



VICTREX plc Annual Report 2009



With over 30 years experience, Victrex is a global manufacturer of innovative, high performance thermoplastic polymers. We work with customers and end users to deliver technology driven solutions to the challenges and opportunities they face. Our Victrex Polymer Solutions division focuses on our transport, industrial and electronics markets and our Invibio Biomaterial Solutions division focuses on providing specialist solutions for medical device manufacturers.

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Highlights

- Group revenue down 26% to £103.8m
- Earnings per share down 55% to 21.7p
- Reduced demand across all major industrial markets but recovery commenced in second half
- Strong growth from Invibio
- Cash of £18.6m as at 30 September 2009 and no debt
- Full year dividend per share up 5% to 19.2p

Chairman's Statement

"I am encouraged to report that, in spite of challenging global economic conditions, Victrex has demonstrated the resilience of its business."



At our Annual General Meeting in February, we announced the strategic reorganisation of our business into two divisions: Invibio, our biomaterials business and VICTREX PEEK, now known as Victrex Polymer Solutions ('VPS'). Our year end results and reporting now reflect this divisional split.

Results and dividend

Group profit before tax decreased by 54% to £25.1m on revenue of £103.8m, down 26%. Despite the global economic conditions, our Invibio division showed continued growth contributing a record £20.0m operating profit, up 38% over 2008. As previously reported, Victrex Polymer Solutions ('VPS') saw a significant decline in demand across all major industrial markets in the first half. Encouragingly, following the low point in March, monthly sales volumes showed continued improvement throughout the second half. Overall the division remained profitable, contributing £6.3m of operating profit (2008: £41.1m).

The Group continues to enjoy a strong financial position with a healthy balance sheet and good cash generation resulting in a year end cash balance of £18.6m and no debt.

In recognition of our confidence in the strength and continued growth potential of the business, the Directors are recommending a final dividend of 14.0p (2008: 13.1p) per ordinary share, making a total of 19.2p (2008: 18.3p) per ordinary share for the year, an increase of 5% over last year.

Board and management changes

Tim Walker has informed the Company of his intention to retire as an executive Director of Victrex plc at the conclusion of the Company's Annual General Meeting on 9 February 2010. He will remain an employee of the Company until 31 March 2010, when he will have reached the normal retirement age of 62. Tim has been the Group's Production and Technical Director for over ten years and has made an invaluable contribution to Victrex during a period of significant development and investment. On behalf of the Board I wish Tim well in his retirement. We do not propose to appoint a successor at Victrex plc Board level under the new divisional structure.

Further to the satisfactory completion of the strategic reorganisation and divisionalisation, our Group Chief Executive, David Hummel, who has managed the VPS division in the short-term to oversee the reorganisation, will now focus, as planned, full time on his Group responsibilities. Accordingly, I am pleased to announce the appointment of Tim Cooper as Managing Director of the VPS division with effect from 1 January 2010. Tim is currently Group Managing Director of Umeco Composites Process Materials, part of Umeco plc, a leading international provider of supply chain services and advanced composite materials. With his wealth of experience Tim is well placed to lead the strategic development of all aspects of the division.

People

At every level of our business, our employees have demonstrated dedication and made an outstanding contribution during this very challenging year. Their skill and professionalism remains key to our success and progress. I would like to thank them personally for their efforts.

Progress and prospects

In response to the challenges faced, the VPS division has successfully completed a streamlining exercise to control costs while continuing to develop new business and work on potential new developments with customers and end users. Consequently, the division is well placed to take advantage of its strong operational gearing as volumes recover.

During the year the Invibio division has continued to see success across a range of end use markets and in emerging geographies. We continue to invest in resources and new technologies to drive further growth opportunities.

We remain committed to our key Group objective of growth through investment in new application development and are confident that the underlying growth drivers remain in place across our end use markets.

Anita Frew

Chairman

7 December 2009

Annual Business Review

About our Business

With over 30 years of experience, Victrex is a global manufacturer of innovative, high performance polymers, 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.

Operations

Our Group and divisional headquarters are based in the United Kingdom along with our manufacturing, research and customer support facilities. We have invested in an integrated supply chain providing flexibility, control over quality and capacity and reassurance to our customers over security of supply. This is complemented by a growing network of sales, distribution and technical centres serving more than 30 countries worldwide.

Products

As part of the Group's commitment to ongoing product development, we are focused on bringing customers new material solutions. The VICTREX PEEK polymer product range includes several different types of polyaryletherketones, as well as a wide range of blends, compounds, high flow, high purity, films and coatings grades to meet a variety of performance criteria. Invibio®, our Biomaterial Solutions business, provides a range of biocompatible PEEK-OPTIMA® based polymers.

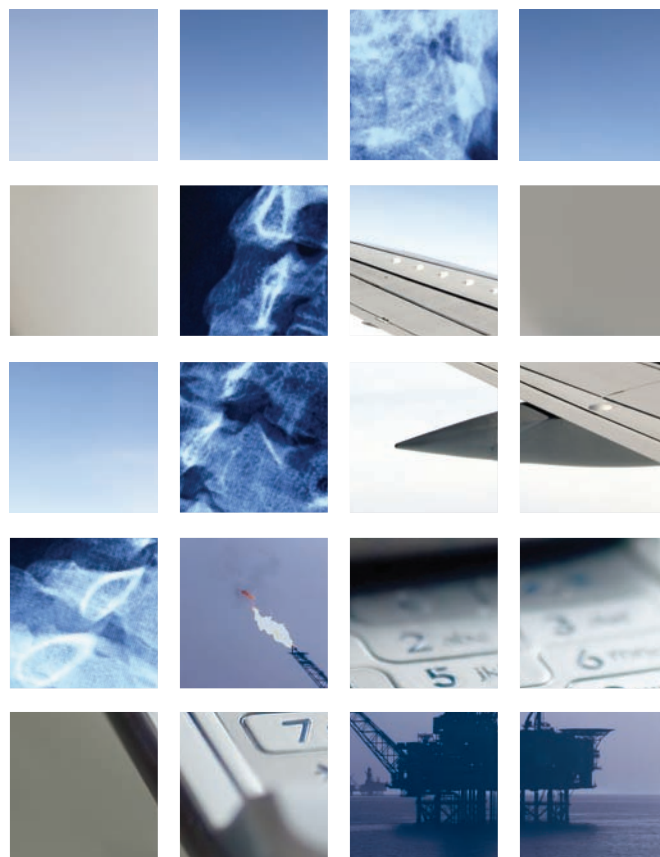
VICTREX PEEK is a linear, aromatic, semi-crystalline polymer widely regarded as one of the highest performing thermoplastics available. It has a unique combination of chemical, wear, electrical, hydrolysis and temperature resistance, as well as excellent dimensional, mechanical and chemical stability combined with inherent purity and low flammability.

How we work

Our team of dedicated market development, sales and technical support professionals work closely with customers and end users around the world offering continuing assistance in new application development, product performance data and processing support.

Our team includes organic and polymer chemists, physicists and materials scientists, as well as process, mechanical and design engineers.

These teams are effectively networked with a range of industrial and academic collaborators, laboratories and service providers around the world, which enable us to leverage additional specialised resources focused on solving our customers' toughest technical challenges.



Our Victrex Polymer Solutions division focuses on developing applications in major markets including transport, industrial and electronics. End users specify VICTREX PEEK to reduce system costs, improve part performance, exploit greater design freedom and create a differentiated application.



Our Invibio Biomaterial Solutions division focuses on providing specialised solutions for medical device manufacturers. Invibio offers an unparalleled combination of high performance biomaterials, advanced technical research and support, proven market expertise and a network of industry resources. Our biomaterial solutions help clients develop innovative medical devices and surgical techniques that improve outcomes and enhance patient quality of life.

'serving more than 30 countries worldwide'

Annual Business Review *continued*

Victrex Polymer Solutions Division

Victrex Polymer Solutions is focused on our major industrial markets.

Our focus

Our market development, sales and technical teams work with customers and end users to provide solutions to their challenges and opportunities leveraging the unique combination of properties and forms that our products provide.



Deep focused technical expertise

Victrex provides a wide range of services from material specification and testing to research and application development.

The Applied Technology Centre in the UK provides extensive material formulation, specification and testing services. The Centre houses state-of-the-art processing facilities to support customer trials on-site.

We can contribute to the optimisation of a customer's design, optimise manufacturing parameters and carry out an extensive set of relevant analytical and application related tests to confirm the real world feasibility of a part.

The UK Technology Centre complements the Victrex Asia Innovation and Technology Center located in Shanghai, China. Based on the similarly advanced services, this facility is dedicated to helping customers with applications and related testing. Customers enjoy local-language staff, technical seminars, process and troubleshooting support, materials data, moulds validation, as well as part prototyping.

Our product properties

Inherent purity

Extremely low levels of organic, inorganic and ionic impurities

Exceptional hydrolysis resistance

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

Exceptional wear resistance

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

Exceptional 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

'The world's leading manufacturer of polyketones'

Our markets

TRANSPORT

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

Our products have successfully displaced metals, traditional composites and other plastics in a growing number of automotive and aerospace 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 our opportunities in this market.

VICTREX PEEK polymer is used in aircraft hubcaps which, as part of landing gear, are exposed to extreme environments and loading conditions such as repeated landings, a wide range of temperatures and chemical exposure.



ELECTRONICS

VICTREX PEEK polymer 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 polymer meet these needs.

ATE's P2C® speaker cone is a revolutionary laminate design made with Victrex APTIV™ black film. The combined free surface design capability and ability to be thermoformed provide an excellent technology solution for cones in all types of speakers.



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 polymer is an excellent choice for industrial applications due to its exceptional combination of physical properties and processability. Components designed with our products can deliver 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, wiring and tubing clamps, seals, back up rings and sub-sea connectors.



Annual Business Review *continued*

Invibio Biomaterial Solutions Division

Invibio® Biomaterial Solutions Marks Tenth Anniversary of Flagship PEEK-OPTIMA® Polymers.



This year, Invibio Biomaterial Solutions marks the tenth anniversary of the launch of the PEEK-OPTIMA family of biomaterials, the world's first implantable PEEK polymers. Since their introduction in 1999, versatile PEEK-OPTIMA polymers have rapidly gained market acceptance. Today, the market leading biomaterials are extensively used across the implantable medical device industry in applications including spinal fusion and motion preservation, joint replacement, trauma applications, cranio-maxillo facial implants, dental components and active implantable medical devices.

Transforming the medical device design landscape

PEEK-OPTIMA has transformed the medical device design landscape and set an industry standard for biomaterial biocompatibility, safety and quality. Backed by an extensive history of long-term implantation success and unmatched quality, PEEK-OPTIMA provides a proven and versatile biomaterial platform for the medical device community.

A decade ago, medical device designers were constrained by the processing capabilities and mechanical properties of the more traditional biomaterials such as bone, metals, ceramics and other polymers. The introduction of PEEK-OPTIMA polymer helped facilitate important advancement in device design and patient outcomes, enabling significant developments across several treatment areas. Today, Invibio continues to innovate and expand the 'toolbox' of medical device designers by creating the next generation of biomaterial solutions for the industry.

'More than two million devices featuring PEEK-OPTIMA polymer have been implanted in patients over the past decade'

Quality, focus and innovation drive success

The market's continued confidence in PEEK-OPTIMA polymer is driven by Invibio's singular commitment to the medical device community, evidenced by Invibio's pace of innovation and its establishment of the Invibio Global Technical Centre ('IGTC') which is dedicated to advanced R&D, process and product innovation and expert applications support.

The adoption of Invibio's materials by device manufacturers has enabled a new generation of medical devices better equipped to serve the demands of today's active patient population. Invibio's ongoing commitment to partnering with medical device manufacturers to develop innovative and high quality biomaterial solutions will help the industry meet the growing demands of tomorrow's emerging device applications.



New MOTIS™ polymer for joint arthroplasty underscores commitment to innovations.

In 2009, InVibio introduced its MOTIS polymer, specifically developed to meet the demanding and specialised requirements of orthopaedic applications such as joint reconstruction and replacement, known as joint arthroplasty.

Nearly 2.7 million joint replacements took place worldwide in 2008, representing a 9% market growth rate over the previous year. Baby-boomers, determined to maintain active lifestyles despite their ageing joints, are redefining the concept of retirement and challenging medical device manufacturers to develop the next generation of joint replacement technology. Additionally, a rising number of younger patients are undergoing joint replacements as technologies become more compatible with their activity levels and life expectancies.

MOTIS polymer is a tool for innovation that drives joint arthroplasty device performance to the next level. The processing versatility and unique mechanical property range of MOTIS not only enables new approaches in the replacement of metal, ceramic and polyethylene components, but also facilitate its use in advanced device designs that can provide improved device longevity, less invasive techniques and better patient outcomes.

The introduction of MOTIS is supported by research and published data that have shown the material to be biocompatible and to provide extremely low wear rates in hip and knee arthroplasty.

PEEK-**OPTIMA**®

The industry leading PEEK-OPTIMA product range of implantable polymers and compounds with a decade of implantation history and successful use in regulatory approved devices.

MOTIS™

MOTIS polymer provides enhanced properties tailored for orthopaedic joint reconstruction and replacement.

ENDOLIGN™

ENDOLIGN composites offer the strength of metal and the benefits of a polymer for advanced structural implants.

PEEK-**CLASSIX**™

PEEK-CLASSIX features USP Class VI biocompatibility certification for exceptional performance for short-term blood and tissue contact applications.



MOTIS polymer enables advanced design and performance for joint replacement applications such as this novel hip cup design.

Annual Business Review *continued*

Business Overview

Group financial results

Group revenue for the year was down by 26% to £103.8m (2008: £141.1m) reflecting a 41% reduction in sales volume to 1,547 tonnes (2008: 2,626 tonnes) partially offset by 37% growth in Invibio revenue. As previously reported at the half year, due to this significant reduction in revenue, we had to buy out surplus forward exchange contracts at a cost of £11.3m for the year. This adverse impact, which is reflected in reduced revenue, has been more than offset by an improvement in underlying effective exchange rates as remaining sales benefited from weaker sterling.

Consequently, underlying revenue (at constant exchange rates) was £102.4m, down 27% on 2008.

Gross profit decreased by 30% to £64.5m (2008: £91.6m), representing a gross margin of 62.1% of turnover (2008: 64.9%). This 2.8% points decline in margin was principally caused by increased VPS cost of sales partially offset by a positive sales mix effect between Invibio and VPS.

Sales, marketing and administrative expenses increased by 6% to £39.4m (2008: £37.0m), although £3.8m of this increase was due to the weakening of sterling in relation to costs incurred in foreign currency and £1.9m related to previously reported one-off costs in the first half associated with the streamlining exercise in the VPS division. Underlying expenses (at constant exchange rates and excluding the one-off costs) actually decreased by 9% to £33.7m.

Group profit before tax was £25.1m, 54% down on 2008 (£55.0m), with underlying profit before tax, at constant exchange rates and excluding one-off costs, decreasing by 44% to £30.6m.

Basic earnings per share were down 55% at 21.7p (2008: 47.8p). Underlying earnings per share, at constant exchange rates and excluding one-off costs, were down 45% to 26.4p.

The overall effective tax rate (including deferred tax) was 29% (2008: 29%).

Cash flow

We continued to generate cash from operations, albeit down to £26.8m (2008: £61.9m) primarily reflecting decreased operating profit.

Capital expenditure cash payments amounted to £7.5m (2008: £25.0m) with no individually significant projects following the completion of the investment programme in additional supply chain capacity in 2008.

Taxation paid was £11.1m (2008: £15.7m).

As at 30 September 2009, the Group had cash of £18.6m and no debt (2008: £23.5m and no debt). The Group has a committed bank facility of £40m, all of which was undrawn at the year end. This facility expires in September 2012.

Dividend

The Directors are recommending a final dividend of 14.0p per ordinary share (2008: 13.1p), making a total of 19.2p per ordinary share for the year (2008: 18.3p), an increase of 5%. Resulting dividend cover is 1.1 times (2008: 2.6 times).

Victrex Polymer Solutions ('VPS')

	2009 £m	2008 £m	Change %
Revenue	69.6	116.2	-40%
Gross profit	34.4	69.7	-51%
Operating profit	6.3	41.1	-85%

VPS revenue fell by 40% to £69.6m (2008: £116.2m) with underlying revenue at constant exchange rates down 38%.

In response to the significantly lower demand, and the need to adjust inventory levels, polymer production was reduced and monomer production was suspended during the second half. As a result of improving sales volume in the second half, we have now increased polymer production levels and recommenced monomer production.

Gross margin was reduced by 10.5% points to 49.5% of turnover (2008: 60.0%) largely as a result of increased cost of sales in the second half. This increase was principally due to increased fixed production costs per tonne incurred as a consequence of the significant reduction in production volume.

Sales, marketing and administrative expenses reduced by 2% to £28.1m (2008: £28.6m). During the year we have continued to invest in new applications and growth areas. We have however taken actions to streamline VPS incurring £1.9m of one-off costs. In addition, expenses

increased by £3.3m due to the translation of costs incurred in foreign currencies as sterling weakened. Underlying expenses (at constant exchange rates and excluding the one-off costs) reduced by 20%. The streamlining exercise, which has been completed, is expected to reduce costs in 2010 by a further £2m. As planned, Group staff numbers (excluding Invibio) have been reduced by 10% to 437 as at 30 September 2009 (2008: 486) by a combination of leavers not being replaced and a limited redundancy programme.

Operating profit has decreased by 85% to £6.3m (2008: £41.1m), with underlying operating profit (at constant exchange rates and excluding one-off costs) of £14.3m, a decrease of 65%.

Major markets

All of our major industrial markets saw a significant downturn in 2009 which commenced in November 2008 after one month's strong trading in October.

Encouragingly, they have all shown recovery in the second half with average monthly volume run rates up on the average for the five months from November 2008 to March 2009. While it is still too early to judge the extent to which this recovery is due to restocking or a higher level of sustainable demand, it represents a positive trend.

At 425 tonnes, transport sales volume was down 41% on 2008, principally due to a significant decline in automotive sales across all regions. Aerospace sales were also down, but not to the same extent. Second half average monthly run rates were up 36% on the average for the five months from November to March, primarily reflecting stronger automotive sales stimulated in part by government incentive schemes.

Industrial sales volume was down 35% at 614 tonnes against the previous year, predominantly reflecting reduced oil and gas demand. Oil and gas applications proved to be relatively resilient to the economic downturn during the first half although sales have slowed further in the second half. This has been offset by increased sales in other industrial applications resulting in second half average monthly run rates being up 3% compared with the average for November to March.

Electronics sales volume for the year was down 54% at 285 tonnes due to significantly reduced semiconductor and consumer electronic sales. Second half sales volume saw a strong recovery, with average monthly run rates up 40% on the average for November to March in the first half, mainly due to increased semiconductor sales in Asia-Pacific and Europe.

Product and market development

We have continued to generate new business throughout 2009 despite a difficult trading environment. During the year we commercialised 533 new VICTREX PEEK polymer applications with an estimated mature annualised volume ('MAV') of 314 tonnes compared with 723 commercialised applications with an MAV of 487 tonnes in 2008.

At the year end our development pipeline contained 2,942 developments (2008: 2,978) with an estimated MAV of 1,966 tonnes (2008: 2,910 tonnes) if all of the developments were successfully commercialised. As can be seen, we have maintained activity levels, albeit with reduced customer tonnage expectations, largely reflecting the economic slowdown.

In the automotive industry, the pursuit of hybrid technology has intensified as new 'green' and fuel efficient targets are set by governments. VICTREX PEEK continues to be an attractive material to the industry due to the reduction of metallic noise, the potential to reduce costs when combined with other materials in a sub-assembly and increasingly the weight advantage in comparison to metals. Similarly, the focus in the aerospace market on delivering significant weight reductions in passenger aircraft to reduce fuel consumption is providing metal replacement opportunities for VICTREX PEEK utilising its mechanical properties and outstanding flame and smoke emission properties.

In the oil and gas industry, the drive towards increased productivity continues to provide opportunities for VICTREX PEEK which offers the required mechanical performance at extreme temperatures and in harsh chemical environments.

Victrex's Strategy and Objectives

- 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.

Annual Business Review *continued*

Business Overview *continued*

In the electronics industry, VICTREX PEEK offers solutions to end users seeking increased heat and impact resistance and increased mechanical strength, as they improve their products to meet consumer needs in mobile communication and other devices.

We continue to expand our product range to open up new application areas. This year we launched a new polymer, Victrex® ST™ offering increased high temperature resistance and designed to perform in the most demanding environments such as the energy industries where a combination of high temperature, mechanical performance and dimensional stability is required.

Invio Biomaterial Solutions ('Invio')

	2009 £m	2008 £m	Change %
Revenue	34.2	24.9	+37%
Gross profit	30.1	21.9	+37%
Operating profit	20.0	14.5	+38%

Invio had a strong year and generated record revenue of £34.2m, an increase of 37% over 2008 (£24.9m). Underlying revenue (at constant exchange rates) was up 23%.

Sales, marketing and administrative expenses increased by £2.7m to £10.1m, primarily due to targeted investment in resources to drive growth. As planned, Invio ended 2009 with 47 employees (2008: 33) as a result of its ongoing recruitment programme.

Operating profit increased to £20.0m, up 38% compared to 2008 (£14.5m). Underlying operating profit (at constant exchange rates) was £17.5m, up 21%.

The strong results in 2009 were driven by good growth and continued innovation within spinal applications, both in spinal fusion as well as new developments in motion preservation and dynamic stabilisation. Other strategic markets such as arthroscopy, orthopaedics and cranio-maxillo facial continue to yield success and lay the foundation for future growth. Since its introduction ten years ago, more than 2 million devices containing Invio's principal polymer PEEK-OPTIMA® have been implanted in patients.

Invio continues to invest in new technologies and innovations for medical device manufacturers, as was demonstrated by the introduction of our MOTIS™ polymer at the American Academy of Orthopedic Surgeons' 2009 Annual Meeting. MOTIS offers orthopaedic surgeons an innovative new option for replacing metal, ceramic and polyethylene components in orthopaedic joint replacement. Invio's continuing progress in the spinal market was reflected in the receipt of a 2009 Spine Technology Award for Biomaterials as judged by a panel of surgeons.

During 2009, Invio has entered into 47 additional long-term supply assurance agreements with implantable medical device manufacturers. These agreements were not only with manufacturers based in Europe and the United States, but increasingly in emerging geographic markets such as Asia-Pacific and South America.

Outlook

Group sales volume

At approximately 345 tonnes for the two months to the end of November, Group sales volume has shown further improvement since the year end. It remains too early to tell the extent to which this continues to reflect an element of restocking, but it clearly represents a continuation of the positive volume trend seen in the second half of last year. December sales are expected to be lower than the first two months of the financial year, reflecting the normal seasonal trend, as customers undergo year end shutdowns. We anticipate having a clearer view of the likely level of ongoing demand for 2010 once January sales volume is known, which will be reported in February.

Invio

Following reduced revenue in the second half of last year, which was principally the result of inventory rationalisation, Invio revenue is recovering and accordingly we continue to expect further revenue growth in 2010.

Currency impact and gross margin

Trading results for 2010 will be positively affected by the weakening of sterling against our key trading currencies. Based on

our forecast trading assumptions, current hedging already in place and spot exchange rates as at 27 November 2009, we currently estimate the following average rates will apply:

	Year to 30 September 2009 Actual*	Year to 30 September 2010 Estimate
US Dollar	1.85	1.60
Euro	1.31	1.13
Yen	181	157

* excluding adverse impact from buy out of surplus forward exchange contracts of £11.3m.

As a result of these improved rates, we expect to see a further significant increase in effective sterling average selling price in 2010 which will have a positive impact on revenue and profit. However, we expect gross margin for 2010 to be broadly in line with 2009 as cost of sales per tonne is forecast to remain at similar levels to the second half of 2009.

Risks, trends, factors and uncertainties

Victrex's business and share price may be affected by a number of risks, trends, factors and uncertainties, 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 22.

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, trends, factors and uncertainties (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. During the year the Group has been impacted by the current economic climate and the measures taken in response, including streamlining the VPS division and reducing production levels, are summarised above. 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 in raw material pricing and availability; 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. Further information on financial risk management is set out in note 15.

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.

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 Responsibility section on page 13.

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 is able to operate

Key Performance Indicators

Financial Performance



New Application Development



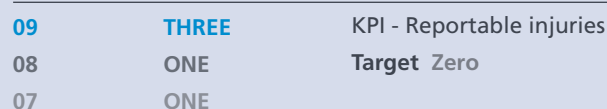
Supply Chain



Employees



Health and Safety



Environment



Annual Business Review *continued*

Business Overview *continued*

independently from the first 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 96% 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 22.

Relationships with customers and suppliers

We have essential relationships with our customers, suppliers, employees, shareholders and the environment. All our relationships are managed in accordance with the Group's global ethics policies described on pages 14 and 15. Relationships with our customers and suppliers are described in further detail below:

Customers

Our customers are a combination of polymer processors and end users located worldwide. We have long-term supply assurance agreements in place with all of the implantable medical device manufacturers that comprise Invibio's PEEK-OPTIMA polymer customers. These agreements guarantee the specification of and production methods for the biomaterial over the term of the agreements. We also have supply agreements in place with some major processing customers and supply to other customers on an order by order basis in accordance with the Group's applicable terms and conditions of sale. The loss of a major processing customer or a worsening of commercial terms could have a material impact on the Group's results, accordingly we devote significant resources to supporting our customer global ethics policies, including maintaining regular contact with major customers and undertaking surveys of customer satisfaction.

Suppliers

In 2005 we completed the purchase of the operations of Degussa AG relating to the manufacture of BDF (the key raw material from which VICTREX PEEK is produced). The provision of other key raw materials and services remain essential to the operation of our various manufacturing facilities and we seek to maintain appropriate contracts, where available, with suppliers for the supply of key raw materials. In addition to the steps taken to manage the risk of operational disruption caused by a shortage of key raw materials as described on page 11, we devote significant resources to maintaining our supplier relationships to ensure they continue to operate satisfactorily, including regular audits of and performance reviews with key suppliers.

Corporate Responsibility

As noted on page 19, the Board considers that the management of safety, health, environmental, social and ethical matters forms a key element of effective corporate governance which in turn supports the long-term performance and sustainability of the business. These areas are managed in conjunction with all other business risks and are covered by the internal control systems and procedures outlined on page 21.

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 ('SHE')

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

These policy objectives are achieved by:

- identifying SHE hazards;
- assessment of the risks associated with the identified hazards;
- implementation of appropriate control measures, with external guidance and advice being sought and used where appropriate;
- ensuring that all employees are appropriately and properly trained and understand what they are required to do;
- reviewing and learning from our own and other people's experiences and taking on board new legislation and other requirements and,
- ensuring that all employees contribute to improving safety, SHE 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 three over-3-day reportable injuries during the year, when an operator suffered a thumb injury, an operator suffered back strain and a team leader suffered a muscle injury. The Group received the Royal Society for the Prevention of Accidents ('RoSPA') President's Award in 2009 in recognition of sustained occupational health and safety achievement after winning 10 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 Environmental Permitting legislation and, as such, are subject to close monitoring of environmental emissions. During the year there were no notifiable events.

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

We are constantly striving to improve efficiency in all areas of our operations, including energy use (and therefore CO₂ emissions), water consumption and quantities of hazardous waste produced. This is achieved by implementing many procedures and projects, large and small, across the business.

Increases in 2009 in energy and water usage and CO₂ generation per tonne of product sold were expected and were principally due to reduced production plant operation at our main UK sites. To a lesser extent, our film manufacturing facility and increased technical facilities have continued to increase energy usage.

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 materials which do require registration. Pre-registration was successfully completed on target in 2008.

Plans are in place to complete full registration in phases from 2010 to 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.

Environmental impacts per tonne of VICTREX PEEK sold

	2006	2007	2008	2009
Victrex PEEK sales volume tonnes	2,339	2,508	2,626	1,547
Energy use GJ	181	168	196	255
Water use m ³	210	189	148	183
CO ₂ emissions tonnes equivalent	9.4	8.6	9.8	12.8
Hazardous waste (post treatment) tonnes	0.2	0.2	0.0	0.0

Annual Business Review *continued*

Corporate Responsibility *continued*

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 2009, approximately 95% (2008: 85%) 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, 3.3% in 2009 (2008: 4.0%).

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:

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 products 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 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.

Social and community

The Group participates in a range of activities within the local communities where we operate, from charitable giving, offering apprenticeships and supporting science education and awareness in schools, to sponsorship of undergraduates and the advancement of research work at universities.

In the UK, a proportion of the charitable donations budget is distributed by the Staff Committee mainly to local charities chosen from nominations made by employees.

National or overseas charities are supported where there is strong employee involvement. The Group made charitable donations of £4,094 (2008: £15,454) during the year of which £2,110 (2008: £3,667) were in the UK. In addition, old computer equipment is given to either local schools or charities chosen by the Staff Committee.

RoSPA President's Award

In recognition of continued excellence in health and safety management, Victrex plc has been awarded the Royal Society for the Prevention of Accidents ('RoSPA') President's Award in 2007, 2008 and 2009. The prestigious RoSPA President's Award is achieved when an organisation receives 10 consecutive RoSPA Gold Awards for sustained occupational health and safety achievement.



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.

Board of Directors

Chairman



Anita Frew (52)

**BA MPhil
Chairman ***

Appointed in 2000 and became Chairman in 2008.
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.

Non-executive Directors



Giles Kerr (50)

BA ACA

Non-executive Director * † #

Appointed in 2006.
Chairman of the Audit Committee and Senior Independent Director. 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.



Patrick De Smedt (54)

BCEng MBA

Non-executive Director * † #

Appointed in 2008.
Chairman of the Remuneration Committee. Currently a non-executive Director of Telindus N.V. (Belgacom, Belgium), Morgan Sindall plc, Inventive Designers N.V. (Belgium) and Option N.V. (Belgium). He was formerly Chairman of Microsoft Europe, Middle East & Africa.



Lawrence Pentz (54)

BS ChE MBA

Non-executive Director * † #

Appointed in 2008.
Currently an executive Director of Johnson Matthey Plc responsible for their Environmental Technologies division. He was formerly executive Director, Process Catalyst and Technologies of Johnson Matthey.

Executive Directors



David Hummel (51)

BSc

Chief Executive *

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



Michael Peacock (51)

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.



Tim Walker (61)

BSc PhD CChem FRSC

Production & Technical Director

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

Directors' Report

The Directors present their Annual Report and Accounts to shareholders for the year ended 30 September 2009.

Principal activity

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

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 2009, 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 3 to 15.

Results and dividends

Group profit after tax for the year was £17.8m (2008: £39.1m).

The Directors recommend the payment of a final dividend of 14.0p per share, on 26 February 2010, to all shareholders on the register on 12 February 2010. This makes a total dividend of 19.2p per share for the year (2008: 18.3p per share).

Share capital

Details of the Company's share capital and reserve for own shares are given in note 19.

During the year 225,208 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 18.

Rights and obligations attaching to shares

The holders of ordinary shares are entitled to receive dividends when declared, the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

There are no restrictions on transfer or limitations on the holding of ordinary shares and no requirements to obtain prior approval to any transfer except where the Company has exercised its right to suspend their voting

rights, withhold a dividend or prohibit their transfer following failure by the member or any other person appearing to be interested in the shares to provide the Company with information requested under section 793 of the Companies Act 2006. The Directors may, in certain circumstances, also refuse to register the transfer of a share in certified form which is not fully paid up, where the instrument of transfer does not comply with the requirements of the Articles of Association, or if entitled to do so under the Uncertificated Securities Regulations 2001. No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid. There are no known agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights and no known arrangements under which financial rights are held by a person other than the holder of the shares.

Shares acquired by employees under employee share schemes rank equally with the other shares in issue and have no special rights.

Own shares held

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

At the 2009 Annual General Meeting ('AGM'), shareholders renewed the Company's authority to make market purchases of up to 8,289,709 of its own ordinary shares (representing 10% of the issued share capital of the Company as at 12 December 2008). No market purchases of the Company's own shares were made during the year. At the forthcoming AGM the Board will again seek shareholders' approval to renew the annual authority for the Company to make purchases of its own shares through the market.

AGM

The notice of the 2010 AGM of the Company is given on page 65.

Directors

Details of the Directors of the Company are given on page 16. Details of Directors' interests in shares are provided in the Report on Directors' Remuneration on pages 23 to 28.

At the forthcoming AGM, resolutions will be proposed for the re-election of Ms A M Frew, Mr D R Hummel and Mr M W Peacock.

Appointment and replacement of Directors

The current and proposed new Articles of Association of the Company provide that the number of Directors shall be not more than ten and not less than two, unless otherwise determined by the Company by Ordinary Resolution. Directors may be appointed by an Ordinary Resolution of the members or by a resolution of the Directors. A Director appointed by the Directors must retire at the next following AGM and offer himself for re-election.

A Director may be removed by an Extraordinary Resolution of the Company. In addition, a Director must automatically cease to be a Director if (i) he ceases to be a Director by virtue of any provision of the Companies Act or he becomes prohibited by law from being a Director, or (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally, or (iii) he is suffering from a mental disorder, or (iv) he resigns from his office by notice in writing to the Company, or in the case of an executive Director, his appointment is terminated or expires and the Directors resolve that his office be vacated, or (v) he is absent for more than six consecutive months without permission of the Directors from meetings of the Directors and the Directors resolve that his office be vacated or (vi) he is requested in writing, or by electronic form, by all the other Directors to resign.

Directors' Report *continued*

Powers of the Directors

The powers of the Directors are determined by the Company's Memorandum and Articles of Association, the Companies Act 2006 and any directions given by the Company in general meeting. The Directors have been authorised by the Articles of Association to issue and allot ordinary shares and to make market purchases of shares. These powers are referred to shareholders at the AGM for renewal. Any shares purchased may be cancelled or held as treasury shares.

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 2009 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.

Change of control

None of the Directors' or employees' service contracts contain provisions providing for compensation for loss of office or employment that occurs because of a takeover bid.

Employment policies

The Group's employment policies, including its policy regarding the employment of disabled people, are set out on page 14.

Major interests in shares

The Company has been notified of the following interests in 3% or more of its issued share capital as at 4 December 2009:

	Number of ordinary shares	
Schroders plc	10,306,929	12.39%
BlackRock Investment Management (UK) Limited	9,984,830	12.00%
Legal and General Group Plc	4,389,243	5.28%
F&C Asset Management plc	4,228,620	5.08%
AEGON UK Group of Companies	4,167,293	5.01%
Standard Life Investments Ltd	4,101,202	4.93%
AXA S.A.	3,729,607	4.48%

Combined Code

A statement on corporate governance is set out on pages 19 to 22.

Financial instruments

Details of financial risk management are given in note 15.

Donations

Details of charitable donations made in the year are set out on page 15. No political donations were made (2008: £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 had trade creditors outstanding at the year end representing 25 days (2008: 21 days) of purchases. The Company did not have any significant external trade creditors.

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.


Disclosure of information to 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.

Auditor

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



Gary Hulme

Company Secretary
7 December 2009

Corporate Governance

The Directors have reviewed the Group's compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the 'Code') and confirm that the Group complied in all aspects 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 three executive Directors. All of the Directors served throughout the year with the exception of Blair Souder who stepped down as an executive Director on 31 March 2009 and Jonathan Azis who retired as a non-executive Director on 30 September 2009. 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. Giles Kerr 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 as required, 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 eight times during the year. There was full attendance at all meetings, with the exception of Blair Souder and Giles Kerr, who were unable to attend one meeting and Jonathan Azis who was unable to attend two meetings. During the year, the Chairman met with the other non-executive Directors without the executive Directors present on one occasion, 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) 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 – Anita Frew)

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 Patrick De Smedt and Lawrence Pentz in 2008. The external search consultant used was Hanson Green.

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.

Corporate Governance *continued*

Remuneration Committee (Chairman – Patrick De Smedt)

The Remuneration Committee was chaired by Jonathan Azis until his retirement with effect from 30 September 2009, at which point Patrick De Smedt was appointed.

The Remuneration Committee, comprising all of the non-executive Directors (excluding the Chairman), 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.

The Remuneration Committee met four 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. Only Committee members are entitled to attend a meeting. However, the Chairman, the Finance Director, the Deputy Group Finance Director 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 2008, the Committee reviewed the Company's preliminary announcement of its results for the financial year ended 30 September 2008 and the draft Annual 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.

At its meeting on 8 May 2009, the Committee reviewed the Company's interim results announcement and draft Half-yearly Financial Report. The external auditor reported to the Committee on its review. The Committee also considered the results of regular internal control reviews.

On 22 September 2009, the external auditor presented its proposed fees and scope for the audit for the year ended 30 September 2009. The Committee also carried out its annual performance appraisal and terms of reference review.

At its meeting on 23 November 2009, the Committee reviewed the Company's preliminary announcement of its results for the financial year ended 30 September 2009 and the draft Annual 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 – Anita Frew, 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 broker, external auditor and legal advisors, 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, understands the views of major shareholders, the Company's broker provides 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 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 2009 (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 below) 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's financial controls enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

In its reporting to shareholders, the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects. The Group's two divisions are separately managed by divisional boards, which each submit monthly executive commentaries of financial and non-financial results through a standardised reporting process to the Board. In addition, Head Office Group functions are consolidated with these divisions and the resulting Group position is reported monthly in a Group executive commentary to the Board.

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.

Corporate Governance *continued*

Risk Management Committee

(Chairman – Tim Walker)

The Risk Management Committee is chaired by the Production and Technical Director, and comprises one other executive Director and senior executives from the operational, commercial and finance functions. It 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 is chaired by the Chief Executive, and comprises one other executive Director and senior finance executives. It 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 96% of sales from the UK. These sales are primarily denominated in US Dollar, Euro 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 and,
- a minimum of 75% and a maximum of 100% of projected transaction exposures arising in the following six 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 15 and 25 to 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 with account taken of the time and responsibility involved in each role.

The Remuneration Committee consists entirely of non-executive Directors, as set out on page 20, and is chaired by Patrick De Smedt. The Remuneration Committee has access to independent advice where it considers it appropriate. This year, the Committee has continued to use the services of Hewitt New Bridge Street (which it has previously appointed) for executive Directors' remuneration. Neither Hewitt New Bridge Street (nor Hewitt Associates, its parent company) provide any other services to the Company, save in respect of those relating to other senior executive remuneration and administration of share schemes.

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 one third of total remuneration, one third annual bonus and one third LTIP (excluding pension provision). This assumes an LTIP award of one times salary. The maximum award is two times salary in exceptional circumstances. In formulating remuneration policy, full consideration has been given to

the principles set out in Section B of the Combined Code and the Committee will regularly review the policy to ensure it takes due account of best practice and the particular circumstances of the Company.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee will ensure that the incentive structure for executive Directors and senior management will not raise environmental, social or governance ('ESG') risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account ESG matters. The Committee is also satisfied that the overall remuneration structure does not encourage inappropriate operational risk-taking.

When setting the executive Directors' remuneration, due account is taken of pay and employment conditions of other Group employees. In this regard, the Committee will liaise with the Group's Human Resources function to ensure it is fully aware of all the relevant issues.

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 selected on the basis of market capitalisation and turnover. 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. The Committee has decided that the executive Directors will not receive an increase in basic salary for the financial year ending 30 September 2010.

Annual cash bonus

Each executive Director was eligible to receive an annual cash bonus of up to 100% of basic salary for the year ended 30 September 2009. This was determined by reference to performance targets based on the Group's financial results (up to 80% of basic salary) and specific objectives (up to 20% of basic salary) set at the beginning of the financial year.

The second component of the bonus is payable only if, in the opinion of the Remuneration Committee, there has been an improvement in the underlying financial and operating performance of the Group during the year ended 30 September 2009.

No actual bonus was payable to any executive Director for the year ended 30 September 2009, as the financial performance targets were not met and in the opinion of the Remuneration Committee, there was no improvement in the underlying financial and operating performance of the Group during the year ended 30 September 2009.

For the annual bonus plan for the year ending 30 September 2010 the maximum bonus potential will remain at 100% of basic salary.

Awards under the 2009 Victrex Long Term Incentive Plan

At the last AGM, shareholder approval was obtained for the establishment of a new Victrex Long Term Incentive Plan (the '2009 LTIP') which replaced the original Long Term Incentive Plan which had expired. Under the 2009 LTIP executive Directors can be eligible to be awarded options to acquire, at no cost, market purchased shares in the Company up to a maximum equivalent value of 150% of basic salary each year. In exceptional circumstances such as recruitment or retention, this limit is increased to 200% of basic salary.

Awards normally vest in three equal tranches on the third, fourth and fifth anniversaries of grant to the extent that the applicable performance conditions (see below) have been satisfied and provided the participant is still employed in the

Report on Directors' Remuneration *continued*

Company's Group. Participants will have a five year period from the date each tranche vests in which to exercise awards.

Participants will receive a payment (in cash and/or shares) on or shortly following the vesting of their awards, of an amount equal to the dividends that would have been paid on those shares between the time when the awards were granted and the time when they vest. Alternatively, participants may have their awards increased as if dividends were paid on the shares subject to their award and then reinvested in further shares.

The extent to which the initial awards made in the year ended 30 September 2009 vest is dependent on two independent 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 excluding investment trusts at the beginning of that period. This element of the award is reduced to 25% on a pro-rata basis for median performance and is reduced to nil for below median performance 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 25% 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 Hewitt New Bridge Street whilst the Group's EPS growth is derived from the audited financial statements.

It is intended that the same performance conditions will be applied to awards granted under the 2009 LTIP in the year ending 30 September 2010.

Share options

Executive Directors do not participate in the Victrex 2005 Executive Share Option Plan (which is the primary share incentive arrangement for below Board executives).

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, resident 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 participates 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 salary supplements.

Service agreements

The service agreements of the executive Directors are not fixed term and 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.

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 a period of three years. Following this the appointment is reviewed annually.

The executive Directors may accept outside appointments with prior Board approval, provided these opportunities do not negatively impact on the individual's ability to perform his duties at the Company. Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case by case basis.

The Auditor is required to report on the information contained from here to page 27 inclusive.

Directors' remuneration for the year ended 30 September 2009 was as follows:

	Date of service contract	Basic salary ⁽¹⁾ £	Pension/other supplements ⁽²⁾ £	Bonus £	Benefits in kind £	Total 2009 £	Total 2008 £
Executive Directors							
D R Hummel	6 Dec 95	419,606	71,488	–	–	491,094	479,487
M W Peacock	1 Feb 00	245,000	44,501	–	4,084	293,585	374,916
B V Souder (left 31 March 2009)	16 Sept 02	130,612	20,044	–	6,597	157,253	338,102
T J Walker	1 May 99	211,000	36,001	–	780	247,781	334,090
Chairman							
A M Frew (appointed Chairman 1 October 2008)	1 Oct 08	125,000	–	–	–	125,000	58,000
Non-executive Directors							
J G A Azis (retired 30 September 2009)	22 Sept 03	46,000	–	–	–	46,000	38,000
G F B Kerr	1 Aug 06	48,000	–	–	–	48,000	41,000
P J M De Smedt	28 July 08	41,000	–	–	–	41,000	6,818
L C Pentz	28 July 08	41,000	–	–	–	41,000	6,818
Total remuneration		1,307,218	172,034	–	11,461	1,490,713	1,677,231

The total payments (including pension contributions) made to the highest paid Director, D R Hummel, were £514,468 (2008: £494,967).

⁽¹⁾ The basic salaries of D R Hummel and B V Souder are paid in US Dollars. The equivalent US Dollar amounts are \$650,000 (2008: \$545,000) and \$200,000 (2008: \$370,000) respectively.

⁽²⁾ In accordance with the policy outlined on page 24, D R Hummel and B V Souder received a salary supplement of £62,941 and £13,061 respectively with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme and £8,547 and £nil respectively with regards to the shortfall in the promised levels of life and disability insurance. M W Peacock and T J Walker received salary supplements of £31,100 and £22,600 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, T J Walker and B V Souder each received an additional salary supplement of £13,401, £13,401 and £6,983 respectively in lieu of a company car.

Under the new divisional structure the role of Commercial Director ceased to exist at Group level and accordingly B V Souder stepped down and left the Group on 31 March 2009. Contractual payment in lieu of notice totalled approximately £450,000. With respect to the original Long Term Incentive Plan, and pursuant to the rules of that plan, on 12 December 2008 B V Souder exercised 41,289 share options at an exercise price of nil p per share when the market value was 444p per share and 71,552 share options at an exercise price of nil p per share when the market value was 502p immediately following his leaving date.

Pensions

	Age at 30/09/09	Accrued benefit at 30/09/08 £	Change in accrued benefit due to inflation £	Change in accrued benefit due to other factors £	Accrued benefit at 30/09/09 £	Transfer value at 30/09/08 £	Directors' contributions £	Increase in transfer value net of Directors' contributions £	Transfer value at 30/09/09 £
M W Peacock	51	18,979	–	1,763	20,742	322,171	5,706	66,319	394,196
T J Walker	61	20,635	–	1,588	22,223	490,485	5,706	80,368	576,559

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 £27,531 and £35,167 respectively.

The cost of pension contributions payable and accrued under defined contribution arrangements for D R Hummel and B V Souder amounted to £23,374 (2008: £15,480) and £5,616 (2008: £13,600) respectively.

Report on Directors' Remuneration *continued*

Directors' shares

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

	30/09/09 Beneficial	30/09/09 Non-beneficial	30/09/08 Beneficial	30/09/08 Non-beneficial
Executive Directors				
D R Hummel	3,679,940	179,000	3,660,080	179,000
M W Peacock	97,593	–	38,146	–
T J Walker	103,056	–	78,188	–
Chairman				
A M Frew (appointed Chairman 1 October 2008)	14,184	–	9,184	–
Non-executive Directors				
G F B Kerr	2,500	–	2,500	–
P J M De Smedt	2,000	–	–	–
L C Pentz	2,000	–	–	–

Between 30 September 2009 and 4 December 2009, the beneficial shareholding for T J Walker increased by 31 shares.

The mid-market price of Victrex plc shares at 30 September 2009 was 763.5p (2008: 715.0p). The range in the financial year was 371.5p to 785.5p (2008: 580.0p to 829.0p).

The Directors' Sharesave options at 30 September 2009 were as follows:

	30/09/09	30/09/08	Exercise price ⁽¹⁾	Normal exercise period
T J Walker	–	1,791	522p	2009

⁽¹⁾ In accordance with the rules of the scheme the exercise price equates to a discount of 20% on the market value of the shares on the date of grant. To reflect the relevant statutory provisions, no performance conditions apply to these options.

During the year the above Sharesave options lapsed.

Long Term Incentive Plan

The original Long Term Incentive Plan ('LTIP') commenced on 26 January 1999 and expired in 2009. As described earlier, a replacement plan, the 2009 LTIP, was approved by shareholders at the 2009 AGM. The Directors' contingent interests in shares at 30 September 2009, as set out below, were as follows:

	30/09/08	Granted in year	Exercised in year	Lapsed in year	30/09/09
D R Hummel	309,233	92,818	(153,774)	(23,926)	224,351
M W Peacock	219,681	50,484	(100,899)	(18,682)	150,584
T J Walker	151,564	43,478	(41,743)	(17,001)	136,298
	680,478	186,780	(296,416)	(59,609)	511,233

The market value of the shares granted in the year was 485p per share on the date of the grant.

On 17 December 2008 D R Hummel, M W Peacock and T J Walker exercised 153,774, 100,899 and 41,743 share options respectively at an option price of nil p per share when the market price was 444p per share.

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 30 September 2009, 616,206 shares (2008: 826,790) were held in trust as further described in note 19.

Outstanding option awards granted annually under the LTIP:

Granted in year	2005	2006	2007	2008	2009 ⁽⁴⁾	30/09/09
D R Hummel	47,038	37,905	7,424	39,166	92,818	224,351
M W Peacock	35,849	26,814	5,797	31,640	50,484	150,584
T J Walker	33,893	25,351	5,275	28,301	43,478	136,298
	116,780	90,070	18,496	99,107	186,780	511,233

LTIP performance period – three years ending	30/09/07	30/09/08	30/09/09	30/09/10	30/09/11 ⁽⁴⁾
Total Shareholder Return ⁽¹⁾	48th	41st	87th	n/a ⁽³⁾	n/a ⁽³⁾
EPS growth ⁽²⁾	17.8%	12.8%	(18.1%)	n/a ⁽³⁾	n/a ⁽³⁾
Exercisable rate (% of grant)	100%	100%	23.68%	n/a ⁽³⁾	n/a ⁽³⁾

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

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

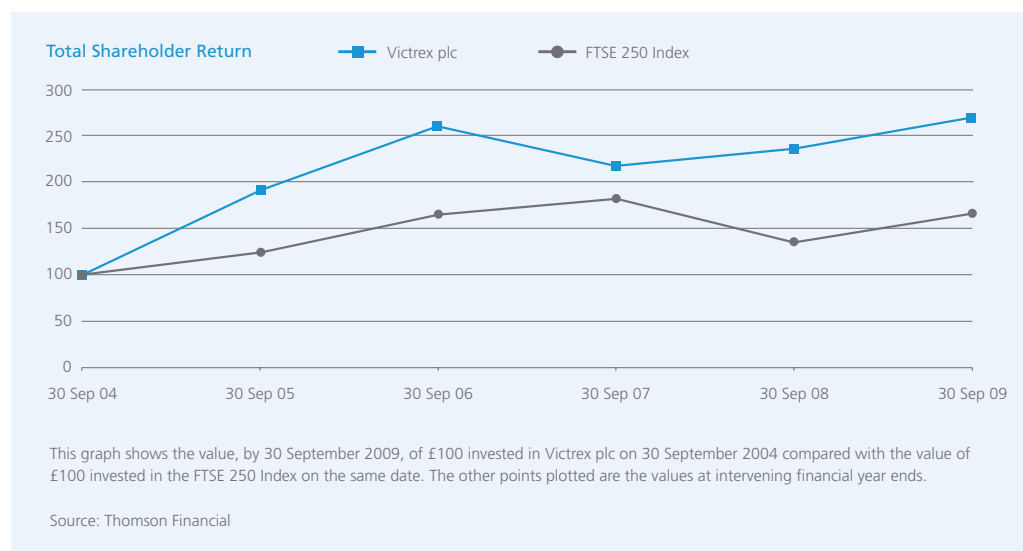
⁽³⁾ The three year performance periods in respect of the awards granted in 2008 and 2009 are not yet complete and hence the exercisable rate has yet to be determined.

⁽⁴⁾ The performance conditions applicable to these 2009 LTIP option awards are outlined on page 23.

Report on Directors' Remuneration *continued*

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.



Patrick De Smedt

Chairman of the Remuneration Committee

7 December 2009

Responsibility Statement of the Directors

Responsibility of Directors for the preparation of the Annual Report and Accounts

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRS as adopted by the EU and,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Report and Accounts

The Directors confirm that to the best of their knowledge:

- The Group and Parent Company's financial statements, prepared in accordance with applicable UK law and in conformity with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole and,
- The management report, which comprises the Directors' Report and the Annual Business Review, includes a fair review of the development and performance of the business and position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and the uncertainties they face.

The Directors of Victrex plc are detailed on page 16.

By order of the Board



Michael Peacock

Finance Director

7 December 2009

Independent Auditor's Report to the members of Victrex plc

We have audited the financial statements of Victrex plc for the year ended 30 September 2009 set out on pages 32 to 63. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006 and,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 and,
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 18, in relation to going concern and,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.



Nicola Quayle (Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

St James' Square,

Manchester

M2 6DS

7 December 2009

Accounts

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Consolidated Income Statement

For the year ended 30 September	Note	2009 £000	2009 £000	2008 £000	2008 £000
Revenue	2		103,822		141,117
Cost of sales	3		(39,307)		(49,495)
Gross profit			64,515		91,622
Sales, marketing and administrative expenses	3		(39,420)		(37,041)
Operating profit	2		25,095		54,581
Financial income	5	91		577	
Financial expenses	6	(60)		(127)	
Net financing income			31		450
Profit before tax			25,126		55,031
Income tax expense	7		(7,287)		(15,959)
Profit for the year attributable to equity shareholders of the parent			17,839		39,072
Earnings per share					
Basic	8		21.7p		47.8p
Diluted	8		21.6p		47.4p
Dividend per share					
Interim	19		5.2p		5.2p
Final	19		14.0p		13.1p
	19		19.2p		18.3p

A final dividend in respect of 2009 of 14.0p per share has been recommended by the Directors for approval at the Annual General Meeting in February 2010.

Balance Sheets

As at 30 September		Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
	Note				
Assets					
Non-current assets					
Property, plant and equipment	9	129,484	129,909	–	–
Intangible assets	10	10,263	10,873	–	–
Investments	11	–	–	13,665	13,665
Deferred tax assets	12	7,096	8,078	–	–
		146,843	148,860	13,665	13,665
Current assets					
Inventories	13	37,168	31,675	–	–
Current income tax assets		1,015	244	–	244
Trade and other receivables	14	15,663	18,195	40,092	45,336
Derivative financial instruments	15	1,702	855	–	–
Cash and cash equivalents		18,563	23,532	16	19
		74,111	74,501	40,108	45,599
Total assets		220,954	223,361	53,773	59,264
Liabilities					
Non-current liabilities					
Deferred tax liabilities	12	(15,587)	(14,651)	–	–
Retirement benefit obligations	16	(10,831)	(6,378)	–	–
		(26,418)	(21,029)	–	–
Current liabilities					
Derivative financial instruments	15	(6,303)	(10,455)	–	–
Current income tax liabilities		(5,424)	(8,263)	(184)	–
Trade and other payables	17	(14,582)	(16,820)	(5,884)	(4,804)
		(26,309)	(35,538)	(6,068)	(4,804)
Total liabilities		(52,727)	(56,567)	(6,068)	(4,804)
Net assets		168,227	166,794	47,705	54,460
Equity					
Share capital		831	829	831	829
Share premium		21,653	20,723	21,653	20,723
Translation reserve		2,405	470	–	–
Hedging reserve		(1,651)	(5,570)	–	–
Retained earnings		144,989	150,342	25,221	32,908
Total equity attributable to equity shareholders of the parent	19	168,227	166,794	47,705	54,460

These financial statements were approved by the Board of Directors on 7 December 2009 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		Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
	Note				
Cash flows from operating activities					
Cash generated from operations	20	26,804	61,858	7,709	12,805
Interest and similar charges paid		(50)	(176)	–	–
Interest received		91	577	–	–
Tax paid		(11,156)	(15,703)	–	–
Net cash flow from operating activities		15,689	46,556	7,709	12,805
Cash flows from investing activities					
Acquisition of property, plant and equipment	9	(7,468)	(25,014)	–	–
Dividends received		–	–	7,413	–
Net cash flow from investing activities		(7,468)	(25,014)	7,413	–
Cash flows from financing activities					
Issue of ordinary shares exercised under option	19	2	7	2	7
Premium on issue of ordinary shares exercised under option	19	930	2,575	930	2,575
Purchase of own shares held	19	(977)	(858)	(977)	(858)
Decrease in short-term borrowings		–	(4,207)	–	–
Dividends paid	19	(15,080)	(14,533)	(15,080)	(14,533)
Net cash flow from financing activities		(15,125)	(17,016)	(15,125)	(12,809)
Net (decrease)/increase in cash and cash equivalents		(6,904)	4,526	(3)	(4)
Exchange differences on net investment translation of foreign operations		1,935	1,886	–	–
Cash and cash equivalents at beginning of year		23,532	17,120	19	23
Cash and cash equivalents at end of year		18,563	23,532	16	19

Statements of Recognised Income and Expense

For the year ended 30 September		Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
	Note				
Net change in fair value of cash flow hedges:					
Transferred to equity		(19,923)	(14,509)	–	–
Transferred to income statement		25,366	6,719	–	–
Exchange differences on net investment translation of foreign operations	19	1,935	1,098	–	–
Actuarial (losses)/gains on defined benefit plans	16	(7,210)	867	–	–
Tax on items taken directly to or transferred from equity		(2,178)	3,238	–	–
Net expense recognised directly in equity		(2,010)	(2,587)	–	–
Profit for the year		17,839	39,072	7,641	119
Total recognised income and expense for the year attributable to equity shareholders of the parent	19	15,829	36,485	7,641	119

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 2009 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Company is listed on the London Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 7 December 2009.

Basis of preparation

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

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Annual Business Review on pages 3 to 15. In addition, note 15 on financial risk management details its exposure to a variety of financial risks, including currency and credit risk.

The Group has significant positive cash balances and has a committed bank facility of £40m which expires in 2012. This facility was undrawn at 30 September 2009 and remained undrawn at 7 December 2009 when these consolidated financial statements were approved for issue by the Board of Directors.

Based on the above and a review of the Group's budgets and forecasts, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and hence have continued to adopt the going concern basis of accounting in preparing the Annual Report & Accounts.

On publishing the Company financial statements here together with the consolidated financial statements, the Company is taking advantage of section 408 Companies Act 2006 not to present its individual income statement and related notes that form part of the approved financial statements.

The preparation of financial statements in conformity with endorsed 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. Details of significant estimates and assumptions are set out in note 24.

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.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction was adopted during the year. There has been no impact upon the income statement or balance sheet from this adoption.

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

Effective for the Group's financial year ending 30 September 2010:

- Amendments to IAS 1 (Revised 2007) – Presentation of Financial Statements: A Revised Presentation;
- IAS 23 (Revised 2007) Borrowing Costs;
- Amendments to IAS 27 – Consolidated and Separate Financial Statements;
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation;
- Amendments to IAS 39 – Eligible Hedged Items;
- Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- Amendment to IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations;
- Revised IFRS 3 – Business Combinations;
- Amendment to IFRS 7 – Financial Instruments: Disclosures;
- IFRS 8 – Operating Segments;
- Improvements to IFRSs 2008:
 - Amendment to IAS 1 – Presentation of Financial Statements;
 - Amendments to IAS 16 – Property, Plant and Equipment;
 - Amendments to IAS 19 – Employee Benefits;
 - Amendments to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance;
 - Amendment to IAS 23 – Borrowing Costs;
 - Amendments to IAS 27 – Consolidated and Separate Financial Statements;
 - Amendments to IAS 28 – Investments in Associates;
 - Amendment to IAS 29 – Financial Reporting in Hyperinflationary Economies;
 - Amendment to IAS 31 – Interests in Joint Ventures;
 - Amendment to IAS 36 – Impairment of Assets;
 - Amendment to IAS 38 – Intangible Assets;
 - Amendments to IAS 39 – Financial Instruments: Recognition and Measurement;
 - Amendments to IAS 40 – Investment Property and,
 - Amendment to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.
- Improvements to IFRSs 2009:
 - Amendment to IFRS 2 and revised IFRS 3 – Business Combinations;
 - Amendments to IAS 38;
 - Amendments to IFRIC 9 – Reassessment of Embedded Derivatives and,
 - Amendment to IFRIC 16 – Hedges of a Net Investment in a Foreign Operation.
- IFRIC 15 – Agreements for the Construction of Real Estate and,
- IFRIC 17 – Distribution of Non-cash Assets to Owners.

Effective for the Group's financial year ending 30 September 2011:

- Improvements to IFRSs 2009:
 - Amendment to IAS 1;
 - Amendment to IAS 7 – Statement of Cash Flows;
 - Amendment to IAS 17 – Leases;
 - Amendment to IAS 36;
 - Amendment to IAS 39;
 - Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations and,
 - Amendments to IFRS 8.

Notes to the Financial Statements *continued*

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.

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.

During the year the Group's business was strategically reorganised into two divisions: Invibio and Victrex Polymer Solutions. Consequently, in compliance with IAS 14 – Segment Reporting, the business now reports divisional information as the primary analysis and geographical information as the secondary analysis. As required by the standard, the comparative figures have been restated and there has been no financial effect of the change on the Group.

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 have 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.

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 costs 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.

Notes to the Financial Statements *continued*

Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment. Any impairment provisions that arose during impairment testing would not be reversed.

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. Should any impairment provisions arise during annual impairment testing, these would also be deducted from the carrying value of other intangible assets. Other intangible assets are tested annually for impairment, to the extent that they are considered to have an indefinite useful economic life.

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.

Impairment

The carrying amount of the Group's non-financial assets, other than inventories and current and deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amounts of the relevant assets are determined.

Goodwill

Goodwill is tested annually for impairment by reference to the estimated future cash flows of the relevant cash generating unit ('CGU'), discounted to their present value using risk adjusted discount factors to give its value in use. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Impairment losses are recognised if the carrying amount of the goodwill exceeds its value in use and are recognised in the income statement. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit or group of units on a pro rata basis. Impairment losses in respect of goodwill are not reversed.

Other assets

For other assets subject to impairment reviews, an impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. Impairment losses recognised in previous periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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, in which case it is recognised 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 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.

Rebates are accounted for as sales are made throughout the period. Volume rebates are accrued based on the maximum amount due to customers based on annualised sales, unless it is clear that rebate conditions will not be met in a particular period.

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.

When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised in profit or loss.

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 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 with a corresponding increase in equity. Share-based payment transactions are recharged from the Company to those subsidiaries benefitting from the service of the employees to whom options are granted.

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 vest 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. Provisions are determined by discounting the expected future cash flows.

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 divisional segments

Results

	Victrex Polymer Solutions 2009 £000	Invibio Biomaterial Solutions 2009 £000	Group 2009 £000	Victrex Polymer Solutions 2008 £000	Invibio Biomaterial Solutions 2008 £000	Group 2008 £000
Total segment sales	72,013	34,196	106,209	117,502	24,900	142,402
Less inter-segment sales	(2,387)	–	(2,387)	(1,285)	–	(1,285)
Revenue from external sales	69,626	34,196	103,822	116,217	24,900	141,117
Segment gross profit	34,433	30,082	64,515	69,722	21,900	91,622
Sales, marketing and administrative expenses	(28,157)	(10,042)	(38,199)	(28,618)	(7,404)	(36,022)
Segment operating profit	6,276	20,040	26,316	41,104	14,496	55,600
Unallocated central costs			(1,221)			(1,019)
Operating profit			25,095			54,581
Net financing income			31			450
Profit before tax			25,126			55,031
Income tax expense			(7,287)			(15,959)
Profit for the year attributable to equity shareholders of the parent			17,839			39,072

Other information

Segment assets	203,770	17,184	220,954	210,193	13,168	223,361
Segment liabilities	45,852	6,875	52,727	52,706	3,861	56,567
Capital expenditure	7,100	263	7,363	23,365	356	23,721
Depreciation	8,074	223	8,297	6,786	213	6,999
Amortisation	610	–	610	610	–	610

Secondary geographical segments

	2009 £000	2008 £000
Sales		
Europe	47,211	68,748
USA	45,834	50,717
Asia-Pacific	10,777	21,652
	103,822	141,117
Total assets		
Europe	197,588	201,565
USA	14,008	12,385
Asia-Pacific	9,358	9,411
	220,954	223,361
Capital expenditure		
Europe	7,310	23,564
USA	17	21
Asia-Pacific	36	136
	7,363	23,721

Analysis of sales by category

	2009 £000	2008 £000
Product sales	97,685	136,409
Royalty and other income	6,137	4,708
	103,822	141,117

Notes to the Financial Statements *continued***3. Expenses by nature**

	Note	2009 £000	2008 £000
Staff costs	4	31,892	29,138
Depreciation of property, plant and equipment	9	8,370	7,064
Amortisation of knowhow	10	610	610
Operating lease rentals	9	1,326	1,177
Other costs of manufacture		21,983	33,874
Other sales and marketing costs		7,148	7,898
Other administrative costs		3,418	3,151
Other research and development costs		3,980	3,624
		78,727	86,536

Auditor's remuneration is as follows:

	2009 £000	2008 £000
Audit services relating to:		
Victrex plc Annual Report and Accounts	32	34
The Company's subsidiaries, pursuant to legislation	80	76
Tax services	2	2
Other services	16	34
	130	146

4. Staff costs

	Note	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Wages and salaries		26,258	22,752	301	258
Social security costs		2,213	2,115	32	29
Defined contribution pension plans		1,659	1,279	–	–
Defined benefit pension plans	16	1,033	1,357	–	–
Equity-settled share-based payment transactions	18	729	1,635	–	–
	3	31,892	29,138	333	287

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

	Group 2009	Group 2008	Company 2009	Company 2008
Operations	234	236	–	–
Technical	96	86	–	–
Commercial	124	129	–	–
Administration	55	55	5	4
	509	506	5	4

5. Financial income

	2009 £000	2008 £000
Bank interest receivable	91	577

6. Financial expenses

	2009 £000	2008 £000
Bank interest and similar charges payable	60	127

7. Income tax expense

	Note	2009 £000	2008 £000
Current tax			
Current tax		4,010	9,782
UK corporation tax adjustments relating to prior years		(340)	(585)
Foreign tax on profits for the year		2,334	3,846
		6,004	13,043
Deferred tax			
Origination and reversal of temporary differences	12	1,283	2,916
Total tax expense in income statement		7,287	15,959

Reconciliation of effective tax rate

	2009 %	2009 £000	2008 %	2008 £000
Profit before tax		25,126		55,031
Tax expense using UK tax rate	28.0	7,035	29.0	15,959
Expenses not deductible for tax purposes		288		258
Higher rates of tax on overseas earnings		765		1,255
UK research and development tax credits and other allowances		(461)		(824)
UK corporation tax adjustments relating to prior years		(340)		(585)
Effect of differences between current and deferred tax rates		–		(104)
Effective tax rate	29.0	7,287	29.0	15,959

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).

	2009	2008
Earnings per share – basic	21.7p	47.8p
– diluted	21.6p	47.4p
Profit for the financial year	£17,839,000	£39,072,000
Weighted average number of shares used:		
Issued ordinary shares at beginning of year	82,897,093	82,227,271
Effect of own shares held	(642,042)	(823,922)
Effect of shares issued during the year	74,814	298,232
Basic weighted average number of shares	82,329,865	81,701,581
Effect of share options	384,567	653,722
Diluted weighted average number of shares	82,714,432	82,355,303

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
Cost						
At 1 October 2007	14,359	86,520	5,828	981	39,148	146,836
Exchange differences	147	120	69	51	80	467
Additions	1,525	1,556	550	195	19,895	23,721
Disposals	–	–	(10)	(2)	–	(12)
Reclassification	1,090	40,089	–	–	(41,179)	–
At 30 September 2008	17,121	128,285	6,437	1,225	17,944	171,012
Exchange differences	328	94	72	88	–	582
Additions	228	2,963	293	84	3,795	7,363
Disposals	–	–	(37)	(28)	–	(65)
Reclassification	1,686	16,706	–	–	(18,392)	–
At 30 September 2009	19,363	148,048	6,765	1,369	3,347	178,892
Depreciation						
At 1 October 2007	1,270	28,060	4,327	392	–	34,049
Exchange differences	7	12	27	19	–	65
Disposals	–	–	(10)	–	–	(10)
Depreciation charge	463	5,464	906	166	–	6,999
At 30 September 2008	1,740	33,536	5,250	577	–	41,103
Exchange differences	9	10	45	9	–	73
Disposals	–	–	(37)	(28)	–	(65)
Depreciation charge	598	6,786	682	231	–	8,297
At 30 September 2009	2,347	40,332	5,940	789	–	49,408
Carrying amounts						
At 30 September 2009	17,016	107,716	825	580	3,347	129,484
At 30 September 2008	15,381	94,749	1,187	648	17,944	129,909

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 £1,326,000 (2008: £1,177,000) 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
Cost			
At 1 October 2007	13,254	6,100	19,354
Additions	–	–	–
At 30 September 2008	13,254	6,100	19,354
Additions	–	–	–
At 30 September 2009	13,254	6,100	19,354
Amortisation			
At 1 October 2007	3,144	4,727	7,871
Amortisation charge	–	610	610
At 30 September 2008	3,144	5,337	8,481
Amortisation charge	–	610	610
At 30 September 2009	3,144	5,947	9,091
Carrying amounts			
At 30 September 2009	10,110	153	10,263
At 30 September 2008	10,110	763	10,873

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	2,688	Japanese operations
	10,110	

Goodwill arising on acquisitions 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 which use cash flow projections based on financial budgets approved by management. For the periods beyond the budget, cash flows are extrapolated using long-term growth rates. Foreign exchange rates are based on actual rates at the time of the budget and are held constant. Other assumptions such as market share and changes to selling prices are based on past experience and management's expectations of future changes in the market.

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 operations.

For Victrex the long-term average growth rate used was 2.5% (2008: 2.5%) and the risk adjusted pre-tax discount rate was 8% (2008: 8%). The impairment test results in more than 100% headroom and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

For our Japanese operations the long-term average growth rate used was 2.5% (2008: 2.5%) and the risk adjusted pre-tax discount rate was 8% (2008: 8%). The impairment test results in more than 100% headroom and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

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 less than one year remaining to be charged. The charge is recognised within cost of sales in the income statement.

Notes to the Financial Statements *continued***11. Investments****Company****Investments**

	Shares in Group undertakings £000
Cost and carrying value	
At 30 September 2008 and 30 September 2009	13,665

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
Subsidiary undertakings				
Victrex Manufacturing Limited	Great Britain	Manufacture and sale of polymers	Ordinary	100%
Victrex USA, Inc	USA	Sale of polymers	Ordinary	100%
Victrex Europa GmbH	Germany	Sale of polymers	Ordinary	100%
Invibio Limited	Great Britain	Manufacture and sale of polymers	Ordinary	100%
Victrex Japan, Inc	Japan	Sale of polymers	Ordinary	100%

12. Deferred tax assets and liabilities

	Property, plant and equipment 2009 £000	Employee benefits 2009 £000	Inventories 2009 £000	Other 2009 £000	Total 2009 £000	Property, plant and equipment 2008 £000	Employee benefits 2008 £000	Inventories 2008 £000	Other 2008 £000	Total 2008 £000
Deferred tax assets	–	4,040	2,531	525	7,096	–	2,907	2,480	2,691	8,078
Deferred tax liabilities	(15,587)	–	–	–	(15,587)	(14,651)	–	–	–	(14,651)
Net tax assets/(liabilities)	(15,587)	4,040	2,531	525	(8,491)	(14,651)	2,907	2,480	2,691	(6,573)

	Note	Property, plant and equipment £000	Employee benefits £000	Inventories £000	Other £000	Total £000
Movement in net provision						
At 1 October 2007		(12,651)	3,243	1,985	510	(6,913)
Exchange difference		–	18	–	–	18
Recognised in income statement	7	(2,000)	470	495	(1,881)	(2,916)
Recognised in equity		–	(824)	–	4,062	3,238
At 30 September 2008		(14,651)	2,907	2,480	2,691	(6,573)
Exchange difference		–	19	–	–	19
Recognised in income statement	7	(936)	(113)	51	(285)	(1,283)
Recognised in equity		–	1,227	–	(1,881)	(654)
At 30 September 2009		(15,587)	4,040	2,531	525	(8,491)

13. Inventories

	2009 £000	2008 £000
Raw materials and consumables	7,239	9,417
Work in progress	3,461	2,250
Finished goods	26,468	20,008
	37,168	31,675

14. Trade and other receivables

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Trade receivables	14,298	17,013	–	–
Amounts owed by subsidiary undertakings	–	–	40,092	45,336
Prepayments	972	837	–	–
Other	393	345	–	–
	15,663	18,195	40,092	45,336

Notes to the Financial Statements *continued*

15. Financial risk management

The Group's activities expose it to a variety of financial risks including the following:

Currency risk

Company

Victrex plc is an investment holding company and is not exposed to currency risk. The Company has no forward exchange contracts.

Group

The Group currently exports 96% of sales from the UK, and also makes raw material purchases overseas. In addition, the Group includes a number of foreign subsidiaries. As a result of these factors, the Group's financial statements are exposed to currency fluctuations. The currencies giving rise to this risk are primarily US Dollar, Euro and Yen.

The impact of a 5% movement in the average sterling/US Dollar, sterling/Euro and sterling/Yen rates on profit before tax for 2009 is £1.9m, £1.4m and £0.3m (2008: £2.3m, £2.4m and £0.7m respectively).

Forward exchange contracts are used to manage this exposure to fluctuations in foreign exchange rates.

The Group hedges a proportion of sales, and occasionally purchases, denominated in a foreign currency. The Board is responsible for setting the hedging policy which is detailed on page 22. 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 forecast transactions as cash flow hedges and states them at fair value. The notional contract amount, carrying amount and fair value of the Group's forward exchange contracts and swaps designated as cash flow hedges are as follows:

	Notional contract amount 2009 £000	Carrying amount and fair value 2009 £000	Notional contract amount 2008 £000	Carrying amount and fair value 2008 £000
Current assets	9,010	1,702	22,594	855
Current liabilities	76,389	(6,303)	111,966	(10,455)
	85,399	(4,601)	134,560	(9,600)

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.

The following tables indicate the periods in which cash flows associated with the maturity date of the forward foreign exchange contracts for which hedge accounting applies are expected to occur:

	Expected cash flows 2009 £000	6 months or less 2009 £000	6 to 12 months 2009 £000	12 to 18 months 2009 £000	Expected cash flows 2008 £000	6 months or less 2008 £000	6 to 12 months 2008 £000	12 to 18 months 2008 £000
Forward exchange contracts								
Assets	10,762	2,923	7,839	–	22,594	(13,724)	19,646	16,672
Liabilities	73,412	36,477	32,392	4,543	111,966	62,796	39,448	9,722
	84,174	39,400	40,231	4,543	134,560	49,072	59,094	26,394

The following tables indicate the periods in which cash flows associated with the maturity date of the forward foreign exchange contracts for which no hedge accounting is applied are expected to occur:

	Expected cash flows 2009 £000	6 months or less 2009 £000	6 to 12 months 2009 £000	12 to 18 months 2009 £000
Forward exchange contracts				
Assets	(1,752)	(2,261)	509	–
Liabilities	2,977	2,977	–	–
	1,225	716	509	–

Any change in the fair value of these items is recognised in the income statement. Comparatives for 2008 are not material.

Credit risk

Company

The only trade receivables of the Company are amounts owed by subsidiary undertakings.

Group

The Group manages exposure to credit risk at many levels ranging from Board approval being required for the credit limits of larger customers, to the use of letters of credit and cash in advance where appropriate. Internal procedures require regular due consideration of credit ratings, payment history, aged items and proactive debt collection.

The Board receives a detailed breakdown every month of all significant credit limits, amounts due and amounts overdue across the Group and, in the case of the latter, the relevant action being taken.

Trade receivables can be analysed as follows:

	Group 2009 £000	Group 2008 £000
Amounts neither past due nor impaired	12,301	14,202
Amounts past due but not impaired		
Less than 30 days	1,715	1,616
30 – 60 days	132	617
More than 60 days	150	578
Total past due but not impaired	1,997	2,811
Amounts impaired	385	663
Impairment allowances	(385)	(663)
Carrying amount of impaired receivables	–	–
Trade receivables net of allowances	14,298	17,013

Trade receivables are considered to be impaired when the amount is in dispute, customers are believed to be in financial difficulty or if any other reason exists which implies that there is a doubt over the recoverability of the debt. No provision has been made in respect of the amounts shown as past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable in full.

Movements in the allowance for impairments were:

	2009 £000	2008 £000
At beginning of year	663	426
(Release)/charge in the year	(287)	192
Exchange adjustments	9	45
At end of year	385	663

The credit risk in respect of cash and cash equivalents and derivative financial instruments is limited because the counterparties with significant balances are established, international banks. As at 30 September 2009, the maximum exposure with a single bank for deposits was £6.7m (2008: £9.4m) for the Group. The mark to market exposure on forward foreign exchange contracts is a net liability position with each single bank, both at the current and prior financial year end, due to the weakening of sterling against our major trading currencies. The amounts on deposit at the year end represent the Group's maximum exposure to credit risk on cash and deposits.

Notes to the Financial Statements *continued*

Liquidity risk

The Group's objective in terms of funding capacity is to ensure that it always has sufficient short-term and long-term funding available, either in the form of the Group's cash resources or committed bank facilities. The Group has sufficient funds available in order to meet its current funding requirements for both revenue and capital expenditure. In order to further manage liquidity risk to an acceptable level, the Group has a committed bank facility of £40m, all of which was undrawn at the year end. This facility was renewed in 2007 and expires in September 2012.

As at 30 September 2009 the Group had a cash and cash equivalents balance of £18,563,000.

Interest rate risk

The Group had no short-term borrowings at the balance sheet date.

Although the Group does hold substantial cash balances its exposure to interest rate risk is not considered to be significant.

Price risk

The Group's products contain a number of key raw materials and its operations require energy, notably electricity and natural gas. Any increase or volatility in prices and any significant decrease in the availability of raw materials or energy could affect the Group's results. Victrex strives to obtain the best prices and uses contractual means to benefit where appropriate and possible. The Group has a significant degree of control over its supply chain which enables it to effectively manage the risk in this area.

Capital management

The Group defines the capital that it manages as the Group's total equity. Its policy for managing this capital is to maintain a strong balance sheet to ensure that the Group always has sufficient resources to be able to invest in future growth.

The Group's capital and equity ratio is as follows:

	2009 £000	2008 £000
Total equity	168,227	166,794
Total assets	220,954	223,361
Equity ratio	76%	75%

Summary of categories of financial assets and liabilities

	Carrying amount and fair value Group 2009 £000	Carrying amount and fair value Group 2008 £000
Financial assets		
Derivative instruments designated as fair value through profit and loss ('FVTPL')	130	–
Derivative instruments in designated hedge accounting relationships	1,572	855
Loans and receivables	15,663	18,195
Cash and cash equivalents	18,563	23,532
Financial liabilities		
Derivative instruments designated as FVTPL	(1,565)	–
Derivative instruments in designated hedge accounting relationships	(4,738)	(10,455)
Trade and other payables	(14,582)	(19,820)

The maturity profile and basis of the fair value calculation of the derivative instruments in designated hedge accounting relationships and trade receivables is given on pages 50 and 51 respectively.

For trade and other payables there are no amounts due after one year, the majority falling due in 30 days or less.

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 2009	At 30 September 2008
Discount rate	5.70%	7.05%
Expected return on schemes' assets ⁽¹⁾	6.50%	7.00%
Future salary increases	5.00%	5.50%
Future pension increases	3.40%	3.70%
Mortality tables	PA92mc	PA92mc
Life expectancy from age 62 of current pensioners:		
Male	25.6 yrs ⁽²⁾	25.4 yrs ⁽³⁾
Female	28.9 yrs ⁽²⁾	28.8 yrs ⁽³⁾
Life expectancy from age 62 of active and deferred members:		
Male	27.3 yrs ⁽⁴⁾	27.2 yrs ⁽⁵⁾
Female	30.8 yrs ⁽⁴⁾	30.7 yrs ⁽⁵⁾

⁽¹⁾ The future expected return on assets of 6.5% (2008: 7.0%) per annum has been derived from assumed returns of 7.5% (2008: 7.5%) per annum from equity assets, 5.7% (2008: 5.0%) per annum from bonds and 0.5% (2008: 4.5%) per annum from cash, applied to the proportion of each asset class held by the scheme as at 30 September.

⁽²⁾ Life expectancy from age 62 for members aged 62 in 2009.

⁽³⁾ Life expectancy from age 62 for members aged 62 in 2008.

⁽⁴⁾ Life expectancy from age 62 for members aged 45 in 2009.

⁽⁵⁾ Life expectancy from age 62 for members aged 45 in 2008.

Notes to the Financial Statements *continued*

Amounts recognised in the balance sheet

	At 30 September 2009 £000	At 30 September 2008 £000	At 30 September 2007 £000	At 30 September 2006 £000	At 30 September 2005 £000
Present value of funded obligations	(34,832)	(24,027)	(26,218)	(28,590)	(21,598)
Fair value of schemes' assets	24,001	17,649	19,108	16,431	13,786
Net liability before deferred taxation	(10,831)	(6,378)	(7,110)	(12,159)	(7,812)
Related deferred taxation asset	3,033	1,786	1,991	3,648	2,344
Net liability after deferred taxation	(7,798)	(4,592)	(5,119)	(8,511)	(5,468)
Experience adjustments arising on schemes' liabilities	(9,033)	4,509	5,185	(4,778)	(705)
Experience adjustments arising on schemes' assets	1,823	3,642	544	728	1,517

Changes in the present value of the funded obligation

	2009 £000	2008 £000
Defined benefit obligation at beginning of year	(24,027)	(26,218)
Exchange difference	(162)	(121)
Service cost	(1,075)	(1,275)
Interest cost	(1,453)	(1,555)
Actuarial (losses)/gains	(9,033)	4,509
Benefits paid	918	633
Defined benefit obligation at end of year	(34,832)	(24,027)

The Group expects to contribute £3,717,000 to its defined benefit pension schemes during the year ending 30 September 2010, which includes normal contributions together with the second of three deficit funding contributions of £2,555,000.

Changes in the fair value of the schemes' assets

	2009 £000	2008 £000
Fair value of schemes' assets at beginning of year	17,649	19,108
Exchange difference	93	57
Expected return	1,389	1,353
Actuarial gains/(losses)	1,823	(3,642)
Contributions by employer	3,859	1,286
Contributions by employee	106	120
Benefits paid	(918)	(633)
Fair value of schemes' assets at end of year	24,001	17,649
Actual return on schemes' assets	1,892	(2,289)

Major categories of schemes' assets

	At 30 September 2009 £000	At 30 September 2008 £000
UK equities	4,777	4,254
Non UK equities	9,152	6,030
Bonds	8,752	4,853
Cash	514	1,929
Insurance policies	806	583
Fair value of schemes' assets at end of year	24,001	17,649

Amounts recognised in the income statement

	Note	2009 £000	2008 £000
Current service cost		(1,075)	(1,275)
Contributions by employee		106	120
Interest on obligations		(1,453)	(1,555)
Other finance income and expenditure		1,389	1,353
Total included in 'staff costs'	4	(1,033)	(1,357)

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

	2009 £000	2008 £000
Cumulative amount at beginning of year	(4,826)	(5,693)
Movement in year	(7,210)	867
Cumulative amount at end of year	(12,036)	(4,826)

17. Trade and other payables

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Trade payables	4,678	4,652	4	4
Amounts owed to Group undertakings	–	–	5,870	4,793
Accruals	8,778	11,733	–	1
Other	1,126	435	10	6
	14,582	16,820	5,884	4,804

Notes to the Financial Statements *continued***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	2009 Number of options	2008 Number of options
June 1999	–	7,841
January 2000	–	750
July 2001	5,000	5,000
June 2002	1,712	1,712
April 2003	–	25,000
June 2003	8,529	12,423
December 2003	2,431	2,431
July 2004	82,631	101,968
December 2004	4,173	4,573
	104,476	161,698

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	2009 Number of options	2008 Number of options
February 2005	1,021	1,021
June 2005	174,288	200,991
December 2005	30,954	50,112
June 2006	282,887	301,198
December 2006	53,058	56,660
June 2007	349,684	356,601
December 2007	65,438	73,562
May 2008	322,051	342,029
December 2008	119,194	–
May 2009	42,179	–
	1,440,754	1,382,174

Sharesave Scheme

The Victrex 1995 Sharesave Scheme came to the end of its 10 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	2009 Number of options	2008 Number of options
March 2004	Five years of service and saving	–	34,351
March 2005	Five years of service and saving	12,648	12,648
		12,648	46,999

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	2009 Number of options	2008 Number of options
March 2006	Three years of service and saving	–	94,609
March 2006	Five years of service and saving	19,664	46,673
March 2007	Three years of service and saving	15,064	43,025
March 2007	Five years of service and saving	7,310	20,687
March 2008	Three years of service and saving	32,670	101,779
March 2008	Five years of service and saving	7,563	30,984
March 2009	Three years of service and saving	339,730	–
March 2009	Five years of service and saving	229,022	–
		651,023	337,757

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 (2008: nil).

Victrex 1999 Long Term Incentive Plan ('1999 LTIP')

The 1999 LTIP came to the end of its 10 year life in 2009.

Each year executive Directors were eligible to be awarded options to acquire, at no cost, market purchased shares in the Company up to a maximum equivalent of 100% of basic salary. The awards have normally become exercisable between the fifth and tenth anniversaries of the grant date, subject to continued employment and 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 has been exercisable is dependent on two independent 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 excluding investment trusts 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.

Notes to the Financial Statements *continued*

Outstanding options as at balance sheet date

Grant date	2009 Number of options	2008 Number of options
January 2001	–	100
December 2001	–	15,822
December 2002	–	132,460
December 2003	–	189,323
April 2005	116,780	148,035
December 2005	90,070	115,930
December 2006	18,496	99,423
December 2007	99,107	125,696
	324,453	826,789

Victrex 2009 Long Term Incentive Plan ('2009 LTIP')

The 2009 LTIP was approved by shareholders at the 2009 AGM and replaced the 1999 LTIP.

Each year executive Directors are eligible to be awarded options to acquire, at no cost, market purchased shares in the Company up to a maximum equivalent of 150% of basic salary. In exceptional circumstances, such as recruitment or retention, this limit is increased to 200% of an employee's annual base salary.

Awards normally vest in three equal tranches on the third, fourth and fifth anniversaries of grant to the extent that the applicable performance conditions (see below) have been satisfied and provided the participant is still employed in the Company's Group. Participants will have a five year period from the date each tranche vests in which to exercise awards structured as nil (or nominal) cost options. Participants will receive a payment (in cash and/or shares) on or shortly following the vesting of their awards, of an amount equal to the dividends that would have been paid on those shares between the time when the awards were granted and the time when they vest. Alternatively, participants may have their awards increased as if dividends were paid on the shares subject to their award and then reinvested in further shares.

The extent to which an award will be exercisable is dependent on two independent 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 excluding investment trusts at the beginning of that period. This element of the award is reduced to 25% on a pro-rata basis for median performance and is reduced to nil for below median performance 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 25% 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	2009 Number of options	2008 Number of options
February 2009	232,143	–

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	652p	1,543,872	525p	384,756	–	–	nil p	826,789
Granted during the year	452p	177,499	348p	598,145	401.6p	26,974	nil p	232,143
Forfeited during the year	657p	(73,680)	535p	(223,457)	–	–	nil p	(93,079)
Exercised during the year	398p	(102,461)	435p	(95,773)	401.6p	(26,974)	nil p	(409,257)
Outstanding at end of year	646p	1,545,230	375p	663,671	–	–	nil p	556,596
Range of exercise prices	316.5p-757.5p		303p-658p		–		nil p	
Weighted average contractual life (years)	7.5		3.5		4.5		7.8	
Exercisable at end of year	576p	593,626	–		–		–	

Fair value of share options and assumptions

The fair value of services received in return for share options granted is 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	198p	171p	129p	439p
Share price at grant	652p	511p	473p	577p
Exercise price	647p	375p	n/a	nil p
Expected volatility	29%	37%	58%	33%
Option life	10yrs	4yrs	5yrs	10yrs
Expected dividends	2.3%	3.6%	3.9%	1.3%
Risk-free interest rate	4.7%	2.4%	1.5%	3.5%

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.

Staff costs - equity-settled share-based payment transactions

	Note	2009 £000	2008 £000
ESOS and ESOP		92	842
Sharesave Scheme and Plan		112	233
Stock Purchase Plan		61	25
LTIP		464	535
	4	729	1,635

Notes to the Financial Statements *continued***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 2007		822	18,148	(628)	39	123,102	141,483
Total recognised income and expense		–	–	1,098	(5,609)	40,996	36,485
Share options exercised	18	7	2,575	–	–	–	2,582
Equity-settled share-based payment transactions	18	–	–	–	–	1,635	1,635
Purchase of own shares held		–	–	–	–	(858)	(858)
Dividends to shareholders		–	–	–	–	(14,533)	(14,533)
At 30 September 2008		829	20,723	470	(5,570)	150,342	166,794
Total recognised income and expense		–	–	1,935	3,919	9,975	15,829
Share options exercised	18	2	930	–	–	–	932
Equity-settled share-based payment transactions	18	–	–	–	–	729	729
Purchase of own shares held		–	–	–	–	(977)	(977)
Dividends to shareholders		–	–	–	–	(15,080)	(15,080)
At 30 September 2009		831	21,653	2,405	(1,651)	144,989	168,227

Company

	Note	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
At 1 October 2007		822	18,148	–	–	46,545	65,515
Total recognised income and expense		–	–	–	–	119	119
Share options exercised	18	7	2,575	–	–	–	2,582
Equity-settled share-based payment transactions	18	–	–	–	–	1,635	1,635
Purchase of own shares held		–	–	–	–	(858)	(858)
Dividends to shareholders		–	–	–	–	(14,533)	(14,533)
At 30 September 2008		829	20,723	–	–	32,908	54,460
Total recognised income and expense		–	–	–	–	7,641	7,641
Share options exercised	18	2	930	–	–	–	932
Equity-settled share-based payment transactions	18	–	–	–	–	729	729
Purchase of own shares held		–	–	–	–	(977)	(977)
Dividends to shareholders		–	–	–	–	(15,080)	(15,080)
At 30 September 2009		831	21,653	–	–	25,221	47,705

Share capital

	2009 Number	2009 £000	2008 Number	2008 £000
Authorised ordinary shares of 1p each	110,000,000	1,100	110,000,000	1,100
Allotted, called up and fully paid shares of 1p each				
At beginning of year	82,897,093	829	82,227,271	822
Issued for cash	225,208	2	669,822	7
At end of year	83,122,301	831	82,897,093	829

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.

Retained earnings

Retained earnings have been reduced by the reserve for own shares, which consists of the cost of shares of Victrex plc held by employee trusts and are administered by independent trustees. The total number of shares held in trust as at 30 September 2009 was 616,206 (2008: 826,790). 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 2009 £000	Year ended 30 September 2008 £000
Year ended 30 September 2007		
final dividend paid March 2008 at 12.6p per share	–	10,273
Year ended 30 September 2008		
interim dividend paid July 2008 at 5.2p per share	–	4,260
final dividend paid February 2009 at 13.1p per share	10,795	–
Year ended 30 September 2009		
interim dividend paid July 2009 at 5.2p per share	4,285	–
	15,080	14,533

A final dividend in respect of 2009 of £11,551,000 (14.0p per share) has been recommended by the Directors for approval at the Annual General Meeting in February 2010. These financial statements do not reflect this dividend payable.

20. Reconciliation of profit to cash generated from operations

	Note	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Profit after tax for the year		17,839	39,072	228	119
Income tax expense	7	7,287	15,959	428	49
Net financing income		(31)	(450)	–	–
Operating profit		25,095	54,581	656	168
Adjustments for:					
Depreciation	9	8,370	7,064	–	–
Amortisation	10	610	610	–	–
Increase in inventories		(5,493)	(3,808)	–	–
Decrease/(increase) in trade and other receivables		2,532	(2,308)	5,973	11,782
(Decrease)/increase in trade and other payables		(2,726)	1,466	1,080	855
Equity-settled share-based payment transactions	18	729	1,635	–	–
Changes in fair value of derivative financial instruments		444	2,483	–	–
Retirement benefit obligations charge less contributions		(2,757)	135	–	–
Cash generated from operations		26,804	61,858	7,709	12,805

Notes to the Financial Statements *continued***21. Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	Group 2009 £000	Group 2008 £000
Not later than one year	1,045	1,102
Later than one year but not later than five years	1,261	1,509
Later than five years	3,368	3,581
	5,674	6,192

22. Reconciliation of net cash to movements in net cash

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
(Decrease)/increase in cash and cash equivalents in year	(6,904)	4,526	(3)	(4)
Exchange differences on net investment translation of foreign operations	1,935	1,098	–	–
Movement in short-term borrowings	–	4,207	–	–
Movement in net cash in year	(4,969)	9,831	(3)	(4)
Net cash at beginning of year	23,532	13,701	19	23
Net cash at end of year	18,563	23,532	16	19

23. Related party transactions*Identity of related parties*

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the Company's accounts.

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Trading transactions with subsidiaries				
Administrative expenses paid on Company's behalf by subsidiary	–	–	482	453
Management charge to subsidiaries	–	–	1,176	2,256
Amounts receivable from subsidiaries	–	–	40,092	40,544
Financing transactions with subsidiaries				
Dividends received from subsidiaries	–	–	7,413	–
Cash transfers received from subsidiaries	–	–	16,077	15,363
Cash transfers made to subsidiaries	–	–	9,063	2,550

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 23 to 28.

Directors of the Company control 5% of the voting shares of the Company, details of which are given on page 26.

Details of Directors' indemnities are given on page 18.

24. Accounting estimates and judgements

The preparation of the 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 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 for making judgements about the 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Group hedging policy is to defer the impact on profits of currency movements by hedging a proportion of projected transaction exposures. Forward exchange contracts are used to manage the exposure to fluctuations in foreign exchange rates. These forward contracts are entered into on the basis of forecasts of future trading and the valuation of these contracts is calculated using forward exchange market rates.

The valuation of pension scheme liabilities is calculated in accordance with Group policy. The valuation is prepared by independent qualified actuaries but significant judgements are required in relation to the assumptions for future salary and pension increases, inflation, the discount rate applied, investment returns and member longevity which underpin the valuations. Note 16 contains information about the assumptions relating to retirement benefit obligations.

The charge for share-based payment transactions is calculated in accordance with Group policy. The option valuation models used require subjective assumptions to be made including the future volatility of the Group's share price, expected dividend yields, risk free interest rates and expected staff turnover. The Directors draw upon a variety of external sources to aid the determination of the appropriate data to use in such calculations. Note 18 contains information about the assumptions relating to share-based payment transactions.

In relation to the Company's property, plant and equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to a potential impairment of the carrying value of such assets. No circumstances have been identified to suggest that this is the case.

Goodwill is reviewed annually to assess the requirement for impairment. Other intangible assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the carrying value of such assets is not supportable. Impairment testing on goodwill is carried out as described in note 10. Such calculations require judgement relating to the appropriate discount factors and long-term growth prevalent in particular markets as well as short-term business performance. The Directors also draw upon experience in making these judgements. Note 10 contains information about the assumptions relating to impairment testing.

25. Exchange rates

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

	Year ended 30 September 2009 Average*	Year ended 30 September 2009 Closing	Year ended 30 September 2008 Average	Year ended 30 September 2008 Closing
US Dollar	1.85	1.60	1.99	1.78
Euro	1.31	1.09	1.47	1.27
Yen	181	143	229	189

* Excluding adverse impact from buy out of surplus forward exchange contracts.

Five Year Financial Summary

For the year ended 30 September	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m
Results					
Revenue	100.9	122.5	131.0	141.1	103.8
Profit before tax	35.3	46.1	52.0	55.0	25.1
Balance sheet					
Fixed assets	73.9	93.8	124.3	140.8	139.7
Inventories	19.9	23.0	27.9	31.7	37.2
Net cash	15.7	26.9	13.7	23.5	18.6
Trade receivables and other assets	18.9	22.9	24.1	27.4	25.4
Retirement benefit obligations	(7.8)	(12.2)	(7.1)	(6.4)	(10.8)
Trade payables and other liabilities	(28.4)	(40.9)	(41.4)	(50.2)	(41.9)
Equity shareholders' funds	92.2	113.5	141.5	166.8	168.2
Cash flow					
Net cash flow from operating activities	27.9	43.1	38.9	46.6	15.7
Capital expenditure	(6.0)	(21.5)	(37.2)	(25.0)	(7.5)
Acquisitions	(17.7)	–	(1.0)	–	–
Dividends and other items	(5.3)	(10.2)	(10.0)	(17.1)	(15.1)
Net (decrease)/increase in cash and cash equivalents	(1.1)	11.4	(9.3)	4.5	(6.9)
Ratios					
Earnings per ordinary share – basic	29.9p	39.4p	44.9p	47.8p	21.7p
Dividend per ordinary share	12.0p	14.4p	17.3p	18.3p	19.2p
Sales volume					
Tonnes	1,972	2,339	2,508	2,626	1,547

Notice of Annual General Meeting

Notice is hereby given that the seventeenth Annual General Meeting ('AGM') of Victrex plc ('the Company') will be held at 11.00am on 9 February 2010, at the Andaz Hotel, Liverpool Street, London, EC2M 7QN, to transact the following business:

Ordinary Business

1. To approve the Report on Directors' Remuneration for the year ended 30 September 2009.
2. To receive the Company's Annual Report and Accounts for the year ended 30 September 2009, together with the reports of the Directors and the Auditor.
3. To approve the payment of a final dividend of 14.0p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2009.
4. To re-elect Ms A M Frew, who retires by rotation.
5. To re-elect Mr D R Hummel, who retires by rotation.
6. To re-elect Mr M W Peacock, who retires by rotation.
7. To re-appoint KPMG Audit Plc as auditor of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

8. That the Board be and hereby is authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:
 - a) up to a nominal amount of £277,321 and,
 - b) up to a nominal amount of £277,321 in connection with an offer by way of a rights issue:
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and,
 - (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,
 and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

Such authorities to apply until the end of next year's AGM (or, if earlier, until the close of business on 9 May 2011) but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

To consider and, if thought fit, pass the following resolutions as special resolutions:

9. That, conditional upon resolution 8 being passed, the Board be and hereby is given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Companies Act 2006, free of the restriction in section 561(1) of the Companies Act 2006, such power to be limited:
 - a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (B) of resolution 8, by way of a rights issue only):
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and,
 - (ii) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary,
 and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter and,
 - b) in the case of the authority granted under paragraph (a) of resolution 8 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(3) of the Companies Act 2006, to the allotment (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £41,598.

Such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 9 May 2011) but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

Notice of Annual General Meeting *continued*

10. That the Company be and is hereby authorised generally and unconditionally to make one or more market purchases (as defined in Section 693(4) of the Companies Act 2006) of its ordinary shares of 1p each in the capital of the Company ('Ordinary Shares'), such power to be limited:

- a) to a maximum number of 8,319,636 Ordinary Shares;
- b) by the condition that the maximum price, exclusive of expenses, which may be paid for an Ordinary Share contracted to be purchased on any day shall be the higher of (i) an amount equal to 105 per cent of the average of the closing middle market quotation for an Ordinary Share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out and,
- c) by the condition that the minimum price which may be paid for an Ordinary Share is 1p (exclusive of expenses).

Such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 9 May 2011) but so that the Company may enter into a new contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after the authority ends and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority had not ended.

11. That:

- a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association and,
- b) the Articles of Association produced to the Meeting and initialled by the Chairman of the Meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

12. That a general meeting other than an AGM may be called on not less than 14 clear days' notice.

By order of the Board



G M Hulme

Company Secretary

7 December 2009

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Annual Report.
2. To be valid any proxy form or other instrument appointing a proxy must be lodged with the Company's Registrars, Equiniti, not less than 48 hours before the start of the AGM or any adjournment thereof.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6pm on 7 February 2010 (or, in the event of any adjournment, 48 hours before the time of the adjourned Meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
7. As at 4 December 2009 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 83,196,361 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 December 2009 are 83,196,361. There are no shares in treasury.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual available via www.euroclear.com/crest. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent Equiniti (ID RA19) by 11am on 7 February 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of Annual General Meeting *continued*

12. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
13. Any member attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
14. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.victrex.com
15. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which may properly be moved and is intended to be moved at the Meeting and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 29 December 2009, being the date 6 clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
16. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrar if you need any further guidance on this.
17. You may not use any electronic address provided in either this Notice of General Meeting or any related documents (including the Proxy Form) to communicate with the Company for any purpose other than those expressly stated.
18. Copies of the following documents will be available for inspection at the Registered Office of the Company from the date of this notice until the time of the AGM and at the Meeting location from 15 minutes before the Meeting until it ends:
 - the executive Directors' service contracts;
 - letters of appointment of the non-executive Directors;
 - deeds of indemnity in favour of the Directors and,
 - a copy of the proposed new Articles of Association of the Company, and a copy of the existing Memorandum and Articles of Association marked to show the changes being proposed in resolution 11.

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 23 to 28.

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 14.0p per ordinary share payable on 26 February 2010 has been recommended by the Directors for the year ended 30 September 2009. 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, 5, and 6 – [Re-election of Directors](#)

In accordance with the Articles of Association Ms A M Frew, Mr D R Hummel and Mr M W Peacock will retire by rotation as Directors and will seek re-election by the shareholders in accordance with the Articles of Association of the Company.

Biographical details of Directors seeking re-election are set out on page 16. With regard to the non-executive Director seeking re-election, the Board considers that Anita Frew has added breadth and perspective to the Board's deliberations. Specifically, she has been a non-executive Director since August 2000 and Chairman of the Board of Victrex plc since October 2008 and has made a significant contribution to the Group bringing a wide range of experience, particularly with regard to international marketing, corporate development and the City.

Resolution 7 – [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 8 – [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 until the conclusion of next year's AGM of the Company or 9 May 2011, if sooner.

In accordance with guidance issued by the Association of British Insurers, the proposed authority will allow the Directors to allot ordinary shares up to an amount equal to less than one third of the existing share capital, plus in the case of a rights issue only a further amount up to an additional one third of the Company's existing issued share capital.

The Directors have no current intention of exercising this authority.

Resolution 9 – [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 shares for cash up to a nominal amount of £41,598, representing approximately 5% of the current issued ordinary share capital, other than to existing shareholders in order to take advantage of opportunities as and when they arise. The Directors have no current intention of exercising this authority and confirm their 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 AGM of the Company or 9 May 2011, if sooner.

Notice of Annual General Meeting *continued*

Resolution 10 – [Authority to purchase own shares](#)

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 10 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 Company and its 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 reduced accordingly, or 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 4 December 2009, options over a total of 2,128,006 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 2.56% of the Company's issued ordinary share capital at 4 December 2009. It would represent 2.84% of the issued ordinary share capital if the authority to buy the Company's own shares had been used in full at that date.

The authority will lapse at the earlier of the next AGM of the Company or 9 May 2011, if sooner.

Resolution 11 – [Adoption of new Articles of Association](#)

It is proposed in resolution 11 to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Current Articles') primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the 'Shareholders' Rights Regulations') and the implementation of the last parts of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the following Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or the Shareholders' Rights Regulations, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in the Appendix. The New Articles showing all the changes to the Current Articles are available for inspection, as noted above.

Resolution 12 – [Notice of general meetings](#)

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days (AGMs will continue to be held on at least 21 clear days' notice).

Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, Resolution 12 seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

[Recommendation](#)

The Directors consider that all the proposed resolutions set out in this Notice of AGM are in the best interests of the Company and of its shareholders as a whole and they unanimously recommend that you vote in favour of them, as the Directors intend to do in respect of their own beneficial holdings of shares in the Company.

Appendix to Notice of Annual General Meeting

Explanatory notes of principal changes to the Company's Articles of Association

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's Articles of Association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 11a confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

4. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

5. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

6. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

7. Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one Director in the presence of a witness, whereas previously the requirement was for signature by either a Director and the secretary or two Directors or such other person or persons as the Directors may approve.

Appendix to Notice of Annual General Meeting *continued*

Explanatory notes of principal changes to the Company's Articles of Association

8. Vacation of office by Directors

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness.

9. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles remove provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006 and contain a provision clarifying how the provision of the Companies Act 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.

10. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles remove provisions in the Current Articles dealing with voting by corporate representatives on the basis that they are dealt with in the Companies Act 2006.

11. Chairman's casting vote

The New Articles remove the provision giving the Chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

12. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

13. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

Financial Calendar and Advisors

Annual General Meeting	9 February 2010
Ex dividend date	10 February 2010
Record date*	12 February 2010
Payment of dividend	26 February 2010
Announcement of 2010 interim results	May 2010
Payment of interim dividend	July 2010

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

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