in the year to 30 September 2006.

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	
	2005 £000	2004 £000	2005 £000	2004 £000
Contracted	6,130	2,499	–	–
Authorised but not contracted	23,931	2,890	–	–

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

GROUP	2005 Land and buildings £000	2005 Other £000	2004 Land and buildings £000	2004 Other £000
Operating leases which expire:				
Within one year	43	93	34	61
In the second to fifth years inclusive	141	388	80	265
Over five years	130	2	–	11
	314	483	114	337

JAPANESE JOINT VENTURE	£000	£000	£000	£000
Operating leases which expire:				
Within one year	108	–	–	2
In the second to fifth years inclusive	79	1	214	–
	187	1	214	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 £1,311,000 (2004: £1,031,000). 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 £272,000 (2004: £295,000).

(ii) FRS 17

The valuation used for FRS 17 disclosures has been based on a review of the fund at 31 March 2005. This has been amended to take account of the requirements of FRS 17 and updated to 30 September 2005. The principal assumptions are set out below:

	At 30 September 2005	At 30 September 2004
Discount rate	**4.95%**	5.40%
Rate of increase in pensionable salaries	**4.63%**	4.83%
Rate of increase in pensions in payment and inflation	**2.88%**	3.08%

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 2005	At 30 September 2005 £000	At 30 September 2004	At 30 September 2004 £000	At 30 September 2003	At 30 September 2003 £000
Equities	7.5%	12,661	8.0%	8,990	8.0%	7,235
Bonds	4.5%	742	5.4%	696	4.5%	1,072
Cash	4.0%	383	4.5%	820	3.5%	201
Total market value of assets		13,786		10,506		8,508
Actuarial value of liability		(21,598)		(18,690)		(15,037)
Deficit in the scheme		(7,812)		(8,184)		(6,529)
Related deferred taxation asset		2,344		2,455		1,959
Net pension liability		(5,468)		(5,729)		(4,570)

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

Operating profit	2005 £000	2004 £000
Current service cost	(1,246)	(1,297)
Past service cost	–	–
Total operating charge	(1,246)	(1,297)

Other finance income/(expenditure)	2005 £000	2004 £000
Expected return on pension scheme assets	834	665
Interest on pension scheme liabilities	(1,061)	(843)
Net return	(227)	(178)

Statement of total recognised gains and losses	2005 £000	2004 £000
Actual return less expected return on pension scheme assets	1,716	400
Experience gains and losses arising on the scheme liabilities	521	152
Changes in assumptions underlying the present value of the scheme liabilities	(1,425)	(1,820)
Actuarial gain/(loss)	812	(1,268)

Movement in deficit during the year

	2005 £000	2004 £000
Deficit in scheme at beginning of year	(8,184)	(6,529)
Current service cost	(1,246)	(1,297)
Contributions	1,033	1,088
Other finance expenditure	(227)	(178)
Actuarial gain/(loss)	812	(1,268)
Deficit in scheme at end of year	(7,812)	(8,184)

History of experience gains and losses

	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:				
Amount (£000)	1,716	400	204	(1,334)
Percentage of scheme assets	12.4%	3.8%	2.4%	(19.5%)
Experience gains and losses on scheme liabilities:				
Amount (£000)	721	152	(108)	52
Percentage of present value of the scheme liabilities	3.3%	0.8%	(0.7%)	0.5%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	812	(1,268)	(1,866)	(1,554)
Percentage of present value of the scheme liabilities	3.8%	(6.8%)	(12.4%)	(13.7%)

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 £12,199,000 (2004: £9,037,000). The balance due as at 30 September 2005 from the Japanese joint venture was £2,566,000 (2004: £1,273,000).

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

	2005 £000	2004 £000
Operating profit	34,803	28,326
Depreciation and amortisation charge	5,508	4,860
Earnings before interest, taxation, depreciation and amortisation	40,311	33,186
Increase in stocks	(203)	(2,418)
Increase in debtors	(2,483)	(1,221)
(Decrease)/increase in creditors	(838)	3,130
LTIP charge	555	443
Japanese joint venture profit in stock elimination	479	(190)
Share of operating profit in Japanese joint venture	(549)	(570)
Effect of foreign exchange rate changes	(114)	(24)
Net cash inflow from operating activities	37,158	32,336

NOTES TO THE FINANCIAL STATEMENTS continued

25 Purchase of business

On 1 April 2005 the BDF material manufacturing operations were acquired from Degussa AG.

Net assets acquired	£000
Tangible fixed assets	12,900
Goodwill	2,500
Stock	900
	16,300
Associated acquisition costs including stamp duty	1,447
Total cash consideration	**17,747**

The resulting goodwill was capitalised and is being amortised to the profit and loss account over its estimated useful economic life of 10 years.

This acquisition was funded from existing cash resources and borrowing facilities. No fair value adjustments were made in relation to the acquired assets.

Profit before tax attributable to these assets for the year ended 31 December 2004 amounted to £4.9m.

26 Reconciliation of net cash flow to movement in net cash

	2005 £000	2004 £000
(Decrease)/increase in cash in year	**(1,183)**	10,964
Cash outflow from decrease in debt	**–**	–
Movement in net cash in year	**(1,183)**	10,964
Net cash at beginning of year	**17,004**	6,040
Net cash at end of year	**15,821**	17,004

27 Analysis of changes in net cash

	At 30 September 2005 £000	Cash flow £000	At 30 September 2004 £000
Cash at bank and in hand	**15,821**	(1,183)	17,004
Debt due after more than one year	**–**	–	–
	15,821	(1,183)	17,004

28 Exchange rates

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

	Average exchange rate		Closing exchange rate	
	2005	2004	**2005**	2004
US Dollar	**1.76**	1.61	**1.81**	1.70
Euro	**1.44**	1.45	**1.41**	1.41
Yen	**186**	186	**189**	176

EXPLANATION OF TRANSITION TO IFRS

Restatement of financial information for the year ended 30 September 2005

International Financial Reporting Standards ("IFRS") became mandatory for all listed companies within the EU for accounting periods which began on or after 1 January 2005. Accordingly, Victrex plc adopted IFRS with effect from 1 October 2005. Victrex plc will therefore publish its results for the six months ending 31 March 2006 and the year ending 30 September 2006 in accordance with IFRS.

A restated consolidated income statement under IFRS for the year ended 30 September 2005 together with consolidated balance sheets as at 30 September 2004 and 2005 are set out on pages 51 to 52. This unaudited information is for guidance only and will only be finalised when Victrex publishes its financial statements for the year ending 30 September 2006.

The principal differences for Victrex between reporting on the basis of IFRS compared to current UK Generally Accepted Accounting Practice ("UK GAAP") are as follows:

a) Proposed dividends which have not been declared at the balance sheet date can no longer be recognised in the financial statements;

b) The fair value of all employee share options has to be charged through the income statement. Previously under UK GAAP only options granted under the Directors' LTIP were charged;

c) The deferred tax provision has to be adjusted as a result of:

    (i) Discounting no longer being permitted;

    (ii) IFRS being more prescriptive regarding the recognition of deferred tax assets and,

    (iii) Changes in accounting for employee benefits.

d) Amortisation of goodwill is no longer permitted;

e) The deficit in the defined benefit section of Victrex's principal pension scheme has to be recognised on the balance sheet. The movement in the deficit as a result of current service cost, contributions and other finance expenditure has to be recognised in the income statement, with all other movements (predominantly actuarial gains and losses) reflected through the statement of recognised income and expense and,

f) The fair value of forward foreign currency contracts has to be recognised on the balance sheet and Victrex has continued to hedge account.

A more detailed explanation of the principal differences between UK GAAP and IFRS affecting the Group is set out in note 2 on pages 53 to 55 and reconciliations of the statements from UK GAAP to IFRS are set out in note 3 on pages 55 to 58.

CONSOLIDATED INCOME STATEMENT - RESTATED FOR IFRS (UNAUDITED)

For the year ended 30 September		2005 £m
Revenue		**100.9**
Cost of sales		**(43.6)**
Gross profit		**57.3**
Sales, marketing and administrative expenses		**(22.8)**
Operating profit		**34.5**
Finance income		**0.4**
Finance costs		**(0.1)**
Share of operating profit of Japanese joint venture		**0.5**
Profit before tax		**35.3**
Tax expense		**(11.2)**
Profit for the year attributable to equity holders of the parent		**24.1**
Earnings per ordinary share	Basic	**29.9p**
	Diluted	**29.5p**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE - RESTATED FOR IFRS (UNAUDITED)

For the year ended 30 September	2005 £m
Cash flow hedges	**(0.3)**
Exchange differences on translation of foreign operations	**0.1**
Actuarial gains on defined benefit pension schemes	**0.8**
Tax on items taken directly to or transferred from equity	**(0.2)**
Net income recognised directly in equity	**0.4**
Profit for the year	**24.1**
Total recognised income and expense for the year attributable to equity shareholders of the parent	**24.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - RESTATED FOR IFRS (UNAUDITED)

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Reserve for own shares £m	Retained earnings £m	Total equity £m
At beginning of year	0.8	13.4	–	0.5	(2.3)	60.4	72.8
Total recognised income and expense	–	–	0.1	(0.3)	–	24.7	24.5
Share options exercised	–	1.8	–	–	0.3	–	2.1
Purchase of own shares held	–	–	–	–	(0.1)	–	(0.1)
Dividends to shareholders	–	–	–	–	–	(7.1)	(7.1)
At end of year	**0.8**	**15.2**	**0.1**	**0.2**	**(2.1)**	**78.0**	**92.2**

CONSOLIDATED BALANCE SHEET - RESTATED FOR IFRS (UNAUDITED)

As at 30 September ASSETS	2005 £m	2004 £m
Non-current assets		
Property, plant and equipment	63.8	49.3
Intangible assets	10.1	6.7
Investment in Japanese joint venture		
share of gross assets	2.2	1.9
share of gross liabilities	(2.2)	(1.6)
Deferred tax assets	3.9	3.2
	77.8	59.5
Current assets		
Inventories	20.0	18.8
Trade and other receivables	12.8	10.1
Deferred tax assets	0.2	0.2
Derivative financial instruments	1.4	1.5
Cash and cash equivalents	15.7	16.8
	50.1	47.4
Total assets	127.9	106.9
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	(9.6)	(7.9)
Retirement benefit obligations	(7.8)	(8.2)
	(17.4)	(16.1)
Current liabilities		
Derivative financial instruments	(1.0)	(0.4)
Trade and other payables	(17.3)	(17.6)
	(18.3)	(18.0)
Total liabilities	(35.7)	(34.1)
Total assets less total liabilities	92.2	72.8
EQUITY		
Capital and reserves attributable to equity holders		
Share capital	0.8	0.8
Share premium account	15.2	13.4
Translation reserve	0.1	–
Hedging reserve	0.2	0.5
Reserve for own shares	(2.1)	(2.3)
Retained earnings	78.0	60.4
Equity shareholders' funds	92.2	72.8

SELECTED NOTES TO THE IFRS STATEMENTS

1 Basis of preparation

The restated financial statements for the year ended 30 September 2005 and the opening balance sheet at 1 October 2004 have been prepared in accordance with International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") for illustrative purposes only. These are subject to ongoing review and possible amendment by interpretative guidance from the IASB. Victrex also continues to conduct an ongoing review of changes, interpretations and best practice and hence further restatement may occur up until the financial statements for the year ending 30 September 2006 are published.

The principal differences between UK GAAP and IFRS for the Group are set out in note 2.

The main disclosures required by IFRS 1- First-time Adoption of International Financial Reporting Standards regarding the transition from UK GAAP to IFRS are set out in note 3.

2 Principal differences between UK GAAP and IFRS

a) Dividend recognition

Under current UK GAAP, proposed dividends are recognised in the financial results for the period to which they relate. However, under IFRS, a dividend can only be recognised if it has been formally declared during the accounting period being reported.

The Victrex Board declare interim and final dividends after the end of each accounting period at the same time as approving the interim and annual reports. Hence, we will no longer accrue proposed dividends in the financial period to which they relate.

Consequently the final dividend for 2004 is not recognised as a liability in the opening balance sheet (£5.0m) and the proposed final dividend will not be recognised as a liability on the balance sheet as at 30 September 2005 (£7.5m).

b) Share based payments

Under UK GAAP there is no charge to the profit and loss account relating to options granted under the Victrex Employee share option scheme, Executive plan, Save as you earn scheme, Sharesave plan or Stock purchase plan. As regards the LTIP, under UK GAAP, the profit and loss account is charged over the performance period with an amount equal to the market price on the date of the award, subject to meeting performance targets.

However, IFRS 2 - Share Based Payments, requires that the fair value of all such relevant instruments granted since 7 November 2002, which have not vested by 1 January 2005, be charged to the income statement over the relevant option vesting periods (adjusted for actual and expected levels). Fair values have been calculated using the recognised stochastic options valuation model.

Victrex receives a tax credit, as appropriate, which relates to share options and awards when exercised, based on the gains the award holders make. A deferred tax asset representing an estimate of the future tax relief for this gain has to be recognised under IFRS and is based on the potential gains available to the option or award holders at the balance sheet date.

The profit impact of this adjustment in 2005 is a net charge of £0.1m, offset by a deferred tax credit of £0.6m. A corresponding deferred tax asset of £0.6m has been recognised at 30 September 2005.

c) Deferred taxation

Under UK GAAP the option to calculate deferred tax on a discounted basis was adopted by Victrex. However, under IAS 12 - Income Taxes, this discounted basis is not permitted and hence the deferred tax provision has to be stated at the gross amount.

The effect on the opening balance sheet is an increase in the deferred tax provision of £1.7m, the impact on the year's results is an increased deferred tax charge of £0.9m and the resulting adjustment to the closing balance sheet as at 30 September 2005 is an increase of £2.6m.

In addition, IAS 12 requires separate recognition of deferred tax assets and liabilities on the Group balance sheet.

IAS 12 is also more prescriptive than UK GAAP and hence an additional deferred tax asset of £0.7m has been recognised on the opening balance sheet. The impact on the year's results is a decreased deferred tax charge of £0.3m and the resulting effect on the balance sheet as at 30 September 2005 is an increase of £1.0m.

The combined impact on the income statement is an increased deferred tax charge of £0.6m.

The specific deferred taxation impact of changes in accounting for pensions and share based payments is set out in sections e) and b) respectively.

d) Goodwill amortisation

Under UK GAAP, goodwill is amortised by equal instalments over its estimated useful economic life. However, under IFRS 3 - Business Combinations, amortisation of goodwill is prohibited but is replaced by a requirement for annual impairment testing.

Victrex has decided to take advantage of the IFRS 1 exemption whereby IFRS 3 can be applied prospectively from the date of transition, hence removing the need to restate previous business combinations. The carrying value of goodwill on the opening IFRS balance sheet has therefore been restricted to that £3.5m net carrying amount previously reported under UK GAAP.

The profit impact of this adjustment in 2005 is a credit of £0.7m, being the reversal of amortisation previously charged under UK GAAP on the goodwill which arose on the acquisition of the DFDPM business from Laporte in 1999 (note that there is no change in the treatment of the knowhow arising from that transaction).

On 1 April 2005 Victrex announced the purchase of certain operations from Degussa AG. This included the purchase of goodwill which, in accordance with IFRS, will not be amortised, but will be subject to annual impairment testing. The profit impact of this adjustment in 2005 is a credit of £0.2m, being the reversal of amortisation previously charged under UK GAAP.

e) Pensions

Under UK GAAP, Victrex has accounted for pensions in accordance with SSAP 24, which spreads the costs of the defined benefit section of Victrex's principal scheme over the employees' working lives within the Group. Victrex has also made additional disclosures giving details of the pension fund deficit, liabilities and operating charges on the valuation methodologies in accordance with FRS 17.

IAS 19 - Employee Benefits requires the actuarial deficit arising under the defined benefit pension scheme to be recognised on the balance sheet based on fair valuations of the assets and liabilities at the balance sheet date. The movement in deficit as a result of current service cost, contributions and other finance expenditure has to be recognised in the income statement and it is Victrex's intention to take advantage of the option under IAS 19 to recognise actuarial gains and losses through the statement of recognised income and expense as opposed to the income statement. Note that similar adjustments would have been required under UK GAAP once FRS17 becomes fully applicable.

Consequently, a deficit of £8.2m and a corresponding deferred tax asset of £2.5m have been recognised on the balance sheet at the date of transition and a deficit of £7.8m and a deferred tax asset of £2.3m as at 30 September 2005. The movement during the year as a result of current service cost, contributions and other finance income of £0.3m has been recognised in the income statement with all other movements in the deficit (predominantly actuarial gains/losses) reflected through the statement of recognised income and expense.

f) Accounting for foreign currency transactions & financial instruments

Victrex has a policy of taking out forward foreign currency contracts to cover forecast foreign currency income streams providing medium term predictability in its results.

Under UK GAAP Victrex uses the effective exchange rates from the forward contracts for translation of its foreign currency transactions and where appropriate the consolidation of its overseas entities.

Under IFRS, Victrex will continue to hedge account (as defined by IAS 39 - Financial Instruments: Recognition and Measurement) resulting in largely unchanged profit and loss recognition. However, IAS does require changes to the mechanics of how this is achieved:

- Under IAS 21 - Effects of Changes in Foreign Exchange Rates, all transactions and consolidations are recognised using spot rates;
- Under IAS 39 the fair value of forward foreign currency contracts has to be recognised on the balance sheet. Victrex has adopted hedge accounting and therefore the movement in fair value can be deferred in a hedging reserve until the associated transaction occurs at which point the cumulative movement is released to the income statement.

Whilst the above does not materially affect overall profitability, there are minor changes in categorisation within the detail with a reduction in turnover of £0.7m offset by a reduction in cost of sales of £0.2m and indirect overheads of £0.3m.

The opening balance sheet as at 30 September 2004 recognises a financial asset of £1.5m and a financial liability of £0.4m, which account for the fair value of derivative financial instruments (forward contracts). The corresponding hedging reserve is £0.5m which reflects the fair value of forward contracts relating to future transactions as at the balance sheet date.

These effects are offset by the effect of revaluing all balance sheet categories to closing spot rate.

The balance sheet as at 30 September 2005 recognises a financial asset of £1.4m, a financial liability of £1.0m and a corresponding hedging reserve of £0.2m.

3 Reconciliation of UK GAAP to IFRS

(i) Reconciliation of the consolidated income statement for the year ended 30 September 2005

	Audited UK GAAP in IFRS format £m	Dividend recognition £m a	Share based payments £m b	Deferred taxation £m c	Goodwill amortisation £m d	Pensions £m e	Accounting for foreign currency transactions and financial instruments £m f	Unaudited year ended 30 Sept 05 restated under IFRS £m
Revenue	**101.6**	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**100.9**
Cost of sales	(43.6)	–	–	–	–	(0.2)	0.2	(43.6)
Gross profit	**58.0**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.5)**	**57.3**
Sales, marketing and administrative expenses	(23.7)	–	(0.1)	–	0.9	(0.2)	0.3	(22.8)
Gross operating profit	**34.3**	**–**	**(0.1)**	**–**	**0.9**	**(0.4)**	**(0.2)**	**34.5**
Finance income	0.4	–	–	–	–	–	–	0.4
Finance costs	(0.1)	–	–	–	–	–	–	(0.1)
Share of operating profit of Japanese joint venture	0.5	–	–	–	–	–	–	0.5
Profit before tax	**35.1**	**–**	**(0.1)**	**–**	**0.9**	**(0.4)**	**(0.2)**	**35.3**
Tax expense	(11.4)	–	0.6	(0.6)	–	0.1	0.1	(11.2)
Profit for the year attributable to equity holders of the parent	**23.7**	**–**	**0.5**	**(0.6)**	**0.9**	**(0.3)**	**(0.1)**	**24.1**
Equity dividends paid and proposed	(9.7)	9.7						
Retained profit for the financial year	14.0	9.7						
Earnings per ordinary share								
Basic	29.3p							**29.9p**
Diluted	29.0p							**29.5p**

(ii) Reconciliation of the consolidated statement of recognised income and expense for the year ended 30 September 2005

	Audited UK GAAP in IFRS format £m	Dividend recognition £m a	Share based payments £m b	Deferred taxation £m c	Goodwill amortisation £m d	Pensions £m e	Accounting for foreign currency transactions and financial instruments £m f	Unaudited year ended 30 Sept 05 restated under IFRS £m
Cash flow hedges	–	–	–	–	–	–	(0.3)	(0.3)
Exchange differences on translation of foreign operations	(0.1)	–	–	–	–	–	0.2	0.1
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	0.8	–	0.8
Tax on items taken directly to or transferred from equity	–	–	–	–	–	(0.2)	–	(0.2)
Net income recognised directly in equity	**(0.1)**	**–**	**–**	**–**	**–**	**0.6**	**(0.1)**	**0.4**
Profit for the year	23.7	–	0.5	(0.6)	0.9	(0.3)	(0.1)	24.1
Dividends	(9.7)	9.7	–	–	–	–	–	–
Total recognised income and expense for the year attributable to equity shareholders of the parent	**13.9**	**9.7**	**0.5**	**(0.6)**	**0.9**	**0.3**	**(0.2)**	**24.5**

(iii) Reconciliation of the consolidated balance sheet at 30 September 2005

ASSETS	Audited UK GAAP in IFRS format £m	Dividend recognition £m	Share based payments £m a	Deferred taxation £m b	Goodwill amortisation £m c	Pensions £m d	Accounting for foreign currency transactions and financial instruments £m e	Unaudited restated under IFRS 30 Sept 05 £m f
Non-current assets								
Property, plant and equipment	63.8	–	–	–	–	–	–	63.8
Goodwill	6.2	–	–	–	0.9	–	–	7.1
Other intangible assets	3.0	–	–	–	–	–	–	3.0
Investment in Japanese joint venture								
share of gross assets	2.3	–	–	–	–	–	(0.1)	2.2
share of gross liabilities	(2.3)	–	–	–	–	–	0.1	(2.2)
Deferred tax assets	–	–	0.6	1.0	–	2.3	–	3.9
	73.0	–	0.6	1.0	0.9	2.3	–	77.8
Current assets								
Inventories	20.0	–	–	–	–	–	–	20.0
Trade and other receivables	13.0	–	–	–	–	–	(0.2)	12.8
Deferred tax assets	0.2	–	–	–	–	–	–	0.2
Derivative financial instruments	–	–	–	–	–	–	1.4	1.4
Cash and cash equivalents	15.8	–	–	–	–	–	(0.1)	15.7
	49.0	–	–	–	–	–	1.1	50.1
Total assets	**122.0**	**–**	**0.6**	**1.0**	**0.9**	**2.3**	**1.1**	**127.9**
LIABILITIES								
Current liabilities								
Derivative financial instruments	–	–	–	–	–	–	(1.0)	(1.0)
Trade and other payables	(24.8)	7.5	–	–	–	–	–	(17.3)
	(24.8)	7.5	–	–	–	–	(1.0)	(18.3)
Non-current liabilities								
Deferred tax liabilities	(7.0)	–	–	(2.6)	–	–	–	(9.6)
Retirement benefit obligations	–	–	–	–	–	(7.8)	–	(7.8)
	(7.0)	–	–	(2.6)	–	(7.8)	–	(17.4)
Total liabilities	**(31.8)**	**7.5**	**–**	**(2.6)**	**–**	**(7.8)**	**(1.0)**	**(35.7)**
Total assets less total liabilities	**90.2**	**7.5**	**0.6**	**(1.6)**	**0.9**	**(5.5)**	**0.1**	**92.2**
EQUITY								
Capital and reserves attributable to equity holders								
Share capital	0.8	–	–	–	–	–	–	0.8
Share premium account	15.2	–	–	–	–	–	–	15.2
Translation reserve	–	–	–	–	–	–	0.1	0.1
Hedging reserve	–	–	–	–	–	–	0.2	0.2
Reserve for own shares	(2.1)	–	–	–	–	–	–	(2.1)
Retained earnings	76.3	7.5	0.6	(1.6)	0.9	(5.5)	(0.2)	78.0
Equity shareholders' funds	**90.2**	**7.5**	**0.6**	**(1.6)**	**0.9**	**(5.5)**	**0.1**	**92.2**

(iv) Reconciliation of the consolidated balance sheet at 1 October 2004

ASSETS	Audited UK GAAP in IFRS format £m	Dividend recognition £m a	Deferred taxation £m c	Pensions £m e	Accounting for foreign currency transactions and financial instruments £m f	Restated under IFRS 30 Sept 04 unaudited £m
Non-current assets						
Property, plant and equipment	49.3	–	–	–	–	49.3
Goodwill	3.5	–	–	–	–	3.5
Other intangible assets	3.2	–	–	–	–	3.2
Investment in Japanese joint venture						
share of gross assets	2.1	–	–	–	(0.2)	1.9
share of gross liabilities	(1.8)	–	–	–	0.2	(1.6)
Deferred tax assets	0.2	–	0.7	2.5	–	3.4
	56.5	–	0.7	2.5	–	59.7
Current assets						
Inventories	18.8	–	–	–	–	18.8
Trade and other receivables	10.6	–	–	–	(0.5)	10.1
Derivative financial instruments	–	–	–	–	1.5	1.5
Cash and cash equivalents	17.0	–	–	–	(0.2)	16.8
	46.4	–	–	–	0.8	47.2
Total assets	**102.9**	**–**	**0.7**	**2.5**	**0.8**	**106.9**
LIABILITIES						
Current liabilities						
Derivative financial instruments	–	–	–	–	(0.4)	(0.4)
Trade and other payables	(22.7)	5.0	–	–	0.1	(17.6)
	(22.7)	5.0	–	–	(0.3)	(18.0)
Non-current liabilities						
Deferred tax liabilities	(6.2)	–	(1.7)	–	–	(7.9)
Retirement benefit obligations	–	–	–	(8.2)	–	(8.2)
	(6.2)	–	(1.7)	(8.2)	–	(16.1)
Total liabilities	**(28.9)**	**5.0**	**(1.7)**	**(8.2)**	**(0.3)**	**(34.1)**
Total assets less total liabilities	**74.0**	**5.0**	**(1.0)**	**(5.7)**	**0.5**	**72.8**
EQUITY						
Capital and reserves attributable to equity holders						
Share capital	0.8	–	–	–	–	0.8
Share premium account	13.4	–	–	–	–	13.4
Hedging reserve	–	–	–	–	0.5	0.5
Reserve for own shares	(2.3)	–	–	–	–	(2.3)
Retained earnings	62.1	5.0	(1.0)	(5.7)	–	60.4
Equity shareholders' funds	**74.0**	**5.0**	**(1.0)**	**(5.7)**	**0.5**	**72.8**

(v) Reconciliation of the cash flow statement for the year ended 30 September 2005

It is believed that there are no material differences between the cash flow statement presented under UK GAAP and that under IFRS.

FIVE YEAR FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 SEPTEMBER	Restated 2001 £m	Restated 2002 £m	Restated 2003 £m	2004 £m	2005 £m
Results					
Turnover	72.1	59.1	71.5	86.6	101.6
Profit before taxation	22.3	19.0	22.6	28.5	35.1
Net assets - Companies Act format					
Fixed assets	43.5	48.8	50.7	56.3	73.0
Net current assets	3.6	14.9	15.7	23.7	24.0
Creditors: amounts due after more than one year	–	(7.9)	–	–	–
Provisions for liabilities and charges	(3.2)	(4.4)	(5.3)	(6.1)	(6.8)
Equity shareholders' funds	43.9	51.4	61.1	73.9	90.2
Comprising					
Fixed assets	43.5	48.8	50.7	56.3	73.0
Other operating net assets	9.5	15.6	17.0	16.8	21.6
Net cash/(debt)	1.0	(1.7)	6.0	17.0	15.8
Dividend and taxation creditors	(6.9)	(6.9)	(7.3)	(10.1)	(13.4)
Provisions for liabilities and charges	(3.2)	(4.4)	(5.3)	(6.1)	(6.8)
Equity shareholders' funds	43.9	51.4	61.1	73.9	90.2
Cash flow					
Net cash inflow from operating activities	27.8	17.2	26.1	32.3	37.2
Capital expenditure	(4.8)	(8.8)	(6.5)	(9.5)	(6.0)
Acquisitions	–	–	–	–	(17.7)
Interest, dividends, taxation and other items	(10.8)	(11.1)	(11.9)	(11.8)	(14.7)
Movement in net debt/cash in the period	12.2	(2.7)	7.7	11.0	(1.2)
Ratios					
Earnings per share - basic	19.4p	16.2p	19.1p	23.9p	29.3p
Dividend per ordinary share	6.7p	7.0p	7.5p	8.6p	12.0p
Net interest cover	42	42	73	n/a	n/a
Sales volume					
Tonnes	1,603	1,205	1,481	1,802	1,972

The prior period 2001 has been restated to reflect the adoption of FRS 19 - Deferred Taxation.

The prior periods 2001, 2002 and 2003 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 thirteenth Annual General Meeting of Victrex plc ("the Company") will be held at 10.00am on 7 February 2006, at The Great Eastern Hotel, Liverpool Street, London, EC2M 7QN, to transact the following business:

Ordinary Business

1 To approve the Report on Directors' Remuneration for the year ended 30 September 2005.

2 To receive the Accounts and Reports of the Directors and the Auditors for the year ended 30 September 2005.

3 To approve the payment of a final dividend of 9.3p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2005.

4 To re-elect Mr C E Irving-Swift, who retires by rotation.

5 To re-elect Dr T J Walker, who retires by rotation.

6 To re-appoint KPMG Audit Plc as Auditor of the Company and to authorise the Directors to determine their remuneration.

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 resolution 7) 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 £287,586, 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, 7 May 2007) 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 7 February 2006 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 £40,620;

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 7 May 2007), 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.

NOTICE OF ANNUAL GENERAL MEETING continued

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 8,124,137;

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 7 May 2007) but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

By order of the Board

M W Peacock
Company Secretary
5 December 2005

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 6th February 2006 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.

Explanatory Notes

Ordinary Business

Resolution 1 – **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.

Resolution 2 – **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 3 – **Declaration of dividend**
A final dividend of 9.3p per ordinary share payable on 1 March 2006 has been recommended by the Directors for the year ended 30 September 2005. In accordance with the requirements of the Inland Revenue, all dividends are declared and paid net of income tax at the standard rate.

Resolutions 4 and 5 – **Re-election of Directors**
Mr C E Irving-Swift and Dr T J Walker 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 C E Irving-Swift, who has been a non-executive Director since 2002 and who is the Chairman of the Audit Committee, has made a significant contribution to the development of Victrex, bringing a wide range of international experience particularly from the automotive field.

Resolution 6 – **Re-appointment of Auditor/Auditor's remuneration**
This resolution proposes the re-appointment of KPMG Audit Plc as Auditor of the Company and authorises the Directors to determine their remuneration.

NOTICE OF ANNUAL GENERAL MEETING continued

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 7 May 2007, if sooner.

The resolution will provide for the Directors to be able to allot shares up to a nominal amount of £287,586. This represents less than 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 £40,620, 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 7 May 2007, 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 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 2 December 2005, options over a total of 2,074,287 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 2.55% of the Company's issued ordinary share capital at 2 December 2005. It would represent 2.84% of the issued ordinary share capital if the authority to buy the Company's own shares had been used in full at that date.

FINANCIAL CALENDAR

Ex-dividend date	1 February 2006
Record date†	3 February 2006
Annual General Meeting	7 February 2006
Payment of dividend	1 March 2006
Announcement of 2005 interim results	June 2006
Payment of interim dividend	August 2006

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

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