



**INTEGRAL**  
**PART OF THE**  
**SOLUTION**

# 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.

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# CHAIRMAN'S STATEMENT

## Once again, I am pleased to report another year of good progress for the Group.

Profit before tax grew by 13% to £52.0m (2006: £46.1m) on revenue of £131.0m (2006: £122.5m). As expected, exchange rates had an adverse impact of £2.0m on profit before tax compared to 2006. Underlying profit before tax excluding this impact was 17% up on 2006. Basic earnings per share were up 14% at 44.9p (2006: 39.4p).

In recognition of this performance the Directors are recommending a final dividend of 12.6p (2006: 10.2p) per ordinary share, making a total of 17.3p (2006: 14.4p) per ordinary share for the year, an increase of 20% over last year.

During 2007, we have continued to drive product and market development activities forward. A record number of new applications were commercialised while we continued to broaden our product offering and, as a result, our penetration into new markets. The completion of our second polymer plant and new film manufacturing facility, together with the ongoing uprates of our raw material and downstream production facilities will support the further development of the business.

We recognise that our talented and dedicated employees are a key element of our success. Our continued progress is principally the result of their efforts and I would like to thank them for their significant contribution.



**Peter Warry**

Chairman

10 December 2007

## FINANCIAL HIGHLIGHTS

<b>SALES VOLUME – TONNES</b> <b>UP 7%</b>	2007	2,508
	2006	2,339
	2005	1,972
<b>REVENUE</b> <b>UP 7%</b>	2007	£131.0m
	2006	£122.5m
	2005	£100.9m
<b>PROFIT BEFORE TAXATION</b> <b>UP 13%</b>	2007	£52.0m
	2006	£46.1m
	2005	£35.3m
<b>EARNINGS PER SHARE</b> <b>UP 14%</b>	2007	44.9p
	2006	39.4p
	2005	29.9p
<b>DIVIDEND PER SHARE</b> <b>UP 20%</b>	2007	17.3p
	2006	14.4p
	2005	12.0p

# ANNUAL BUSINESS REVIEW

## ABOUT OUR BUSINESS

With nearly 30 years of experience, Victrex is a global manufacturer of innovative, high performance materials, including VICTREX® PEEK™ polymer. VICTREX PEEK is one of the highest quality thermoplastic materials in the world, offering a unique combination of properties to help processors and end users reach new levels of cost savings, performance and product differentiation.

### HOW WE WORK

Victrex works with end users and processors in a variety of markets such as electronics, industrial and transport.

Invibio® is Victrex's biomaterials business, providing specialised solutions for medical device manufacturers.

End users specify VICTREX PEEK to reduce systems costs, improve part performance, exploit greater design freedom and create a differentiated application.

### OUR PRODUCT

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.

As part of the Group's commitment to ongoing product development, Victrex is focused on bringing customers new material solutions. Victrex has a wide range of products in its portfolio from high flow and high purity grades to films and coatings.

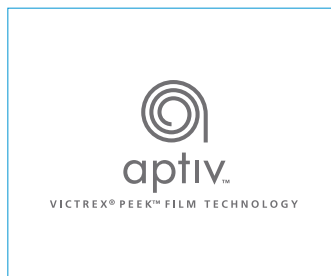
### OUR BRANDS



Victrex is the world's leading manufacturer of VICTREX PEEK. Victrex works with end users and processors in a variety of markets such as aerospace, automotive, electronics, food processing, industrial, medical and semiconductor.



Invibio is the provider of biocompatible PEEK based polymers to medical device manufacturers. Invibio offers an unparalleled combination of research and technology, technical support, medical device market expertise and a network of industry resources to help clients develop the best possible solutions, and to bring those solutions to market quickly.



APTIV film is produced from VICTREX PEEK polymer and provides all of the properties of VICTREX PEEK in a flexible format. APTIV film is the most versatile and high performing thermoplastic film available and has a proven track record of success in demanding applications in a broad range of industries and markets.



VICOTE Coatings, based on VICTREX PEEK, offer exceptional scratch and wear resistance, high temperature performance, strength and durability. Eco-friendly VICOTE Coatings was developed to fill the performance gap found in many existing coating technologies today.

## OUR OPERATIONS

The Group's headquarters are in the UK where its manufacturing facilities are based. This is complemented by a global network of sales, distribution and technical centres that serve more than 30 countries worldwide. Our team of dedicated market-development, sales and technical support professionals work with customers around the world offering assistance in new application development, product performance data and processing support.



## PRODUCT PROPERTIES

### Inherent purity

Chemical structure is pure with extremely low levels of organics, inorganics and ionics

### Hydrolysis performance

At elevated temperatures and pressures when continually conditioned in steam or water

### High strength to weight ratio

Stronger and lighter than many metals and alloys and performs in tough environments

### Electrical performance

Over a wide frequency and temperature range whether conductive or non-conductive

### Wear resistance

Over wide ranges of pressure, velocity, temperature and counterfacial roughness

### Chemical resistance

To most chemicals, solvents and sterilisation processes in aggressive environments

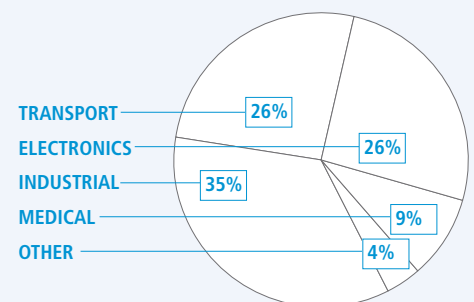
### Fire, smoke and toxicity performance

No flame retardant additives and generates extremely low smoke and toxic gas emissions

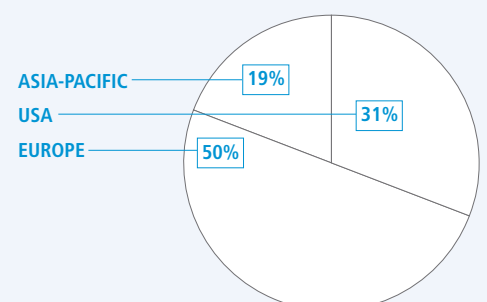
### Temperature performance

Retains a high degree of mechanical properties in extremely high and low temperatures

## PERFORMANCE SALES BY MARKET\*



## SALES BY REGION\*



\*based on sales volume for year ended 30 September 2007

## MARKET SEGMENT INDUSTRIAL

Engineers are facing increased demands for materials with high temperature performance and chemical resistance while avoiding costly production downtime due to component failure.

VICTREX PEEK is an excellent choice for industrial applications due to its exceptional combination of physical properties and processability. Components designed with VICTREX PEEK can deliver superior long-term reliability in the harshest of environments that require high strength and wear resistance over a wide range of temperatures.

Industrial applications include cable insulation, seals, back up rings and down-hole/sub-sea connectors.



**INTENSIVE**



## INNOVATIVE

### MARKET SEGMENT ELECTRONICS

VICTREX PEEK provides electronic components with an exceptional combination of benefits including wear resistance, strength, dimensional stability and high temperature resistance. This means greater part functionality, reliability and cost savings for designers.

Higher performance, portability, wireless/high frequency, longer life and more stringent environmental concerns are shaping the way electronic parts are designed.

In semiconductor fabrication, migration towards larger wafer sizes and smaller chips with narrow line widths and feature sizes requires higher performance from wafer handling and processing materials. High purity and chemical resistance help VICTREX PEEK meet these needs.

## MARKET SEGMENT TRANSPORT

VICTREX PEEK delivers an excellent combination of properties that make it the material of choice in a wide range of transportation applications.

VICTREX PEEK polymers have successfully displaced metals, traditional composites and other plastics in a growing number of applications.

Increased performance requirements such as resistance to the extremes of temperature, weight and size reduction and demands for lower production costs continue to drive increased usage of VICTREX PEEK.

INSPIRED







## INCISIVE

### MARKET SEGMENT INVIBIO

Invibio is an innovative global leader providing high performance biomaterials, advanced technical research and proven market expertise across a wide range of medical device applications. Our biomaterials solutions enable customers to deliver innovative medical devices that enhance patient quality of life.

Invibio's proprietary biomaterials, including implantable PEEK-OPTIMA® polymer and ENDOLIGN™ composite, and medical grade PEEK-CLASSIX™ polymer, combine outstanding performance and biocompatibility, making them the material of choice for leading medical device manufacturers.

## ANNUAL BUSINESS REVIEW CONTINUED

# STRATEGY AND OBJECTIVES

VICTREX'S STRATEGIC OBJECTIVES ARE TO:

- > **ACHIEVE SUSTAINABLE EARNINGS GROWTH;**
  
- > **DELIVER NEW SOLUTIONS TO MEET END USERS' EVOLVING APPLICATION REQUIREMENTS THROUGH PRODUCT AND TECHNOLOGY INNOVATION;**
  
- > **CONTINUALLY IMPROVE CUSTOMER SATISFACTION THROUGH SUPERIOR PRODUCT QUALITY AND CUSTOMER SERVICE AND INNOVATIVE APPLICATION SOLUTIONS;**
  
- > **ACHIEVE THE HIGHEST APPROPRIATE STANDARDS FOR THE SUPPLY CHAIN IN TERMS OF CAPACITY AND OPERATIONAL EFFICIENCY;**
  
- > **DESIGN, OPERATE AND MAINTAIN SAFE PLANTS IN ACCORDANCE WITH BEST SAFETY AND ENVIRONMENTAL PRACTICE AND ALL REGULATORY REQUIREMENTS;**
  
- > **CONDUCT ALL OUR ACTIVITIES WITH RESPECT FOR THE ENVIRONMENT, CONTINUOUSLY WORKING TO REDUCE OUR ENVIRONMENTAL IMPACT BY IMPROVING THE EFFICIENCY OF OUR OPERATIONS AND,**
  
- > **MAXIMISE EMPLOYEE MOTIVATION AND PERFORMANCE.**

# KEY PERFORMANCE INDICATORS

## FINANCIAL PERFORMANCE

### KPI – FIVE YEAR COMPOUND ANNUAL GROWTH RATE IN BASIC EPS

#### TARGET SUSTAINABLE EARNINGS GROWTH



## NEW APPLICATION DEVELOPMENT

### KPI – COMMERCIALISED APPLICATIONS

#### TARGET DELIVERY OF SUFFICIENT NEW COMMERCIALISED APPLICATIONS TO UNDERPIN GROWTH



> Mature annualised volume ('MAV') represents the estimated total additional volume achievable if all the developments were successfully commercialised.

## SUPPLY CHAIN

### KPI – CAPACITY

#### TARGET DELIVERY OF SUFFICIENT HIGH QUALITY CAPACITY TO MEET DEMAND



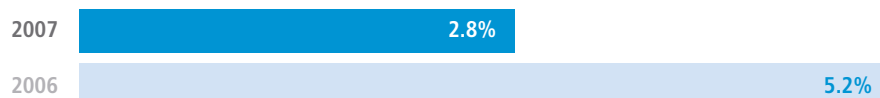
> The second VICTREX PEEK polymer powder plant, with the capacity to support a further 1,450 tonnes of sales, is expected to be fully operational by the end of the year.

> Completion of the uprate of the BDF supply chain to support this additional capacity is expected in autumn 2008.

## EMPLOYEES

### KPI – VOLUNTARY STAFF TURNOVER

#### TARGET MINIMISE



## HEALTH AND SAFETY

### KPI – REPORTABLE INJURIES

#### TARGET ZERO

2007	ONE
2006	NONE

> The single reportable injury in 2007 related to back strain suffered by an operator.

## ENVIRONMENT

### KPI – NOTIFIABLE EVENTS

#### TARGET ZERO

2007	FOUR
2006	ONE

> On three occasions during prescribed routine monitoring of air emissions at our Rotherham plant, the amount of emission measured (oxides of nitrogen or fluoride) exceeded agreed limits.

> On one other occasion at our Rotherham plant there was a release of dilute detergent solution to drain during an off-loading operation.

> No observable environmental impact resulted from these events.

## ANNUAL BUSINESS REVIEW CONTINUED

# BUSINESS OVERVIEW

### Financial results

Revenue for the year was £131.0m (2006: £122.5m), an increase of 7%. Underlying revenue, excluding the adverse impact of exchange rates, was up 10% on 2006.

Gross profit increased by 11% to £84.5m (2006: £75.8m), representing a gross margin of 64.5% of turnover (2006: 61.9%). This margin increase was partly due to the previously announced closure of the small low margin fluorides business. Margin also benefited from an increased Invibio contribution with the Group gross margin excluding the fluorides business increasing to 65.0% from 64.1% in 2006.

Sales, marketing and administrative expenses increased by 8% to £33.2m (2006: £30.7m), primarily reflecting ongoing investment in product and application development.

As expected, exchange rates have had an adverse impact of £2.0m on profit before tax, compared to 2006, due to the strengthening of Sterling against our key trading currencies (Yen, Euro and US Dollar). Resulting profit before tax was £52.0m, 13% up on 2006 (£46.1m). Underlying profit before tax excluding this currency impact was £54.0m, an increase of 17% over 2006.

Basic earnings per share were up 14% at 44.9p (2006: 39.4p). Underlying earnings per share, excluding the adverse currency impact, were up 18%.

The overall effective tax rate (including deferred tax) was 30% (2006: 31%).

### Dividend

In recognition of another year of strong performance, the Directors are recommending a final dividend of 12.6p (2006: 10.2p) per ordinary share, making a total of 17.3p (2006: 14.4p) per ordinary share for the year, an increase of 20% over last year. This represents dividend cover of 2.6 times.

## INTERNATIONAL ASIA INNOVATION AND TECHNOLOGY CENTER



### Cash flow

Cash flow generated from operations was £50.7m (2006: £54.8m) as the impact of improved trading was offset by increased working capital, primarily trade receivables and inventories.

Capital expenditure cash payments amounted to £37.2m (2006: £21.5m). Taxation paid was £12.2m (2006: £12.4m).

At the year end, the Group had net cash of £13.7m (2006: £26.9m). The Group renewed its committed bank facility of £40m, all of which was undrawn at the year end. This facility expires in September 2012.

### Operational review

#### Markets

Sales volume for the year grew by 7% to 2,508 tonnes (2006: 2,339 tonnes). Second half sales volume of 1,222 tonnes was in line with the previous second half (1,226 tonnes) but 5% down on the first half (1,286 tonnes). However, Group sales volume in August and September increased to levels similar to those achieved in the first half.

Of our three principal market segments, industrial sales volume was up 16% at 885 tonnes (2006: 761 tonnes), largely due to increased demand from oil and gas and chemical processing customers. The strong first half performance (439 tonnes) was maintained in the second half (446 tonnes).

At 658 tonnes, transport sales volume was up 6% on 2006 (619 tonnes) principally as a result of increased commercial aerospace sales. We also saw increased automotive sales in the United States and Japan partially offset by marginally lower sales in Europe. Second half sales volume of 324 tonnes was in line with the first half of 334 tonnes.

Electronics sales volume for the year was down 2% at 645 tonnes (2006: 658 tonnes) as a result of a decrease in second half sales which, at 292 tonnes, were 17% below the record first half of 353 tonnes. This was largely due to reduced demand from European processors for use in Asia-Pacific applications.

Regionally, United States sales volume of 791 tonnes was 9% up on the previous year (724 tonnes) largely due to growth in the automotive, commercial aerospace and oil and gas segments, partially offset by reduced semiconductor sales. Second half volume was 402 tonnes compared with 389 tonnes for the first half.

As part of the Company's continuing drive to meet customer requirements in Asia, Victrex opened its Asia Innovation and Technology Center ('AITC') in Shanghai in 2006. The facility provides customers with expertise and support in material specification, testing, research and application development. The state-of-the-art facility addresses the specific needs of customers in the region, notably performance, quality and speed. Local language staff, including chemical analysis and engineering materials specialists, support customers seeking to successfully develop and launch VICTREX PEEK based products.

Asia-Pacific sales volume of 474 tonnes was up 13% on 2006 (419 tonnes). This was mainly due to transport and electronics growth. Second half sales volume of 233 tonnes compared well with the record first half performance of 241 tonnes.

At 1,243 tonnes, European sales volume was 4% up on the previous year (1,196 tonnes) although second half sales volume of 587 tonnes was 11% down on the strong first half of this year (656 tonnes). As noted above, this was principally due to reduced electronics sales.

#### Invbio

Invbio, our biomaterials business, enjoyed a record year with turnover of £19.3m, an increase of 25% over 2006 (£15.4m). Underlying revenue was up 27% on 2006 excluding the adverse impact of exchange rates. This reflects continued sales growth to our existing customers, coupled with successful development of new business across a broad range of end use markets.

During the year we entered into a record 44 additional PEEK-OPTIMA polymer long-term supply assurance agreements with implantable medical device manufacturers. We continued to make good progress in further developing strategic markets including arthroscopy, dental, orthopaedic and neurostimulation, while ongoing success in the spinal market continued with developments in new areas of this rapidly growing market segment.

Invbio established a Scientific Advisory Board to maximise our external technical and surgical perspective by working closely with leading scientific and medical experts.

We have opened our new Invbio Global Technology Centre in the UK. This state-of-the-art research and technology facility expands our capabilities and includes Class 10,000 clean room processing facilities ensuring contaminant free manufacturing capabilities for research and development grades and prototype materials. The Centre will enable Invbio to provide further knowledge based biomaterial solutions and expertise to our end users, while accelerating research and development efforts for the commercialisation of novel PEEK-OPTIMA based biomaterials.

## INNOVATION APTIV FILM



In a direct response to customer and market demands Victrex has launched APTIV film, a range of high performance film products made from VICTREX PEEK polymer, making it one of the most versatile and high performing films available. APTIV film is produced at a newly-constructed film extrusion plant located at Victrex's UK headquarters in Thornton Cleveleys. The £5m state-of-the-art facility is the world's first high-volume film production facility dedicated to producing VICTREX PEEK film and is supported by a dedicated global team of technical, product and application experts.

#### Product and market development

We continued to make excellent progress in product and market development activities in 2007. A record number of new applications were commercialised while we continued to broaden our product offering and, as a result, our penetration into new industries.

During the year we commercialised a record 580 new applications (2006: 517) having an estimated mature annualised volume ('MAV') of 494 tonnes (2006: 345 tonnes). At the year end, the pipeline contained 2,411 developments (2006: 1,764) with an estimated MAV of 2,949 tonnes (2006: 2,754 tonnes) if all of the developments were successfully commercialised.

The launch of Victrex APTIV film, following the completion of our film manufacturing facility, marked a major milestone as we introduced one of the highest performing and versatile films on the market. Our demonstrated ability to manufacture to unprecedented tolerances and thicknesses is opening up new opportunities in aerospace and electronics. Commercial sales have already commenced in these industries, as they seek improved performance and lower weight in applications such as thermal and electrical insulation. APTIV film's unparalleled acoustic and mechanical properties have resulted in specification at a number of leading speaker manufacturers in applications ranging from mobile phones to high end home sound systems. In addition, interest in APTIV film has opened the doors to new potential end users worldwide for other products in our portfolio.

Our new range of VICOTE Coatings was commercialised in a number of industries as customers validated the properties of improved durability and long life. In high performance applications, such as needle roller bearings for motorcycles, VICOTE Coatings was able to replace high cost metallic coatings at a fraction of the cost and still deliver the required performance. Elsewhere, VICOTE Coatings replaced other polymeric coatings to significantly extend the lifetime of release coatings on tyre and shoe moulds, reducing downtime and enhancing productivity in these highly competitive industries.

## ANNUAL BUSINESS REVIEW CONTINUED

## INNOVATION VICTREX APPLIED TECHNOLOGY CENTRE



Victrex has opened an Applied Technology Centre ('VATC') at its UK headquarters in Thornton Cleveleys. The new facility is an expansion of the Company's existing product development facilities that will provide customers with additional expertise and support with new product and application development. The facility will also provide extensive material specification and testing services. The VATC also houses proprietary processing and testing equipment developed by Victrex to support customers with the development and commercialisation of the next generation of VICTREX PEEK applications.

We continued to expand our product range to open up new application areas. VICTREX T-Series™ polymers, introduced last year, have already gained specifications in high performance sealing applications in the ever more demanding oil and gas exploration market. This year, we launched our newest product family, VICTREX MAX-Series™ polymers, which is a blend of VICTREX PEEK and Extem® UH thermoplastic polyimide (TPI) from SABIC Innovative Plastics. MAX-Series is focused on applications which demand the chemical resistance and processability of VICTREX PEEK, yet also require extreme temperature resistance with improved dimensional stability. We have commenced a number of sampling programmes in the electronics and oil and gas segments. Finally, a new range of electrostatic dissipative (ESD) grades were commercialised into various application areas in semiconductor manufacturing.

Our global market development teams continued to develop record numbers of new applications in our traditional markets. In automotive, VICTREX PEEK is a key material for integral components in new transmission, fuel injection and braking systems in the latest cars from leading car companies in the United States, Europe and Asia. In addition, the proliferation of tyre pressure monitoring systems has led to the specification of VICTREX PEEK in these devices to ensure the systems could survive the extremes of environment and mechanical stresses during the lifetime of a car.

The new generation of commercial aircraft being developed demands significantly lower weight to gain fuel efficiency. As a result, VICTREX PEEK is providing solutions for customers such as Boeing in many components of their next generation airliners. Applications in electrical systems, insulation and interiors are helping them meet weight, structural and flammability requirements without sacrificing other performance criteria.

In electronics, VICTREX PEEK is being specified in new generations of high speed printers as performance requirements for gears and other critical components increase. In consumer electronics, higher power levels in applications such as digital light projectors and LED systems are driving an increased interest in VICTREX PEEK for improved device safety, performance and lifetime.

We continue to see increased demand from oil and gas companies who require higher performing systems as further exploration takes them to more extreme temperature and chemical environments. Wire insulation, connectors and electronics encapsulation are examples of applications in which VICTREX PEEK materials help provide reliability and performance which are essential to productivity.

### Supply chain and capital expenditure

We have completed the construction of our second VICTREX PEEK polymer powder plant on our main UK site, at a capital cost of approximately £32m, which will be depreciated over its estimated useful life of 30 years. The plant has the capacity to support a further 1,450 tonnes per annum of VICTREX PEEK sales in addition to the first plant's existing capacity of 2,800 tonnes and is expected to be fully operational by the end of the year.

The uprate of the BDF supply chain to support this additional polymer capacity is ongoing with completion expected in autumn 2008 at an estimated capital cost of £23m. We have also commenced an uprate of our melt filtration plant to increase production capacity of our purified, granular product from 1,800 to 3,450 tonnes per annum. This uprate is due for completion in autumn 2008 at an estimated capital cost of £8m.

Total fixed asset additions amounted to £34.3m for the year (2006: £25.0m). The additions principally related to the construction of the polymer powder plant and the BDF uprate. Other items included the Invibio Global Technology Centre, the film manufacturing facility and the melt filtration plant uprate. We expect capital expenditure for 2008 to amount to approximately £25m, subject to phasing of projects. This will be funded from the Group's cash resources and committed borrowing facility.

## INVESTMENT COATINGS FACILITY



Victrex has established a new range of high performance coatings products made using VICTREX PEEK polymer, launched under the brand name of VICOTE Coatings. The range of products includes powders and aqueous based dispersions made by Victrex, at its new coating facility at its UK headquarters in Thornton Cleveleys. This new product line offers coatings with high temperature performance for strength and durability and makes the VICOTE Coatings range the ideal choice for automotive, industrial, electronics and food processing coating applications, and is supported by a dedicated global team of technical, product and application experts.

### Outlook

#### Sales volume

Since the year end, sales volume has been sustained at levels similar to the increased volumes we achieved in August and September. While it is too early to predict the outcome for the year as a whole, we remain confident in the underlying growth potential for the business.

#### Currency impact

As previously reported, trading results for 2008 will be adversely affected by the strengthening of Sterling against our key trading currencies compared with 2007. Based on our forecast sales volume, current hedging already in place and spot exchange rates as at 30 November 2007, we currently estimate the following average rates will apply:

	Year to 30 September 2007 Actual	Six months to 31 March 2008 Estimate	Six months to 30 September 2008 Estimate	Year to 30 September 2008 Estimate
US Dollar	1.83	1.97	2.00	1.99
Euro	1.45	1.46	1.44	1.45
Yen	202	221	226	223

By way of illustration, if the estimated 2008 rates had applied in 2007, this would have had an adverse impact of £4.1m on profits.

#### The future

As we look ahead, we are excited, not only by the potential of all of our developments, but also by the growing awareness of our expanding product portfolio by more end users. We will continue to address our customers' requirements so that we can provide new solutions and will continue to invest in our people and our infrastructure to meet our customers' needs. This, in turn, will provide the basis for further business growth.

### Risks and uncertainties

Victrex's business and share price may be affected by a number of risks, not all of which are in our control. The process Victrex has in place for identifying, assessing and managing risks is set out in the Corporate Governance Report on page 23.

Sections of this Annual Report contain forward-looking statements, including statements relating to: future demand and markets for the Group's products and services; research and development relating to new products and services, and liquidity and capital resources. These forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future.

The specific principal risks (which could impact the Group's revenues, profits and reputation) and relevant mitigating factors, as currently identified by Victrex's risk management process, are described below. However, other risks may also adversely affect the Group. Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors, including: changes in interest and exchange rates; changes in global, political, economic, business, competitive and market forces; changes to legislation and tax rates; future business combinations or disposals; relations with customers and customer credit risk; events affecting international security, including global health issues and terrorism; changes in regulatory environment, and the outcome of litigation.

#### Technological change

Victrex's business is dependent on manufacturing and selling high quality products into advanced applications. Demand for these applications and, consequently, for our products could be impacted as new technologies and materials are developed.

To address this, we employ specialists covering the major market segments for VICTREX PEEK to maintain and advance our skills and knowledge. This enables us to develop new applications for VICTREX PEEK, so that we maintain our position as a leading solutions provider to designers and engineers at our customers and end users.

ANNUAL BUSINESS REVIEW CONTINUED

**INSPECTION  
A QUALITY PRODUCT**



Victrex's business is dependent on manufacturing and selling high quality products into advanced applications. To address this, we employ specialists covering the major market segments for VICTREX PEEK to maintain and advance our skills and knowledge.

VICTREX PEEK is manufactured in conformance with a quality management system certified to ISO 9001:2000. Invibio PEEK-OPTIMA polymer is additionally manufactured in conformance with the requirements of ISO 13485:2003, a quality management system used in the medical device industry which embraces the principles of current good manufacturing practice used in the manufacture of medical devices.

**INVESTMENT  
INVIBIO**



Invibio has opened a state-of-the-art Global Technology Centre in Thornton Cleveleys to accommodate technical and support staff, medically-dedicated processing facilities and materials testing laboratories. To further enhance quality control procedures and standards, the new facility also houses a Class 10,000 clean room, ensuring contaminant free manufacturing capabilities for research and development grades as well as prototype materials.

The Global Technology Centre enables Invibio to further provide knowledge based biomaterial solutions and expertise while accelerating research and development efforts for the commercialisation of novel PEEK-OPTIMA based biomaterials.

**Operational disruption**

The Group's business is dependent on the ongoing operation of our various manufacturing facilities. A significant operational disruption could adversely affect our ability to make and supply products.

As a result, we have implemented policies and procedures to safely manage all our operations and maintain our supply of VICTREX PEEK to customers. In particular, we employ a dedicated and empowered Safety, Health and Environment ('SHE') department to assist line management and to provide expert guidance. Further information on SHE matters is set out in the Corporate Social Responsibility Report on page 15.

We hold significant stocks of raw materials and finished goods which should enable us to maintain supplies during any short-term disruption. Furthermore, the second VICTREX PEEK manufacturing plant will be able to operate independently from the existing plant, thereby reducing the impact of any operational disruption on our ability to continue manufacturing products.

**Insufficient capacity**

Our customers' businesses depend on maintaining a consistent supply of high quality products. Any unexpected upsurge in demand could lead to insufficient capacity to fulfil customers' needs; additionally any delays in the implementation of major capital expenditure programmes could create a capacity shortage, leading to customers seeking alternative products.

To mitigate this risk, our stocks of finished goods enable us to supply any short-term surge in demand from our customers. Additionally, it is our policy to keep capacity well ahead of demand, by investing in our supply chain, so that our customers can be confident that we can meet their requirements.

**Product specifications**

The Group's products are used in highly demanding end use applications. Any failure to supply products in accordance with their specifications could lead to loss of business and, potentially, a product liability claim.

To mitigate this risk, VICTREX PEEK is manufactured within a quality management system approved to ISO 9001:2000. Invibio PEEK-OPTIMA polymer is additionally manufactured within the requirements of ISO 13485:2003, a system of good manufacturing practice often used by the pharmaceutical industry and by medical companies.

**Competitor activity**

Victrex operates in competitive markets, both in terms of competitors offering directly comparable materials (other polyaryletherketone products) and alternative materials. Failure to compete successfully could negatively impact the business.

Accordingly, we are continuing to work closely with our customers to provide high quality products as required and to invest in resources to bring cost effective, high quality application solutions to our customers.

**Currency exposure**

Currently, the Group exports 97% of sales from the UK. Primarily these sales are denominated in US Dollar, Euro and Yen. Fluctuations in exchange rates between Sterling and these other currencies could cause profit and balance sheet volatility.

The Group hedging policy to mitigate this risk is set out in the Corporate Governance Report on page 23.



# CORPORATE SOCIAL RESPONSIBILITY REPORT

## INDUSTRY ENVIRONMENTAL IMPACTS

Environmental impacts per tonne of VICTREX PEEK sold

	2004	2005	2006	2007
VICTREX PEEK sales volume (tonnes)	1,802	1,972	2,339	<b>2,508</b>
Energy use GJ	212	206	181	<b>168</b>
Water use m <sup>3</sup>	197	224	210	<b>189</b>
CO <sub>2</sub> emissions tonnes equivalent	10.8	10.5	9.4	<b>8.6</b>
Hazardous waste (post treatment) tonnes	4.4	3.0	0.2	<b>0.2</b>

The figures above incorporate pro-forma estimates for certain manufacturing operations relating to BDF production prior to acquisition on 1 April 2005 to ensure the impacts for each year are provided on a consistent basis.

As noted on page 20, 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 22.

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

### Safety, Health and Environment

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 as required.

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 only one over-3-day reportable injury, when an operator suffered back strain. The Group received the Royal Society for the Prevention of Accidents ('RoSPA') President's Award in 2007 in recognition of sustained occupational health and safety achievement after winning ten consecutive RoSPA Gold Awards.

Again, there have 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 regulated by Pollution Prevention and Control legislation and, as such, are subject to close monitoring of environmental emissions. During the year there were four notifiable events. On three occasions, during prescribed routine monitoring of air emissions at our Rotherham plant, the amount of emission measured (oxides of nitrogen or fluoride) exceeded agreed limits. On one other occasion at our Rotherham plant there was a release of dilute detergent solution to drain during an off-loading operation. No observable environmental impact resulted from these events.

The principal environmental impacts of the Group's UK operations are set out in the table above. The environmental impact of our overseas operations is not considered material.

## CORPORATE SOCIAL RESPONSIBILITY REPORT CONTINUED

INSPIRED  
OUR PEOPLE

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.

We have a culture of clear communication, accountability and pro-active employment practices throughout the organisation.

The Company supports employee share ownership and, where practical, offers the opportunity to participate in share schemes.

We are constantly striving to improve efficiency in all areas of our operations, including energy use (and therefore CO<sub>2</sub> emissions), water consumption and quantities of hazardous waste produced. This is achieved by implementing many procedures and projects, large and small, across the business. Reductions have been achieved in energy, CO<sub>2</sub> and water usage per tonne of product sold. This is largely due to increased production volume and efficiencies together with closure of plant that was non-core to the business.

**REACH**

The REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulations came into force on 1 June 2007. Although polymers are outside the scope of the regulations, the Company is working to ensure full REACH compliance for all raw materials and products which do require registration. We have put in place actions to pre-register relevant materials to meet the timetable to pre-register between 1 June 2008 and 30 November 2008. Full implementation of the regulations takes place in a phased manner from 1 June 2008 to 31 May 2018 and we have a project team in place to manage this process. We do not anticipate any disruption to the supply of products arising from the regulations. Although we cannot precisely quantify the cost of implementing the regulations, we do not expect it to be material for Victrex.

**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 2007, approximately 87% (2006: 76%) of employees worldwide were participants in employee share schemes, principally as option holders under the Company's employee share option schemes. We also sponsor pension plans for employees throughout the world. These comprise 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 16 to the financial statements.

Largely as a result of the above approach, Victrex has low voluntary employee turnover, 2.8% in 2007 (2006: 5.2%).

**Business ethics**

We have 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:

## INDUSTRY DISTRIBUTION



The Group's headquarters is located in the UK where its manufacturing facilities are based. To complement our global sales and technical centres that serve more than 30 countries worldwide we have a dedicated logistics team who maintain the highest commitment to our customers' needs. Our freight partners share our commitment to our customers and ensure an exceptional service.

All activities, including product distribution, are managed with the environment in mind and we continuously work to reduce our impact on the environment by improving the efficiency of our operations.

### 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.

### 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 whistleblowing (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.

# BOARD OF DIRECTORS

## Non-executive Directors



## Executive Directors



## Non-executive Directors

**PETER WARRY (58)**  
 MA FEng  
 Non-executive Chairman \* #  
 Appointed Chairman in 1999. Chairman of the Nominations Committee. Currently Chairman of Kier Group plc, BSS Group plc and of the Science and Technology Facilities Council. He has previously held a number of senior positions in the engineering industry.

**ANITA FREW (50)**  
 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, The City of London Investment Trust plc, IMI plc, Northumbrian Water Limited and Securities Trust of Scotland plc.

**GILES KERR (48)**  
 BA ACA  
 Non-executive Director \* † #  
 Appointed in 2006. Chairman of the Audit Committee. Currently Finance Director of Oxford University and non-executive Director of Elan Corporation plc and BTG plc. He was formerly Finance Director of Amersham plc and was previously a partner in Arthur Andersen.

**JONATHAN AZIS (50)**  
 MA Solicitor  
 Non-executive Director \* † #  
 Appointed in 2003. Currently Finance Director of Hanson Westhouse; a solicitor, he was previously an executive Director and Company Secretary of Hanson PLC.

## Executive Directors

**DAVID HUMMEL (49)**  
 BSc  
 Chief Executive \*  
 Appointed in 1993. Formerly with ICI and GE Plastics, assuming responsibility for VICTREX PEEK worldwide in 1992.

**MICHAEL PEACOCK (49)**  
 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 (44)**  
 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 (59)**  
 BSc PhD CChem FRSC  
 Production and Technical Director  
 Appointed in 1999. Formerly with ICI where he held senior positions 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 to shareholders for the year ended 30 September 2007.

## Principal activity

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

## Annual business review

The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 30 September 2007, the position of the Group at the end of that financial year and a description of the principal risks and uncertainties facing the Group (known as an 'Annual Business Review').

The information that fulfils the requirements of this Annual Business Review can be found on pages 2 to 14.

## Results and dividends

Group profit after tax for the year was £36.4m (2006: £31.8m).

The Directors recommend the payment of a final dividend of 12.6p per share, on 3 March 2008, to all shareholders on the register on 8 February 2008. This makes a total dividend of 17.3p per share for the year (2006: 14.4p per share).

## Share capital

During the year 487,226 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 18.

## Own shares held

Details of own shares held are given in note 19 to the financial statements.

## Directors

Details of the Directors of the Company are given on page 18. Details of Directors' interests in shares are provided in the Report on Directors' Remuneration on pages 24 to 29.

At the forthcoming Annual General Meeting ('AGM'), resolutions will be proposed for the re-election of Mr B V Souder and Mr P T Warry.

## Employment policies

The Group's employment policies, including its policy regarding the employment of disabled people, are set out on page 16.

## Major interests in shares

The Company has been notified of the following interests in 3% or more of its issued share capital as at 7 December 2007:

	Number of ordinary shares	
Schroders plc	10,883,985	13.23%
AXA S.A.	4,517,168	5.49%
Legal and General Group Plc	4,389,243	5.34%
F&C Asset Management plc	4,376,309	5.32%
The AEGON UK plc Group	4,220,537	5.13%
BlackRock Investment Management (UK) Limited	4,182,740	5.09%
Prudential plc	4,138,386	5.03%
Standard Life Investments Ltd	4,101,202	4.99%

## Donations

The Group made charitable donations of £17,706 (2006: £25,451) during the year of which £6,688 (2006: £5,334) was in the UK. No political donations were made (2006: £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 22 days (2006: 27 days) of purchases. The Company does not have any significant external trade creditors.

## Directors' indemnities

The Company has granted indemnities in favour of Directors under Deeds of Indemnity. These Deeds were in force during the year ended 30 September 2007 and remain in force as at the date of this report. The Deeds and the Company's Articles of Association are available for inspection during normal business hours at the Company's registered office and will be available at the AGM.

## Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution proposing the reappointment of KPMG Audit Plc as auditor of the Company will be put to the AGM.

By order of the Board



**Michael Peacock**  
Company Secretary  
10 December 2007

# 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. 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 of the view that the current balance between executive and non-executive members produces the right balance of Board debate and is conducive to the good governance of the business.

Additionally the Chairman continues to be a member of the Remuneration Committee, as the Board considers this beneficial in view of his skills and experience. While this is not in compliance with the Code, it is permitted under the Revised Combined Code issued in June 2006, which will apply to future reporting periods.

Subject to the above paragraphs, 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 expenditure, material contracts, 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, by means of a tailored induction, 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. 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, and the Senior Independent Director met with the other non-executive Directors, without the Chairman present, on one occasion.

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 terms of reference of the Committees are available on the Company's website ([www.victrex.com](http://www.victrex.com)) and, in paper form 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, comprising all of the non-executive Directors and the Chief Executive, is responsible for regularly reviewing the structure, size and composition of the Board, including succession planning 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. This procedure was most recently applied for the appointment of Giles Kerr. The external search consultants used were Blackwood Group.

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

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

### Remuneration Committee (Chairman – Anita Frew)

The Remuneration Committee, comprising all of the non-executive Directors, 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 Chairman and executive Directors are responsible for the agreement of non-executive Directors' remuneration. During the year the Committee sought advice on executive Directors' remuneration from New Bridge Street Consultants LLP.

The Remuneration Committee met five times during the year and there was full attendance at all meetings.

### Audit Committee (Chairman – Giles Kerr)

The Audit Committee, comprising all of the non-executive Directors (except the Chairman), is responsible for assisting the Board with its responsibilities in respect of external financial reporting. This includes reviewing the Group'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. The Committee also reviews the Group's whistleblowing policy.

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 the firm.

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 external auditor 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 three times during the year and there was full attendance at all meetings, with the exception of Jonathan Azis, who was unable to attend one meeting. Only Committee members are entitled to attend a meeting. However, the Chairman, the Finance Director, the Financial Controller and the External Audit Engagement Director 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 24 November 2006, the Committee reviewed the Company's preliminary announcement of its results for the financial year ended 30 September 2006 and the draft report and accounts for that year. The external auditor reported to the Committee on the conduct of its audit, its review of the accounts, including accounting policies and areas of judgement, and commented on risk management and control matters. The results of regular internal control reviews were also considered. The Committee carried out the annual appraisal of the external auditor (including reviewing non-audit fees) and the effectiveness of the audit process.

## CORPORATE GOVERNANCE CONTINUED

At its meeting on 23 May 2007, the Committee reviewed the Company's interim results announcement and draft half year report. The external auditor reported to the Committee on its review. The Committee also considered the results of regular internal control reviews.

On 24 September 2007, the external auditor presented its proposed fees and scope for the audit for the year ended 30 September 2007. The Committee also carried out its annual performance appraisal and terms of reference review.

At its meeting on 27 November 2007, the Committee reviewed the Company's preliminary announcement of its results for the financial year ended 30 September 2007 and the draft report and accounts for that year. The external auditor reported to the Committee on the conduct of its audit, its review of the accounts, including policies and areas of judgement, and commented on risk management and control matters. The results of internal control matters were also considered. The Committee carried out the annual appraisal of the external auditor (including reviewing non-audit fees) and the effectiveness of the audit process.

### Disclosure Committee

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

The Disclosure 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 advice, including advice from the Company's brokers, external auditor and legal advisers, on the form and content of any disclosure under consideration.

### 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 2007 (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 as further described on page 23) 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 two 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 primarily denominated in Euro, US Dollar and Yen.

Group hedging policy is to defer the impact on profits of currency movements by hedging:

- a minimum of 90% and a maximum of 100% of projected transaction exposures arising from trading in the forthcoming six month period;
- a minimum of 75% and a maximum of 100% of projected transaction exposures arising in the following six month period and,
- at the Board's discretion a maximum of 75% of projected transaction exposures arising in the further three month period.

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 13 and 26 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 the Chairman's and 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 21, and is chaired by Anita Frew. The Remuneration Committee has access to independent advice where it considers it appropriate. This year, the Committee utilised the services of New Bridge Street Consultants LLP for executive Directors remuneration.

## Remuneration policy

The Company aims to provide an appropriate remuneration structure that is competitive in the marketplace and is sufficient to attract, retain and motivate 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 Long Term Incentive Plan ('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. Individual salary amendments take into account each executive Director's performance against agreed objectives and the Group's financial needs as well as comparing each executive Director's basic salary to senior management in the Group and relative to the external market, where the Committee used the services of New Bridge Street Consultants LLP to provide comparative data.

## Annual cash bonus

Each executive Director was eligible to receive an annual cash bonus of up to 65% of basic salary only for the year ended 30 September 2007. 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 2007 was 56% of basic salary. This comprised 45% based on performance against budgeted Group profit before tax and 11% for the achievement of specific objectives relating to commercial and supply chain development and the achievement of certain business development milestones.

## Awards under the Victrex Long Term Incentive Plan

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 and,
- 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 Victrex 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 USA, can participate in the Victrex 2005 Employee Stock Purchase Plan on the same basis as other USA employees.

### Pension arrangements

Michael Peacock and Tim Walker participate in the defined benefit section of the Group's UK pension scheme, details of which are set out in note 16 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,
- if a member dies whilst in pensionable service, a surviving spouse and dependants are entitled to a pension subject to the scheme rules.

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

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

### Service agreements

The service agreements of the executive Directors are terminable by either the Company or the Director on 12 months' notice and make provision, 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. It is expected that the initial appointment will be for an initial period of three years. Following this the appointment is reviewed annually.

# REPORT ON DIRECTORS' REMUNERATION CONTINUED

The auditor is required to report on the information contained from here to page 28 inclusive.

Directors' remuneration for the year ended 30 September 2007 was as follows:

	Date of service contract	Basic salary £	Pension/other supplements <sup>(1)</sup> £	Bonus £	Benefits in kind £	Total 2007 £	Total 2006 £
<b>Executive Directors</b>							
D R Hummel	6 Dec 95	256,536	44,377	138,108	–	<b>439,021</b>	442,278
M W Peacock	1 Feb 00	200,000	34,609	112,000	4,639	<b>351,248</b>	322,567
B V Souder	16 Sept 02	185,396	19,291	93,913	12,223	<b>310,823</b>	300,072
T J Walker	1 May 99	182,000	30,109	101,920	5,882	<b>319,911</b>	303,511
<b>Chairman</b>							
P T Warry	1 Oct 01	100,000	–	–	–	<b>100,000</b>	88,000
<b>Non-executive Directors</b>							
A M Frew	1 Aug 00	40,000	–	–	–	<b>40,000</b>	32,000
J G A Azis	22 Sept 03	35,000	–	–	–	<b>35,000</b>	27,500
G F B Kerr	1 Aug 06	38,000	–	–	–	<b>38,000</b>	5,000
<b>Total remuneration</b>		<b>1,036,932</b>	<b>128,386</b>	<b>445,941</b>	<b>22,744</b>	<b>1,634,003</b>	<b>1,520,928</b>

The total payments (including pension contributions) made to the highest paid Director, D R Hummel, were £452,767 (2006: £456,959).

<sup>(1)</sup> In accordance with the policy outlined on page 25, D R Hummel and B V Souder received an additional salary supplement of £38,481 and £17,443 respectively with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme and £5,896 and £1,848 respectively with regards to the shortfall in the promised levels of life and disability insurance. M W Peacock and T J Walker received additional salary supplements of £22,325 and £17,825 respectively with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme. In addition M W Peacock and T J Walker each received an additional salary supplement of £12,284 in lieu of a company car.

## Pensions

	Age at 30/09/07	Accrued benefit at 30/09/06 £	Change in accrued benefit due to inflation £	Change in accrued benefit due to other factors £	Accrued benefit at 30/09/07 £	Transfer value at 30/09/06 £	Directors' contributions £	Increase in transfer value net of Directors' contributions £	Transfer value at 30/09/07 £
M W Peacock	49	13,508	549	2,067	<b>16,124</b>	116,209	5,449	16,352	<b>138,010</b>
T J Walker	59	15,028	611	2,062	<b>17,701</b>	197,818	5,449	29,883	<b>233,150</b>

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 £12,233 and £21,710 respectively.

The cost of pension contributions payable and accrued under defined contribution arrangements for D R Hummel and B V Souder amounted to £13,746 (2006: £14,681) and £13,681 (2006: £16,501) respectively.

## Directors' shares

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

	30/09/07 Beneficial	30/09/07 Non-beneficial	30/09/06 Beneficial	30/09/06 Non-beneficial
<b>Executive Directors</b>				
D R Hummel	<b>3,660,080</b>	<b>179,000</b>	3,660,080	179,000
M W Peacock	<b>38,146</b>	–	38,146	–
B V Souder	<b>10,000</b>	–	7,000	–
T J Walker	<b>88,817</b>	–	88,618	–
<b>Chairman</b>				
P T Warry	<b>57,067</b>	–	57,067	–
<b>Non-executive Directors</b>				
A M Frew	<b>9,184</b>	–	9,184	–
J G A Azis	<b>1,125</b>	–	1,125	–
G F B Kerr	–	–	–	–

Between 30 September 2007 and 7 December 2007, the beneficial shareholding for T J Walker increased by 36 shares.

The Directors' share options at 30 September 2007 under the Victrex 1995 Executive Share Option Scheme were as follows:

	30/09/07	30/09/06	Exercise price <sup>(1)</sup>	Normal exercise period
B V Souder	<b>31,000</b>	54,000	214.0p	2005-2012

<sup>(1)</sup> 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 25.

On 7 December 2006 B V Souder exercised 23,000 share options at an option price of 214.0p per share when the market price was 778.2p per share.

The mid-market price of Victrex plc shares at 30 September 2007 was 660.0p (2006: 791.5p). The range in the financial year was 640.0p to 828.0p (2006: 571.0p to 807.0p).

The Directors' Sharesave options at 30 September 2007 were as follows:

	30/09/07	30/09/06	Exercise price <sup>(1)</sup>	Normal exercise period
T J Walker	<b>1,791</b>	1,791	522p	2009

<sup>(1)</sup> 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.

# REPORT ON DIRECTORS' REMUNERATION

## CONTINUED

### Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') commenced on 26 January 1999. The Directors' contingent interests in shares at 30 September 2007, as set out below, were as follows:

	30/09/06	Granted in year	Exercised in year	Lapsed in year	30/09/07
D R Hummel	238,717	31,350	–	–	<b>270,067</b>
M W Peacock	163,562	24,479	–	–	<b>188,041</b>
B V Souder	150,144	21,318	–	–	<b>171,462</b>
T J Walker	157,735	22,276	–	–	<b>180,011</b>
	710,158	99,423	–	–	<b>809,581</b>

The market value of the shares granted in the year was 827.5p per share on the date of the grant.

It is the Company's policy to acquire sufficient shares to meet the Directors' contingent interests in shares under the LTIP and to hold such shares in employee trusts. As at September 2007, 809,581 shares (2006: 710,159) were held in trust as further described in note 19.

Outstanding option awards granted annually under the LTIP:

Granted in year	2001	2002	2003	2004	2005	2006	2007	30/09/07
D R Hummel	100	10,044	81,490	62,140	47,038	37,905	31,350	<b>270,067</b>
M W Peacock	–	5,778	50,970	44,151	35,849	26,814	24,479	<b>188,041</b>
B V Souder	–	–	51,740	41,289	31,255	25,860	21,318	<b>171,462</b>
T J Walker	–	5,778	50,970	41,743	33,893	25,351	22,276	<b>180,011</b>
	100	21,600	235,170	189,323	148,035	115,930	99,423	<b>809,581</b>

LTIP performance period – three years ending	30/09/03	30/09/04	30/09/05	30/09/06	30/09/07	30/09/08	30/09/09
Total Shareholder Return <sup>(1)</sup>	27th	108th	46th	35th	48th	n/a <sup>(3)</sup>	n/a <sup>(3)</sup>
EPS growth <sup>(2)</sup>	7.6%	4.8%	19.0%	22.3%	17.8%	n/a <sup>(3)</sup>	n/a <sup>(3)</sup>
Exercisable rate (% of grant)	74.88%	14.40%	100%	100%	100%	n/a <sup>(3)</sup>	n/a <sup>(3)</sup>

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

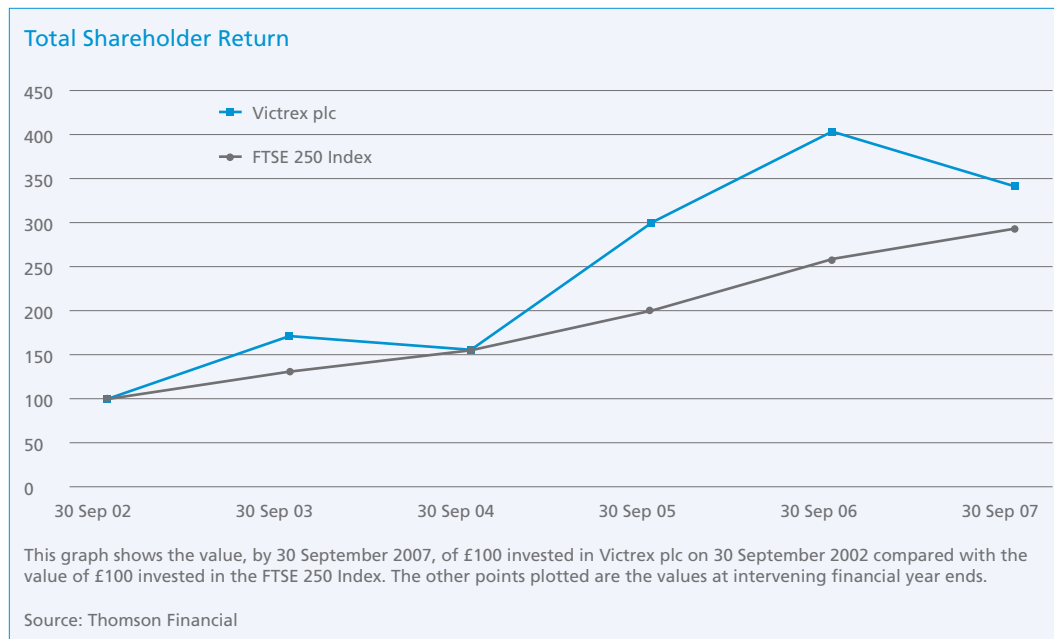
<sup>(2)</sup> The average percent per annum by which the Group's earnings per share growth exceeded inflation.

<sup>(3)</sup> The three year performance periods in respect of the awards granted in 2006 and 2007 are not yet complete and hence the exercisable rate has yet to be determined.

The performance conditions applicable to these option awards are outlined on page 24.

### 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.



*Anita Frew*

### Anita Frew

Chairman of the Remuneration Committee  
10 December 2007

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICTREX PLC

We have audited the Group and Parent Company financial statements (the 'financial statements') of Victrex plc for the year ended 30 September 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. 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 an auditor's 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 23.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Annual Business Review that is cross referenced from the Annual Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 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 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. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company'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 Directors' Remuneration Report to be audited are free from material 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 Directors' Remuneration Report to be audited.

## Opinion

### In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30 September 2007 and of its profit for the year then ended;
- The Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 September 2007;
- The financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation and,
- The information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

## KPMG Audit Plc

Chartered Accountants  
Registered Auditor  
10 December 2007



# ACCOUNTS

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# CONSOLIDATED INCOME STATEMENT

For the year ended 30 September	Note	2007 £000	2007 £000	2006 £000	2006 £000
Revenue	2		<b>131,025</b>		122,516
Cost of sales	3		<b>(46,552)</b>		(46,708)
<b>Gross profit</b>			<b>84,473</b>		75,808
Sales, marketing and administrative expenses	3		<b>(33,237)</b>		(30,743)
<b>Operating profit</b>	2		<b>51,236</b>		45,065
Financial income	5	<b>702</b>		688	
Financial expenses	6	<b>(105)</b>		(88)	
Net financing income			<b>597</b>		600
Share of profit of Japanese joint venture			<b>196</b>		474
<b>Profit before tax</b>			<b>52,029</b>		46,139
Income tax expense	7		<b>(15,609)</b>		(14,303)
<b>Profit for the year attributable to equity shareholders of the parent</b>			<b>36,420</b>		31,836
<b>Earnings per share</b>					
Basic	8		<b>44.9p</b>		39.4p
Diluted	8		<b>44.4p</b>		38.9p
<b>Dividend per share</b>					
Interim	19		<b>4.7p</b>		4.2p
Final	19		<b>12.6p</b>		10.2p
	19		<b>17.3p</b>		14.4p

A final dividend in respect of 2007 of 12.6p per share has been recommended by the Directors for approval at the Annual General Meeting on 5 February 2008.

# BALANCE SHEETS

As at 30 September	Note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9	<b>112,787</b>	84,009	–	–
Intangible assets	10	<b>11,483</b>	9,404	–	–
Investments	11	–	–	<b>13,665</b>	11,251
Investment in Japanese joint venture	11	–	370	–	–
Deferred tax assets	12	<b>5,753</b>	7,201	–	–
		<b>130,023</b>	100,984	<b>13,665</b>	11,251
<b>Current assets</b>					
Inventories	14	<b>27,867</b>	22,969	–	–
Current income tax assets		<b>416</b>	774	<b>293</b>	319
Trade and other receivables	15	<b>15,887</b>	12,139	<b>51,704</b>	63,764
Derivative financial instruments	13	<b>2,137</b>	2,776	–	–
Cash and cash equivalents		<b>17,120</b>	26,860	<b>23</b>	19
		<b>63,427</b>	65,518	<b>52,020</b>	64,102
<b>Total assets</b>		<b>193,450</b>	166,502	<b>65,685</b>	75,353
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	12	<b>(12,666)</b>	(12,385)	–	–
Retirement benefit obligations	16	<b>(7,110)</b>	(12,159)	–	–
		<b>(19,776)</b>	(24,544)	–	–
<b>Current liabilities</b>					
Derivative financial instruments	13	<b>(1,464)</b>	(244)	–	–
Short-term borrowings		<b>(3,419)</b>	–	–	–
Current income tax liabilities		<b>(11,077)</b>	(7,549)	–	–
Trade and other payables	17	<b>(16,231)</b>	(20,714)	<b>(3,949)</b>	(3,127)
		<b>(32,191)</b>	(28,507)	<b>(3,949)</b>	(3,127)
<b>Total liabilities</b>		<b>(51,967)</b>	(53,051)	<b>(3,949)</b>	(3,127)
<b>Net assets</b>		<b>141,483</b>	113,451	<b>61,736</b>	72,226
<b>Equity</b>					
Share capital		<b>822</b>	817	<b>822</b>	817
Share premium		<b>18,148</b>	16,549	<b>18,148</b>	16,549
Translation reserve		<b>(628)</b>	(229)	–	–
Hedging reserve		<b>39</b>	1,325	–	–
Retained earnings		<b>123,102</b>	94,989	<b>42,766</b>	54,860
<b>Total equity</b>	19	<b>141,483</b>	113,451	<b>61,736</b>	72,226

These financial statements were approved by the Board of Directors on 10 December 2007 and were signed on its behalf by:



**D R Hummel**  
Chief Executive



**M W Peacock**  
Finance Director

# CASH FLOW STATEMENTS

For the year ended 30 September					
	Note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
<b>Cash flows from operating activities</b>					
Cash generated from operations	20	<b>50,690</b>	54,791	<b>12,733</b>	(3,005)
Interest and similar charges paid		<b>(309)</b>	(20)	–	(1)
Interest received		<b>702</b>	688	–	–
Tax paid		<b>(12,177)</b>	(12,357)	–	(13)
<b>Net cash flow from operating activities</b>		<b>38,906</b>	43,102	<b>12,733</b>	(3,019)
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	9	<b>(37,189)</b>	(21,470)	–	–
Purchase of business including acquisition costs	22	<b>(1,036)</b>	–	<b>(2,364)</b>	–
Dividends received		–	112	<b>921</b>	13,373
<b>Net cash flow from investing activities</b>		<b>(38,225)</b>	(21,358)	<b>(1,443)</b>	13,373
<b>Cash flows from financing activities</b>					
Issue of ordinary shares exercised under option	19	<b>5</b>	5	<b>5</b>	5
Premium on issue of ordinary shares exercised under option	19	<b>1,599</b>	1,306	<b>1,599</b>	1,306
Purchase of own shares held	19	<b>(821)</b>	(767)	<b>(821)</b>	(767)
Increase in short-term borrowings		<b>1,264</b>	–	–	–
Dividends paid	19	<b>(12,069)</b>	(10,896)	<b>(12,069)</b>	(10,896)
<b>Net cash flow from financing activities</b>		<b>(10,022)</b>	(10,352)	<b>(11,286)</b>	(10,352)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,341)</b>	11,392	<b>4</b>	2
Exchange differences on net investment translation of foreign operations		<b>(399)</b>	(279)	–	–
Cash and cash equivalents at beginning of year		<b>26,860</b>	15,747	<b>19</b>	17
<b>Cash and cash equivalents at end of year</b>		<b>17,120</b>	26,860	<b>23</b>	19

## Components of net cash

		Group 30 September 2007 £000	Group 30 September 2006 £000	Company 30 September 2007 £000	Company 30 September 2006 £000
Cash and cash equivalents		<b>17,120</b>	26,860	<b>23</b>	19
Short-term borrowings		<b>(3,419)</b>	–	–	–
<b>Net cash</b>	23	<b>13,701</b>	26,860	<b>23</b>	19

# STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 September

	Note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Changes in fair value of cash flow hedges		<b>2,871</b>	299	–	–
Net change in fair value of cash flow hedges transferred to income statement		<b>(4,710)</b>	1,366	–	–
Exchange differences on net investment translation of foreign operations	19	<b>(399)</b>	(279)	–	–
Actuarial gains/(losses) on defined benefit plans	16	<b>5,729</b>	(4,050)	–	–
Tax on items taken directly to or transferred from equity	12	<b>(2,058)</b>	1,262	–	–
Net income/(expense) recognised directly in equity		<b>1,433</b>	(1,402)	–	–
Profit for the year		<b>36,420</b>	31,836	<b>796</b>	13,313
Total recognised income and expense for the year attributable to equity shareholders of the parent	19	<b>37,853</b>	30,434	<b>796</b>	13,313

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Significant accounting policies

### General information

Victrex plc (the 'Company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire, FY5 4QD, United Kingdom.

The consolidated financial statements of the Company for the year ended 30 September 2007 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in the Japanese joint venture, which became a wholly owned subsidiary with effect from 30 March 2007 (see note 22). Prior to this date the Japanese joint venture was accounted for on the equity accounting basis in accordance with IAS 31 – Interests in Joint Ventures. After this date it was accounted for as a wholly owned subsidiary in accordance with IFRS 3 – Business Combinations.

The Company is listed on the London Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 10 December 2007.

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and on the historical cost basis except that derivative financial instruments are measured at their fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been consistently applied by Group entities.

A number of standards, amendments and interpretations have been issued during the period which are not yet effective, and accordingly the Group has not yet adopted. The cumulative impact of the adoption of these standards is not deemed to be significant.

IFRS 7 – Financial Instruments: Disclosures, shall apply for annual periods beginning on or after 1 January 2007 and therefore the Group plans to adopt IFRS 7 for the first time in the year ending 30 September 2008. The application of IFRS 7 in the year ended 30 September 2007 would not have affected the balance sheets or income statement but would have resulted in changes to disclosures provided in respect of financial instruments.

### Investments

In the Company's accounts, investments in subsidiary undertakings are stated at cost less any impairment in the value of the investment.

### Basis of consolidation

#### Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing control. Subsidiaries are consolidated from the date that control commences until the date that control ceases.

#### Joint venture

The activities of the Japanese joint venture were governed by a joint venture agreement between the Company and Mitsui Chemicals, Inc. Certain key management decisions required the co-operation of both parties. The Group's share of profits less losses of the Japanese joint venture was included in the consolidated income statement on the equity accounting basis until it became a wholly owned subsidiary with effect from 30 March 2007.

#### Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

#### Segment reporting

A geographical segment is engaged in providing products or services within a particular environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is defined as a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group has determined the primary reporting segment to be geographic as the Group is engaged in providing products or services within particular geographic environments that are subject to varying risks and returns.

#### Foreign currency translation

##### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operated (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation to balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

##### Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b) Income and expenses for each income statement are translated at weighted average exchange rates and,
- c) All resulting exchange differences, from 1 October 2004, are recognised as a separate component of equity.

#### Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised at fair value. The method of recognising any gain or loss on remeasurement of fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

For derivatives not used in hedging transactions, the gain or loss on remeasurement of fair value is recognised immediately in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective portion of changes in fair value is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

## Fair value estimation

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

## Property, plant and equipment

### Owned assets

All owned items of property, plant and equipment are stated at historical cost less accumulated depreciation and provision for impairment. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### Leased assets

Operating lease rentals are charged to the income statement on a straight line basis over the life of the lease.

### Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful economic lives as follows:

Buildings	30 years
Plant and machinery	10-30 years
Fixtures, fittings, tools and equipment	5 years
Computers and motor vehicles	3-5 years

Freehold land is not depreciated.

The residual values and useful lives of assets are reviewed annually for continued appropriateness and indications of impairment, and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

## Intangible assets

### Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment.

In respect of acquisitions prior to 1 October 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded previously under UK GAAP. In respect of acquisitions that have occurred since 1 October 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired.

Expenditure on internally generated goodwill is recognised in the income statement as an expense as incurred.

### Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Development expenditure is recognised in the income statement as an expense as incurred unless it meets all the criteria to be capitalised under IAS 38 – Intangible Assets.



### Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation. Other intangible assets are tested annually for impairment.

### Amortisation

Amortisation is charged to the income statement on a straight line basis in order to allocate the cost over the estimated useful economic lives as follows:

Knowhow	10 years
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The residual values and useful lives of assets are reviewed annually for continued appropriateness and impairment, and adjusted if appropriate.

### Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

### Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affects neither accounting nor taxable profit and, differences relating to investments in subsidiaries except to the extent that they will probably reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

### Revenue recognition

Revenue comprises the amounts receivable for the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from contractual payments is recognised by reference to completion of a specific milestone in accordance with the substance of the relevant agreements. Royalty income is recognised when the amount payable is known.

No revenue is recognised if there is significant uncertainty regarding recovery of the consideration due, associated costs or the possible return of goods.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## Employee benefits

### Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

### Defined benefit pension plans

The Group's net obligation in respect of defined benefit pension plans recognised in the balance sheet is the present value of the future benefits that employees have earned in return for their service in the current and prior periods less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability.

Victrex has decided to take advantage of the option under IAS 19 – Employee Benefits to recognise actuarial gains and losses through the statement of recognised income and expense as opposed to the income statement.

Ongoing actuarial gains and losses are being immediately recognised in full through the statement of recognised income and expense.

### Share-based payment transactions

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable and include employee service periods and performance targets which are not related to the parent's share price, such as earnings per share growth. The fair value of the options is measured by the Stochastic model, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

Any failure to meet market conditions, which includes performance targets such as share price or Total Shareholder Return, would not result in a reversal of original estimates in the income statement.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

## Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and it has been reliably estimated.

## Net financing income and expense

Net financing income and expense comprises interest payable on borrowings, interest received on funds invested and charges on bank loans and overdrafts.

## 2. Segment reporting

### Primary geographical segments

#### Results

	Europe 2007 £000	USA 2007 £000	Asia-Pacific 2007 £000	Group 2007 £000	Europe 2006 £000	USA 2006 £000	Asia-Pacific 2006 £000	Group 2006 £000
Total segment sales	<b>65,421</b>	<b>77,529</b>	<b>26,511</b>	<b>169,461</b>	65,076	70,452	17,789	153,317
Less inter-segment sales	<b>(88)</b>	<b>(32,484)</b>	<b>(5,864)</b>	<b>(38,436)</b>	(158)	(29,974)	(669)	(30,801)
<b>Revenue from external sales</b>	<b>65,333</b>	<b>45,045</b>	<b>20,647</b>	<b>131,025</b>	64,918	40,478	17,120	122,516
<b>Segment operating profit</b>	<b>29,904</b>	<b>18,136</b>	<b>6,926</b>	<b>54,966</b>	29,753	14,670	4,754	49,177
Unallocated central costs				<b>(3,730)</b>				(4,112)
<b>Operating profit</b>				<b>51,236</b>				45,065
Net financing income				<b>597</b>				600
Share of profit of Japanese joint venture				<b>196</b>				474
<b>Profit before tax</b>				<b>52,029</b>				46,139
Income tax expense				<b>(15,609)</b>				(14,303)
<b>Profit for the year attributable to equity shareholders of the parent</b>				<b>36,420</b>				31,836
<b>Other information</b>								
<b>Segment assets</b>	<b>172,557</b>	<b>11,086</b>	<b>9,807</b>	<b>193,450</b>	152,341	8,788	5,373	166,502
<b>Segment liabilities</b>	<b>39,779</b>	<b>8,174</b>	<b>4,014</b>	<b>51,967</b>	43,418	9,482	151	53,051
Capital expenditure	<b>33,806</b>	<b>206</b>	<b>272</b>	<b>34,284</b>	23,637	33	1,365	25,035
Depreciation	<b>5,402</b>	<b>50</b>	<b>125</b>	<b>5,577</b>	4,772	30	34	4,836
Amortisation	<b>609</b>	<b>–</b>	<b>–</b>	<b>609</b>	611	–	–	611

### Secondary business segments

	2007 £000	2006 £000
<b>Sales</b>		
VICTREX PEEK	<b>111,732</b>	107,076
Invibio	<b>19,293</b>	15,440
	<b>131,025</b>	122,516
<b>Total assets</b>		
VICTREX PEEK	<b>179,849</b>	159,049
Invibio	<b>13,601</b>	7,453
	<b>193,450</b>	166,502
<b>Capital expenditure</b>		
VICTREX PEEK	<b>31,735</b>	23,581
Invibio	<b>2,549</b>	1,454
	<b>34,284</b>	25,035

### Analysis of sales by category

	2007 £000	2006 £000
Product sales	<b>126,390</b>	118,670
Other income	<b>4,635</b>	3,846
	<b>131,025</b>	122,516

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 3. Expenses by nature

	Note	2007 £000	2006 £000
Staff costs	4	<b>26,311</b>	23,934
Depreciation of property, plant and equipment	9	<b>5,577</b>	4,836
Amortisation of knowhow	10	<b>609</b>	611
Operating lease rentals	9	<b>1,037</b>	898
Other costs of manufacture		<b>32,737</b>	34,676
Other sales and marketing costs		<b>6,589</b>	6,827
Other administrative costs		<b>3,357</b>	3,192
Other research and development costs		<b>3,572</b>	2,477
		<b>79,789</b>	77,451

Auditor's remuneration is as follows:

	2007 £000	2006 £000
Audit services	<b>104</b>	101
Tax services	<b>24</b>	18
Other services	<b>14</b>	5
	<b>142</b>	124

## 4. Staff costs

	Note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Wages and salaries		<b>19,961</b>	19,014	<b>213</b>	173
Social security costs		<b>2,017</b>	1,530	<b>25</b>	19
Defined contribution pension plans		<b>1,076</b>	905	–	–
Defined benefit pension plans	16	<b>1,792</b>	1,363	–	–
Equity-settled share-based payment transactions	18	<b>1,465</b>	1,122	–	–
	3	<b>26,311</b>	23,934	<b>238</b>	192

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

	Group 2007	Group 2006	Company 2007	Company 2006
Operations	<b>220</b>	192	–	–
Technical	<b>78</b>	61	–	–
Commercial	<b>118</b>	99	–	–
Administration	<b>51</b>	48	<b>4</b>	4
	<b>467</b>	400	<b>4</b>	4

## 5. Financial income

	2007 £000	2006 £000
Bank interest receivable	<b>702</b>	688

**6. Financial expenses**

	2007 £000	2006 £000
Bank interest and similar charges payable	105	88

**7. Income tax expense**

	Note	2007 £000	2006 £000
<b>Current tax</b>			
Current tax		13,010	11,605
UK corporation tax adjustments relating to prior years		158	(343)
Foreign tax on profits for the year		2,488	2,022
		<b>15,656</b>	13,284
<b>Deferred tax</b>			
Origination and reversal of temporary differences	12	(47)	1,019
Total tax expense in income statement		<b>15,609</b>	14,303

**Reconciliation of effective tax rate**

	Note	2007 %	2007 £000	2006 %	2006 £000
Profit before tax			52,029		46,139
Tax expense using UK tax rate		30.0	15,609	30.0	13,842
Expenses not deductible for tax purposes			481		658
Capital allowances for the year in excess of depreciation			(834)		(2,224)
Movement in short-term temporary differences			881		1,205
Higher rates of tax on overseas earnings			481		326
UK research and development tax credits			(218)		(180)
UK corporation tax adjustments relating to prior years			158		(343)
Deferred tax change from 30% to 28%			(902)		–
Origination and reversal of timing differences	12		(47)		1,019
<b>Effective tax rate</b>		<b>30.0</b>	<b>15,609</b>	31.0	14,303

In June 2007, a reduction in the UK tax rate from 30% to 28%, which will be effective from 1 April 2008, was substantially enacted. In accordance with IAS 12 - Income Taxes, the deferred tax liabilities and assets have been calculated using a rate of 28%.

**8. Earnings per share**

Earnings per share is based on the Group's profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year, excluding own shares held (see note 19).

	2007	2006
Earnings per share – basic	44.9p	39.4p
– diluted	44.4p	38.9p
<b>Profit for the financial year</b>	<b>£36,420,000</b>	£31,836,000
Weighted average number of shares used:		
Issued ordinary shares at beginning of year	81,740,045	81,235,566
Effect of own shares held	(793,012)	(720,157)
Effect of shares issued during the year	200,069	258,054
<b>Basic weighted average number of shares</b>	<b>81,147,102</b>	80,773,463
Effect of share options	898,177	1,064,721
<b>Diluted weighted average number of shares</b>	<b>82,045,279</b>	81,838,184

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 9. Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Computers and motor vehicles £000	Fixtures, fittings, tools and equipment £000	Assets in course of construction £000	Total £000
<b>Cost</b>						
At 1 October 2005	4,530	74,594	4,074	353	3,945	87,496
Additions	968	1,605	904	144	21,414	25,035
Disposals	–	–	(12)	(1)	–	(13)
Reclassification	2,348	819	315	100	(3,582)	–
At 30 September 2006	7,846	77,018	5,281	596	21,777	112,518
Additions	1,685	2,276	517	220	29,586	34,284
Acquisitions through business combinations	32	3	–	36	–	71
Disposals	–	–	(13)	(24)	–	(37)
Reclassification	4,796	7,223	43	153	(12,215)	–
<b>At 30 September 2007</b>	<b>14,359</b>	<b>86,520</b>	<b>5,828</b>	<b>981</b>	<b>39,148</b>	<b>146,836</b>
<b>Depreciation</b>						
At 1 October 2005	736	19,747	2,921	279	–	23,683
Disposals	–	–	(9)	(1)	–	(10)
Depreciation charge	184	3,999	606	47	–	4,836
At 30 September 2006	920	23,746	3,518	325	–	28,509
Disposals	–	–	(13)	(24)	–	(37)
Depreciation charge	350	4,314	822	91	–	5,577
<b>At 30 September 2007</b>	<b>1,270</b>	<b>28,060</b>	<b>4,327</b>	<b>392</b>	<b>–</b>	<b>34,049</b>
<b>Carrying amounts</b>						
<b>At 30 September 2007</b>	<b>13,089</b>	<b>58,460</b>	<b>1,501</b>	<b>589</b>	<b>39,148</b>	<b>112,787</b>
At 30 September 2006	6,926	53,272	1,763	271	21,777	84,009

The Company has no property, plant or equipment.

### Leased property, plant and equipment

There are no finance lease agreements for either the Group or Company.

Operating lease rentals of £1,037,000 (2006: £898,000) relating to the lease of property, plant and equipment are included in the income statement (see note 3).

**10. Intangible assets**

	Goodwill £000	Knowhow £000	Total £000
<b>Cost</b>			
At 1 October 2005	10,566	6,100	16,666
Additions	–	–	–
At 30 September 2006	10,566	6,100	16,666
Additions	2,688	–	2,688
<b>At 30 September 2007</b>	<b>13,254</b>	<b>6,100</b>	<b>19,354</b>
<b>Amortisation</b>			
At 1 October 2005	3,144	3,507	6,651
Amortisation charge	–	611	611
At 30 September 2006	3,144	4,118	7,262
Amortisation charge	–	609	609
<b>At 30 September 2007</b>	<b>3,144</b>	<b>4,727</b>	<b>7,871</b>
<b>Carrying amounts</b>			
<b>At 30 September 2007</b>	<b>10,110</b>	<b>1,373</b>	<b>11,483</b>
At 30 September 2006	7,422	1,982	9,404

**Goodwill**

Goodwill has arisen as follows:

	£000	Associated CGU
Acquisitions associated with the supply of our key raw material BDF:		
December 1999	3,475	Victrex
April 2005	3,947	Victrex
Acquisition of 49% share of Japanese joint venture from Mitsui Chemicals, Inc in March 2007 (note 22)	2,688	Japanese operations
	<b>10,110</b>	

Goodwill arising on acquisition is allocated to the cash generating unit ('CGU') that is expected to benefit. The recoverable amount of each CGU is determined using value in use calculations based on cash flow projections from financial budgets and plans, which have been approved by the Board, discounted using the Group's estimated weighted average cost of capital (9%).

BDF is a key raw material for the vast majority of our products and associated downstream activities. The carrying value of goodwill arising on the associated acquisitions is measured against the discounted future cash flow projections of the Victrex business as a whole.

The goodwill associated with the acquisition in March 2007 of the remaining 49% share in Victrex-MC, Inc is measured against the discounted future cash flow projections of our Japanese activities.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. It is not considered that a reasonably possible change in the assumptions used would generate a different impairment test outcome.

**Knowhow**

The knowhow arose on the acquisition in December 1999 associated with the supply of our key raw material BDF. It is being amortised over its estimated useful economic life and has approximately two years remaining to be charged. The charge is recognised within cost of sales in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 11. Investments

### Group

#### Investment in Japanese joint venture

The investment in the Japanese joint venture, which became a wholly owned subsidiary with effect from 30 March 2007 (see note 22), represented the Group's share of the net assets of Victrex-MC, Inc, adjusted for unrealised profit in stock, resulting in a positive balance of £370,000 in 2006.

### Company

#### Investments

	Share in Japanese joint venture £000	Shares in Group undertakings £000	Total £000
<b>Cost and carrying value</b>			
At 1 October 2005 and 30 September 2006	131	11,120	11,251
Addition (see note 22)	–	2,414	2,414
Reclassification	(131)	131	–
<b>At 30 September 2007</b>	<b>–</b>	<b>13,665</b>	<b>13,665</b>

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	Class of share held	Shares held
<b>Subsidiary undertakings</b>				
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 Japan, Inc	Japan	Sale of polymers	Ordinary	100%



## 12. Deferred tax assets and liabilities

	Property, plant and equipment 2007 £000	Employee benefits 2007 £000	Inventories 2007 £000	Other 2007 £000	Total 2007 £000	Property, plant and equipment 2006 £000	Employee benefits 2006 £000	Inventories 2006 £000	Other 2006 £000	Total 2006 £000
Deferred tax assets	–	3,243	1,985	525	5,753	–	5,250	1,708	243	7,201
Deferred tax liabilities	(12,651)	–	–	(15)	(12,666)	(11,817)	–	–	(568)	(12,385)
Net tax assets/(liabilities)	(12,651)	3,243	1,985	510	(6,913)	(11,817)	5,250	1,708	(325)	(5,184)

	Note	Property, plant and equipment £000	Employee benefits £000	Inventories £000	Other £000	Total £000
<b>Movement in net provision</b>						
At 1 October 2005		(9,593)	2,980	943	243	(5,427)
Recognised in income statement	7	(2,224)	440	765	–	(1,019)
Recognised in equity		–	1,830	–	(568)	1,262
At 30 September 2006		(11,817)	5,250	1,708	(325)	(5,184)
Recognised in income statement	7	(834)	604	277	–	47
Recognised in equity		–	(2,611)	–	553	(2,058)
Recognised in goodwill	22	–	–	–	282	282
<b>At 30 September 2007</b>		<b>(12,651)</b>	<b>3,243</b>	<b>1,985</b>	<b>510</b>	<b>(6,913)</b>

## 13. Derivative financial instruments

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Sterling. The currencies giving rise to this risk are primarily US Dollar, Euro and Yen. Forward exchange contracts are used to manage this exposure to fluctuations in foreign exchange rates.

The Group hedges, using forward exchange contracts, a proportion of sales denominated in a foreign currency. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. The Group buys or sells foreign currency at spot where necessary to address any short-term imbalances.

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value.

The fair values 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.

Changes in the fair value of forward exchange contracts for which no hedge accounting is applied are recognised in the income statement.

## 14. Inventories

	2007 £000	2006 £000
Raw materials and consumables	9,055	8,467
Work in progress	937	1,596
Finished goods	17,875	12,906
	<b>27,867</b>	<b>22,969</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 15. Trade and other receivables

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Trade receivables	14,670	9,618	–	–
Amounts owed by subsidiary undertakings	–	–	51,704	63,764
Amounts owed by Japanese joint venture	–	1,215	–	–
Prepayments	713	587	–	–
Other	504	719	–	–
	<b>15,887</b>	12,139	<b>51,704</b>	63,764

## 16. Retirement benefit obligations

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. The defined benefit section was closed to new members from 31 December 2001. From this date new employees have been invited to join the second section that provides benefits on a defined contribution basis.

IAS 19 disclosures relating to defined benefits are as follows:

### Principal actuarial assumptions

	At 30 September 2007	At 30 September 2006
Discount rate	5.84%	4.95%
Expected return on schemes' assets <sup>(1)</sup>	7.00%	6.90%
Future salary increases	5.00%	4.92%
Future pension increases	3.25%	3.17%
Mortality tables	PA92mc	PA92mc
Life expectancy from age 62 of current pensioners:		
Male	24.7 yrs <sup>(2)</sup>	24.7 yrs <sup>(3)</sup>
Female	27.7 yrs <sup>(2)</sup>	27.6 yrs <sup>(3)</sup>
Life expectancy from age 62 of active and deferred members:		
Male	25.8 yrs <sup>(4)</sup>	25.7 yrs <sup>(5)</sup>
Female	28.6 yrs <sup>(4)</sup>	28.6 yrs <sup>(5)</sup>

<sup>(1)</sup> The future expected return on assets of 7.0% (2006: 6.9%) per annum has been derived from assumed returns of 7.5% (2006: 7.5%) per annum from equity assets, 5.0% (2006: 4.5%) per annum from bonds and 5.5% (2006: 4.0%) per annum from cash, applied to the proportion of each asset class held by the scheme as at 30 September.

<sup>(2)</sup> Life expectancy from age 62 for members aged 62 in 2007.

<sup>(3)</sup> Life expectancy from age 62 for members aged 62 in 2006.

<sup>(4)</sup> Life expectancy from age 62 for members aged 45 in 2007.

<sup>(5)</sup> Life expectancy from age 62 for members aged 45 in 2006.

### Amounts recognised in the balance sheet

	At 30 September 2007 £000	At 30 September 2006 £000	At 30 September 2005 £000	At 30 September 2004 £000	At 30 September 2003 £000
Present value of funded obligations	<b>(26,218)</b>	(28,590)	(21,598)	(18,690)	(15,037)
Fair value of schemes' assets	<b>19,108</b>	16,431	13,786	10,506	8,508
Net liability before deferred taxation	<b>(7,110)</b>	(12,159)	(7,812)	(8,184)	(6,529)
Related deferred taxation asset	<b>1,991</b>	3,648	2,344	2,455	1,959
Net liability after deferred taxation	<b>(5,119)</b>	(8,511)	(5,468)	(5,729)	(4,570)
Experience adjustments arising on schemes' liabilities	<b>5,185</b>	(4,778)	(705)	152	(108)
Experience adjustments arising on schemes' assets	<b>544</b>	728	1,517	400	204

It is not practical to produce figures for 2003 to 2004 in accordance with IAS 19. The figures included for these years are as originally published and calculated under UK GAAP (FRS 17 – Retirement Benefits) which it is considered would not be materially different under IAS 19.

### Changes in the present value of the funded obligation

	2007 £000	2006 £000
Defined benefit obligation at beginning of year	<b>(28,590)</b>	(21,598)
Exchange difference	<b>(26)</b>	–
Service cost	<b>(1,588)</b>	(1,313)
Interest cost	<b>(1,448)</b>	(1,132)
Actuarial gains/(losses)	<b>5,185</b>	(4,778)
Benefits paid	<b>249</b>	231
Defined benefit obligation at end of year	<b>(26,218)</b>	(28,590)

The Group expects to contribute £1,128,000 to its defined benefit pension schemes during the year ending 30 September 2008.

### Changes in the fair value of the schemes' assets

	2007 £000	2006 £000
Fair value of schemes' assets at beginning of year	<b>16,431</b>	13,786
Exchange difference	<b>10</b>	–
Expected return	<b>1,129</b>	974
Actuarial gains	<b>544</b>	728
Contributions by employer	<b>1,128</b>	1,066
Contributions by employee	<b>115</b>	108
Benefits paid	<b>(249)</b>	(231)
Fair value of schemes' assets at end of year	<b>19,108</b>	16,431
Actual return on schemes' assets	<b>1,700</b>	1,446

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## Major categories of schemes' assets

	At 30 September 2007 £000	At 30 September 2006 £000
UK equities	7,190	6,884
Non UK equities	7,550	6,116
Bonds	3,176	2,279
Cash	767	820
Insurance policies	425	332
Fair value of schemes' assets at end of year	<b>19,108</b>	16,431

## Amounts recognised in the income statement

	Note	2007 £000	2006 £000
Current service cost		<b>(1,588)</b>	(1,313)
Contributions by employee		115	108
Interest on obligations		<b>(1,448)</b>	(1,132)
Other finance income and expenditure		1,129	974
Total included in 'staff costs'	4	<b>(1,792)</b>	(1,363)

## Gross amounts of actuarial gains and losses recognised in the statement of recognised income and expense

	2007 £000	2006 £000
The cumulative amount at beginning of year	<b>(11,422)</b>	(7,372)
Movement in year	<b>5,729</b>	(4,050)
The cumulative amount at end of year	<b>(5,693)</b>	(11,422)

## 17. Trade and other payables

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Trade payables	5,452	5,981	4	4
Amounts owed to Group undertakings	–	–	3,934	3,113
Accruals	10,449	14,361	1	10
Other	330	372	10	–
	<b>16,231</b>	20,714	<b>3,949</b>	3,127

## 18. Share-based payments

Share option arrangements granted before 7 November 2002 exist. The recognition and measurement principles in IFRS 2 have not been applied to these grants in accordance with the transitional provisions in IFRS 1 - First-time Adoption of International Financial Reporting Standards. All options are settled by the physical delivery of shares. The terms and conditions of all the grants are as follows:

### Executive Share Option Scheme ('ESOS')

The Victrex 1995 Executive Share Option Scheme came to the end of its 10 year life in 2005. The exercise price of the granted options is equal to the market price of the shares on the date of grant. ESOS options are conditional on the employee completing three years' service (the vesting period). These options are exercisable starting three years from date of grant only if the Group achieves EPS growth exceeding inflation by an average of at least 3% per annum over the three year vesting period. These options have a maximum term of ten years.

#### Outstanding options as at balance sheet date

Grant date	2007 Number of options	2006 Number of options
June 1999	7,841	7,841
January 2000	2,200	3,700
June 2000	2,642	33,256
July 2001	9,487	17,419
June 2002	2,489	23,477
October 2002	31,000	54,000
December 2002	4,309	4,309
April 2003	25,000	25,000
June 2003	45,878	106,028
December 2003	14,912	58,980
July 2004	219,863	420,232
October 2004	25,000	25,000
December 2004	49,596	51,012
	<b>440,217</b>	<b>830,254</b>

### Executive Share Option Plan ('ESOP')

The Victrex 2005 Executive Share Option Plan replaced the ESOS in February 2005. All employees are eligible to participate in the Executive Plan. The Remuneration Committee currently excludes executive Directors from participating in this plan. Option awards are based on a percentage of basic salary, not exceeding 100% of salary. The exercise price of the options is equal to the market price of the shares on the date of grant. ESOP options are conditional on the employee completing three years' service (the vesting period). These options are exercisable starting three years from date of grant. The level of awards vesting will vary depending on EPS growth. In order for awards to vest the Group must achieve EPS growth exceeding the Retail Prices Index by an average of at least 2%, 3% and 4% per annum, over the three year vesting period, for awards up to 33%, from 33% to 66% and from 66% to 100% of salary respectively. Straight line vesting will occur to the extent that EPS growth falls between these average annual EPS growth targets. These options have a maximum term of ten years.

#### Outstanding options as at balance sheet date

Grant date	2007 Number of options	2006 Number of options
February 2005	6,741	6,741
June 2005	489,094	496,729
December 2005	50,987	62,920
June 2006	310,410	318,669
December 2006	60,405	–
June 2007	361,042	–
	<b>1,278,679</b>	<b>885,059</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## Sharesave Scheme

This Victrex 1995 Sharesave Scheme came to the end of its ten year life in 2005. The exercise price of the granted Sharesave Scheme options was equal to the market price of the shares less 20% on the date of grant.

### Outstanding options as at balance sheet date

Grant date	Vesting conditions	2007 Number of options	2006 Number of options
March 2004	Three years of service and saving	–	84,251
March 2004	Five years of service and saving	<b>34,955</b>	34,955
March 2005	Three years of service and saving	<b>89,769</b>	91,645
March 2005	Five years of service and saving	<b>15,265</b>	16,792
		<b>139,989</b>	227,643

## Sharesave Plan

The Victrex 2005 UK Sharesave Plan replaced the Sharesave Scheme during 2005. UK resident employees and full-time Directors of the Company or any designated participating subsidiary will be eligible to participate. The exercise price of the granted Sharesave Plan options is equal to the market price of the shares less 20% on the date of grant.

### Outstanding options as at balance sheet date

Grant date	Vesting conditions	2007 Number of options	2006 Number of options
March 2006	Three years of service and saving	<b>100,444</b>	105,601
March 2006	Five years of service and saving	<b>52,222</b>	58,390
March 2007	Three years of service and saving	<b>66,626</b>	–
March 2007	Five years of service and saving	<b>24,965</b>	–
		<b>244,257</b>	163,991

## Stock Purchase Plan

US based employees (including executive Directors) are eligible to participate in the Victrex 2005 Employee Stock Purchase Plan. The price payable for each share shall be a price determined by the Board, provided that it shall not be less than 85% of the lower of the market value of a share on the date of grant or the date of purchase.

Awards may be granted over a number of shares determined by the amount employees have saved by the end of a one year savings period.

There are no outstanding options as at balance sheet date (2006: nil).

## Victrex Long Term Incentive Plan ('LTIP')

Each year the Victrex LTIP can award executive Directors options to acquire, at no cost, market purchased shares in the Company up to a maximum equivalent 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 the award may become exercisable is dependent on two performance conditions with 50% determined by reference to the Company's Total Shareholder Return ('TSR') and 50% determined by reference to the Group's earnings per share ('EPS'):

- The Company's TSR element of an award will vest in full if the Company's TSR ranks in the upper quartile, as measured over the three year period, relative to the constituents of the FTSE 250 Index at the beginning of that period. This element of the award is reduced to 12.5% on a pro-rata basis for the 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 and,
- The Group's EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three year period. This element of the award is reduced to 10% on a pro-rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

## Outstanding options as at balance sheet date

Grant date	2007 Number of options	2006 Number of options
January 2001	100	100
December 2001	21,600	21,600
December 2002	235,170	235,170
December 2003	189,323	189,323
April 2005	148,035	148,035
December 2005	115,930	115,930
December 2006	99,423	–
	<b>809,581</b>	710,158

## Number and weighted average exercise prices of share options

	ESOS and ESOP		Sharesave Scheme and Plan		Stock Purchase Plan		LTIP	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at beginning of year	450p	1,715,313	382p	391,634	–	–	nil p	710,158
Granted during the year	748p	425,503	658p	94,843	615p	14,687	nil p	99,423
Forfeited during the year	523p	(36,043)	503p	(15,569)	–	–	–	–
Exercised during the year	332p	(385,877)	269p	(86,662)	615p	(14,687)	–	–
Expired during the year	–	–	–	–	–	–	–	–
Outstanding at end of year	<b>548p</b>	<b>1,718,896</b>	<b>471p</b>	<b>384,246</b>	–	–	<b>nil p</b>	<b>809,581</b>
Range of exercise prices	171p-757.5p		262p-658p		–		nil p	
Weighted average contractual life (years)	8.1		2.4		4.5		6.8	
Exercisable at end of year	<b>325p</b>	<b>365,621</b>	–	–	–	–	<b>nil p</b>	<b>21,700</b>

## Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Stochastic model. The contractual lives of the options and expectations of early exercise are incorporated into this model.

## Fair value of share options and weighted average assumptions

	ESOS and ESOP	Sharesave Scheme and Plan	Stock Purchase Plan	LTIP
Fair value at measurement date	175p	208p	198p	323p
Share price at grant	559p	606p	730p	438p
Exercise price	559p	471p	n/a	nil p
Expected volatility	29%	26%	29%	30%
Option life	10 yrs	4 yrs	5 yrs	10 yrs
Expected dividends	2.0%	1.9%	2.0%	2.2%
Risk-free interest rate	4.8%	4.7%	5.5%	4.5%

The expected volatility is based on historic volatility over the period prior to grant equal to the expected term.

All share options are granted under a service condition and for ESOS, ESOP and LTIP a non-market condition (EPS). Such conditions are not taken into account in the grant date fair value measurement of services received. In addition, the LTIP has a market condition (TSR), which was taken into account in the grant date measurement of fair value.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## Staff costs – equity-settled share-based payment transactions

	Note	2007 £000	2006 £000
ESOS and ESOP		<b>748</b>	562
Sharesave Scheme and Plan		<b>206</b>	169
Stock Purchase Plan		<b>27</b>	21
LTIP		<b>484</b>	370
	4	<b>1,465</b>	1,122

## 19. Share capital and reserves

### Group

	Note	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
At 1 October 2005		812	15,243	50	228	75,914	92,247
Total recognised income and expense		–	–	(279)	1,097	29,616	30,434
Share options exercised	18	5	1,306	–	–	–	1,311
Equity-settled share-based payment transactions	18	–	–	–	–	1,122	1,122
Purchase of own shares held		–	–	–	–	(767)	(767)
Dividends to shareholders		–	–	–	–	(10,896)	(10,896)
At 30 September 2006		817	16,549	(229)	1,325	94,989	113,451
Total recognised income and expense		–	–	(399)	(1,286)	39,538	37,853
Share options exercised	18	5	1,599	–	–	–	1,604
Equity-settled share-based payment transactions	18	–	–	–	–	1,465	1,465
Purchase of own shares held		–	–	–	–	(821)	(821)
Dividends to shareholders		–	–	–	–	(12,069)	(12,069)
<b>At 30 September 2007</b>		<b>822</b>	<b>18,148</b>	<b>(628)</b>	<b>39</b>	<b>123,102</b>	<b>141,483</b>

### Company

	Note	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
At 1 October 2005		812	15,243	–	–	53,210	69,265
Total recognised income and expense		–	–	–	–	13,313	13,313
Share options exercised	18	5	1,306	–	–	–	1,311
Purchase of own shares held		–	–	–	–	(767)	(767)
Dividends to shareholders		–	–	–	–	(10,896)	(10,896)
At 30 September 2006		817	16,549	–	–	54,860	72,226
Total recognised income and expense		–	–	–	–	796	796
Share options exercised	18	5	1,599	–	–	–	1,604
Purchase of own shares held		–	–	–	–	(821)	(821)
Dividends to shareholders		–	–	–	–	(12,069)	(12,069)
<b>At 30 September 2007</b>		<b>822</b>	<b>18,148</b>	<b>–</b>	<b>–</b>	<b>42,766</b>	<b>61,736</b>



## Share capital

	2007 Number	2007 £000	2006 Number	2006 £000
Authorised ordinary shares of 1p each	<b>110,000,000</b>	<b>1,100</b>	110,000,000	1,100
Allotted, called up and fully paid shares of 1p each				
At beginning of year	<b>81,740,045</b>	<b>817</b>	81,235,566	812
Issued for cash	<b>487,226</b>	<b>5</b>	504,479	5
At end of year	<b>82,227,271</b>	<b>822</b>	81,740,045	817

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Reserve for own shares

The reserve for own shares consists of the cost of shares of Victrex plc held by employee trusts which are administered by independent trustees. The total number of shares held in trust as at 30 September 2007 was 809,582 (2006: 710,159). Distribution of shares from the trusts is at the discretion of the trustees. Dividends attaching to these shares have been waived.

## Translation reserve

The translation reserve comprises all foreign exchange differences, since 1 October 2004 (as permitted by IFRS 1), arising from the translation of the financial statements of foreign operations.

## Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## Dividends

	Year ended 30 September 2007 £000	Year ended 30 September 2006 £000
Year ended 30 September 2005 final dividend paid March 2006 at 9.3p per share	–	7,494
Year ended 30 September 2006 interim dividend paid July 2006 at 4.2p per share final dividend paid March 2007 at 10.2p per share	– <b>8,255</b>	3,402 –
Year ended 30 September 2007 interim dividend paid July 2007 at 4.7p per share	<b>3,814</b>	–
	<b>12,069</b>	10,896

A final dividend in respect of 2007 of £10,259,000 (12.6p per share) has been recommended by the Directors for approval at the Annual General Meeting in February 2008. These financial statements do not reflect this dividend payable.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 20. Reconciliation of profit to cash generated from operations

	Note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Profit after tax for the year		<b>36,420</b>	31,836	<b>(125)</b>	(60)
Income tax expense	7	<b>15,609</b>	14,303	<b>26</b>	(26)
Share of profit of Japanese joint venture		<b>(196)</b>	(474)	–	–
Net financing income		<b>(597)</b>	(600)	–	1
Operating profit		<b>51,236</b>	45,065	<b>(99)</b>	(85)
Adjustments for:					
Depreciation	9	<b>5,577</b>	4,836	–	–
Amortisation	10	<b>609</b>	611	–	–
Increase in inventories		<b>(2,774)</b>	(3,030)	–	–
(Increase)/decrease in trade and other receivables		<b>(4,511)</b>	675	<b>12,060</b>	(3,687)
(Decrease)/increase in trade and other payables		<b>(1,881)</b>	5,595	<b>772</b>	767
Equity-settled share-based payment transactions	18	<b>1,465</b>	1,122	–	–
Japanese joint venture profit in stock adjustment		<b>269</b>	59	–	–
Changes in fair value of derivative financial instruments		<b>20</b>	(440)	–	–
Retirement benefit obligations charge less contributions		<b>680</b>	298	–	–
<b>Cash generated from operations</b>		<b>50,690</b>	54,791	<b>12,733</b>	(3,005)

## 21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2007 £000	Group 2006 £000
Not later than one year	<b>877</b>	825
Later than one year but not later than five years	<b>1,572</b>	1,219
Later than five years	<b>3,772</b>	3,710
	<b>6,221</b>	5,754

## 22. Acquisition of subsidiary

On 30 March 2007 Victrex plc acquired from Mitsui Chemicals, Inc their 49% shareholding in Victrex-MC, Inc, the Group's Japanese joint venture, which is responsible for VICTREX PEEK sales in Japan. As a result, Victrex-MC, Inc became a wholly owned subsidiary with effect from that date and was renamed Victrex Japan, Inc.

Net assets acquired were as follows:

	Book value of 49% share acquired £000	Fair value adjustment £000	Fair value £000
Property, plant and equipment	35	–	<b>35</b>
Deferred tax assets	–	282	<b>282</b>
Inventories	1,981	(940)	<b>1,041</b>
Trade and other receivables	1,138	–	<b>1,138</b>
Cash and cash equivalents	651	–	<b>651</b>
Short-term borrowings	(1,056)	–	<b>(1,056)</b>
Trade and other payables	(2,365)	–	<b>(2,365)</b>
Net identifiable assets/(liabilities)	384	(658)	<b>(274)</b>
Goodwill on acquisition			<b>2,688</b>
Total purchase price comprising consideration of £2,310,000 and legal fees of £104,000			<b>2,414</b>
Less total cash acquired			<b>(1,328)</b>
Less accrued legal fees			<b>(50)</b>
<b>Net cash outflow on acquisition</b>			<b>1,036</b>

The fair value adjustment represents the elimination of profit in stock, and the related deferred tax asset, on the stock acquired as part of the transaction.

There were no significant identifiable intangible assets acquired as part of the transaction and hence the difference between consideration and the fair value of net assets acquired has been designated as goodwill. The carrying value is justified based on the net present value of future cash flows from our business in Japan.

## 23. Reconciliation of net cash to movements in net cash

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
(Decrease)/increase in cash and cash equivalents in year	<b>(9,341)</b>	11,392	<b>4</b>	2
Exchange differences on net investment translation of foreign operations	<b>(399)</b>	(279)	–	–
Movement in short-term borrowings	<b>(3,419)</b>	–	–	–
Movement in net cash in year	<b>(13,159)</b>	11,113	<b>4</b>	2
Net cash at beginning of year	<b>26,860</b>	15,747	<b>19</b>	17
<b>Net cash at end of year</b>	<b>13,701</b>	26,860	<b>23</b>	19

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 24. Related party transactions

### Identity of related parties

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the parent company's accounts. As described in note 22, on 30 March 2007 Victrex plc acquired from Mitsui Chemicals, Inc their 49% shareholding in Victrex-MC, Inc, the Group's Japanese joint venture. As a result, Victrex-MC, Inc became a wholly owned subsidiary with effect from that date and was renamed Victrex Japan, Inc. Amounts shown below in relation to the Japanese joint venture for 2007 include only transactions up to, or balances as at, 30 March 2007.

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
<b>Trading transactions with Japanese joint venture</b>				
Sale of finished goods	6,288	11,148	–	–
Amounts receivable from Japanese joint venture	3,082	1,215	–	–
<b>Financing transactions with Japanese joint venture</b>				
Dividend received from Japanese joint venture	–	–	879	126
<b>Trading transactions with subsidiaries</b>				
Administrative expenses paid on Company's behalf by subsidiary	–	–	571	406
Bank guarantee fee recharged to subsidiary	–	–	372	320
Amounts receivable from subsidiaries	–	–	47,769	57,344
<b>Financing transactions with subsidiaries</b>				
Dividends received from subsidiaries	–	–	42	13,247
Cash transfers received from subsidiaries	–	–	19,046	12,159
Cash transfers made to subsidiaries	–	–	5,131	15,164

The Group's post-employment plans are related parties and the Group's and Company's transactions with them are disclosed in note 16.

### Transactions with key management personnel

The key management of the Group and Company consists of the Board of Directors. Details of Directors' remuneration, including non-cash benefits and contributions to post-employment defined benefit plans are given in the Remuneration Report on pages 24 to 29.

Directors of the Company control 5% of the voting shares of the Company, details of which are given on page 27.

Details of Directors' indemnities are given on page 19.

## 25. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Note 13 contains information about the assumptions and risk factors relating to foreign exchange exposure.

Note 16 contains information about the assumptions relating to retirement benefit obligations.

Note 18 contains information about the assumptions relating to share-based payments.

## 26. Exchange rates

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

	Year ended 30 September 2007 Average	Year ended 30 September 2007 Closing	Year ended 30 September 2006 Average	Year ended 30 September 2006 Closing
US Dollar	1.83	2.04	1.82	1.87
Euro	1.45	1.43	1.43	1.47
Yen	202	234	188	221

# FIVE YEAR FINANCIAL SUMMARY

For the year ended 30 September	UK GAAP 2003 £m	UK GAAP 2004 £m	IFRS 2005 £m	IFRS 2006 £m	IFRS 2007 £m
<b>Results</b>					
Revenue	71.5	86.6	100.9	122.5	<b>131.0</b>
Profit before tax	22.6	28.5	35.3	46.1	<b>52.0</b>
<b>Balance sheet</b>					
Fixed assets	50.7	56.3	73.9	93.8	<b>124.3</b>
Inventories	16.4	18.8	19.9	23.0	<b>27.9</b>
Net cash	6.0	17.0	15.7	26.9	<b>13.7</b>
Trade receivables and other assets	9.4	10.6	18.9	22.9	<b>24.1</b>
Retirement benefit obligations	n/a	n/a	(7.8)	(12.2)	<b>(7.1)</b>
Trade payables and other liabilities	(21.4)	(28.8)	(28.4)	(40.9)	<b>(41.4)</b>
Equity shareholders' funds	61.1	73.9	92.2	113.5	<b>141.5</b>
<b>Cash flow</b>					
Net cash flow from operating activities	26.1	32.3	27.9	43.1	<b>38.9</b>
Capital expenditure	(6.5)	(9.5)	(6.0)	(21.5)	<b>(37.2)</b>
Acquisitions	–	–	(17.7)	–	<b>(1.0)</b>
Interest, dividends, taxation and other items	(11.9)	(11.8)	(5.3)	(10.2)	<b>(10.0)</b>
Net increase/(decrease) in cash and cash equivalents	7.7	11.0	(1.1)	11.4	<b>(9.3)</b>
<b>Ratios</b>					
Earnings per ordinary share – basic	19.1p	23.9p	29.9p	39.4p	<b>44.9p</b>
Dividend per ordinary share	7.5p	8.6p	12.0p	14.4p	<b>44.4p</b>
<b>Sales volume</b>					
Tonnes	1,481	1,802	1,972	2,339	<b>2,508</b>

The prior period 2003 has been restated to reflect UITF Abstract 38 Accounting for ESOP Trusts and a revision of UITF Abstract 17 Employee Share Schemes.

The prior period 2005 has been restated in accordance with International Financial Reporting Standards as adopted by the EU.

The Group converted to IFRS from UK GAAP at 1 October 2004. Accounting for the following was affected:

- Foreign currency and financial instruments;
- Goodwill amortisation;
- Share-based payments;
- Borrowing costs;
- Japanese joint venture;
- Deferred taxation;
- Pensions and,
- Dividend recognition.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifteenth Annual General Meeting of Victrex plc ('the Company') will be held at 10.00am on 5 February 2008, at Threadneedles Hotel, 5 Threadneedle Street, London, EC2R 8AY, to transact the following business:

## Ordinary Business

1. To approve the Report on Directors' Remuneration for the year ended 30 September 2007.
2. To receive the Accounts and Reports of the Directors and the auditor for the year ended 30 September 2007.
3. To approve the payment of a final dividend of 12.6p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2007.
4. To re-elect Mr B V Souder, who retires by rotation.
5. To re-elect Mr P T Warry, 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 Resolutions 7 and 10) 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 £277,529, 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, 5 May 2009) 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 5 February 2008 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 £41,123;

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 5 May 2009), save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.

9. That the Directors of the Company be authorised generally and unconditionally to exercise all powers of the Company to make market purchases (as defined in Section 163(3) of the Act) of its ordinary shares of 1p each provided that:
- the maximum number of ordinary shares which may be acquired is 8,224,710;
  - the minimum price which may be paid for any such ordinary share is 1p and,
  - 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 5 May 2009) but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

10. That the Company may send or supply documents or information to members by making them available on a website or by other electronic means and this resolution shall supersede and modify any provision of the Company's Articles of Association to the extent it is inconsistent with this Resolution.

By order of the Board



**M W Peacock**

Company Secretary  
10 December 2007

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

## Notes:

- 1 Members entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
- 2 The register of Directors' interests in the Company's shares, copies of the Directors' service contracts and the Directors' Deeds of Indemnity will be available for inspection at the Registered Office of the Company during normal business hours (excluding Saturdays, Sundays 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 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered in the Company's Register of Members at 7am on Monday 4 February 2008 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 24 to 29.

#### 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 auditor 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 12.6p per ordinary share payable on 3 March 2008 has been recommended by the Directors for the year ended 30 September 2007. In accordance with the requirements of HM Revenue & Customs, all dividends are declared and paid net of income tax at the standard rate.

#### Resolutions 4 and 5 – [Re-election of Directors](#)

Mr B V Souder and Mr P T Warry 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 18. With regard to the non-executive Director seeking re-election, the Board considers that Peter Warry, who has been Chairman since 1999, has made a significant contribution to the Group bringing a wide range of experience from the industrial and scientific fields.

#### 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.



## 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 of the Company or 5 May 2009, if sooner.

The resolution will provide for the Directors to be able to allot shares up to a nominal amount of £277,529. 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 £41,123, 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 Board confirms its intention that not more than 7.5% of the issued ordinary share capital will be allotted on a non pre-emptive basis in any rolling three year period, in compliance with the guidelines issued by investors bodies.

The authority will lapse at the earlier of the next Annual General Meeting of the Company or 5 May 2009, 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 either be cancelled and the number of shares in issue will be reduced accordingly, or be held as treasury shares. Shares held as treasury shares can in the future be cancelled, re-sold or used to provide shares for employee share schemes.

As at 7 December 2007, options over a total of 2,080,803 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 2.53% of the Company's issued ordinary share capital at 7 December 2007. It would represent 2.81% of the issued ordinary share capital if the authority to buy the Company's own shares had been used in full at that date.

### Resolution 10 – Electronic communications with shareholders

The Companies Act 2006 permits companies to communicate with their shareholders by means of a website if they have agreed or are deemed to have agreed to that method of communication. The Disclosure and Transparency Rules of the Financial Services Authority permit companies to communicate with shareholders electronically (for example, by email or fax) if they have agreed to that method of communication. Ordinary Resolution 10 is an enabling resolution which gives the Company, subject to the agreement of shareholders, the authority to use these new provisions. The Board have not yet reached a decision as to whether or not they intend to seek to communicate with shareholders electronically, but the resolution gives them the flexibility to do so should they consider it to be in the best interests of shareholders.

## FINANCIAL CALENDAR

Annual General Meeting	5 February 2008
Ex dividend date	6 February 2008
Record date*	8 February 2008
Payment of dividend	3 March 2008
Announcement of 2008 interim results	May 2008
Payment of interim dividend	July 2008

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

### Victrex plc

Registered in England  
Number 2793780

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

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





Victrex plc  
Victrex Technology Centre, Hillhouse International  
Thornton Cleveleys, Lancashire, FY5 4QD, United Kingdom  
Tel: + 44 (0) 1253 897700 Fax: + 44 (0) 1253 897701  
Web: [www.victrex.com](http://www.victrex.com)

