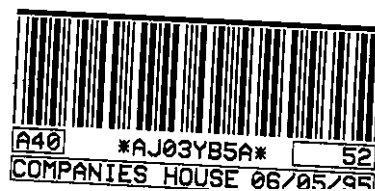


Victrex Limited

Directors' report and consolidated financial statements

30 September 1994

Registered number 2793780



Victrex Limited

Directors' report and consolidated financial statements

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Victrex Limited

Chairman's statement

The formation of Victrex Limited

Victrex Limited and its subsidiaries were formed in 1993 by the present management team to purchase the polyetheretherketone (PEEK) high performance polymer business of Imperial Chemical Industries PLC by way of a management buyout. The purchase was completed on 30 September 1993.

PEEK was introduced by ICI in the early eighties and was well established in a range of worldwide markets by the end of the decade, but no longer fitted ICI's core materials strategy. The management team recognised the potential for a focused niche business which possessed proprietary, patented technology, quality assets and a well established customer base.

In completing the purchase, the company was supported by first class institutional investors, led by CVC Capital Partners Ltd and included Nat West Ventures, Chase Manhattan and CINVen. The company's debt was provided by National Westminster Bank, Barclays Bank and Bank of Scotland. These investors have given the company strong and consistent support.

Victrex is an acknowledged world leader in the field of high performance materials. Our objective is to maintain that leadership and exploit it to the optimum benefit of investors, customers and staff.

The first year

Immediately prior to the buyout, the factory had been inactive for a period of months due to high stocks in the business. It was restarted in October 1993 and has run extremely well at higher-than-forecast rates throughout the year.

The main focus in the business has been on the market. Sales are well established throughout Europe, the USA and Pacific-Asia in a wide range of applications including the automotive, aerospace, electronics, fluid engineering, medical, and analytical sectors. This diversity is a great strength of the business, since it opens up many opportunities and limits exposure. The company is actively involved in developing a spectrum of significant new applications as well as expanding the established ones.

In the early part of the year, the customer base was, to a degree, affected by the uncertainty that arose in the latter part of ICI's ownership of the business and the world recession. However, the customers reacted well to the commitment displayed by the buyout and recovery from recession quickly gathered pace, particularly in the USA. As a result sales showed good growth through the year and the gains flowed through to a satisfactory profit performance. Through this and stringent control of working capital, the business generated the cash to more than meet its financing commitments and has reduced its gearing substantially.

Demonstrating its continued commitment to quality and safety, the company was approved to ISO9002 and received a Gold Award from the Royal Society for the Prevention of Accidents (RoSPA).

Victrex Limited

Chairman's statement

Victrex staff

All of the staff employed in the business in the UK, USA and Germany at the time of the buyout transferred from ICI to the new company. Recognising the importance of the staff to the business, attention has been paid to encouraging the necessary culture change at a sensible rate and developing a rewarding working environment. All staff are now shareholders via an employee share option scheme. The staff has responded well to the challenge and the success of the company's first year derives in large part from their support and effort.

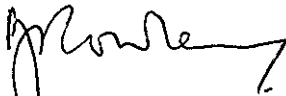
Following the buyout, the company moved quickly to recruit the necessary additional staff to operate a high quality business in an expanded range of functions and has been successful in attracting capable people in all the areas where the company operates. As the business expands, this will continue to be an area of focus.

The future

Following its successful first year, the company is securely positioned for continued growth. The investment that has been made in quality products, staff and assets will allow ongoing development of applications with industry leaders, building on our solid base worldwide.

A key priority of the company is providing the best possible service to customers. This will require constant attention, and will call for additional investment by the company. Victrex is committed to such investment to maintain its leading edge position in high performance polymers.

The company is confident that the year ahead, although full of challenges for the business, will prove to be a year of growth in every aspect of the company's performance.



P.J. Rowley
Chairman

Victrex Limited

Directors' report

The directors present their annual report and the audited financial statements for the period ended 30 September 1994.

Principal activities

The principal activity of the group is that of the manufacture and sale of polymers.

Business review

The company was incorporated on 25 February 1993 as Mandorla Limited. It changed its name to Victrex Limited on 30 September 1993 and commenced to trade on that date.

Victrex Limited acquired the share capital of Victrex USA, Inc, Victrex Manufacturing Limited and Victrex Sales Limited in September 1993. On 1 October 1993 the assets and trade of the former ICI Thermoplastic Polymer Plant, PEEK, were purchased by the group. This acquisition was financed by the issue of further equity and new debt.

The results for the period are set out on page 8.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a final dividend.

After deducting the preference dividends of £532,735, the profit for the period retained in the group is £4.56m.

Significant changes in fixed assets

Information relating to changes in fixed assets is given in notes 10 and 11 to the financial statements.

Post balance sheet event

By special resolution passed at an extraordinary general meeting held on 20 October 1994, the share premium account of Victrex Manufacturing Limited totalling £10m was cancelled, subject to approval by the High Court of Justice, which was granted on 7 December 1994. As a result, £10m has been transferred to a special capital reserve, being the amount of the share premium account so cancelled. Victrex Manufacturing Limited then applied £8,945,000 of the special capital reserve representing the goodwill arising on the purchase of the business and assets from ICI in the period to 30 September 1994.

Victrex Limited

Directors' report

Directors and directors' interests

The directors who held office during the period were as follows:

Executive directors:

J Bamford
D R Hummel
P J Rowley
P J C Syms
H A Butterworth (appointed 15 September 1993)

Non-executive directors:

A Clinch (appointed 30 September 1993)
J C C Meggs (appointed 30 September 1993)

The directors who held office at the end of the financial period had the following interests in the shares of group companies as recorded in the register of directors' share interests:

	Company	Class of share	Interest at end of period	Interest at beginning of period or date of appointment
J Bamford	Victrex Limited	Ordinary	727,088	20
		C Ordinary	686,828	-
		D Ordinary	228,942	-
		Preference	16,429	-
D R Hummel	Victrex Limited	Ordinary	1,090,631	30
		C Ordinary	1,030,242	-
		D Ordinary	343,414	-
		Preference	24,643	-
P J Rowley	Victrex Limited	Ordinary	1,090,631	30
		C Ordinary	1,030,242	-
		D Ordinary	343,414	-
		Preference	24,643	-
P J Syms	Victrex Limited	Ordinary	727,087	20
		C Ordinary	686,828	-
		D Ordinary	228,942	-
		Preference	16,429	-
H A Butterworth	Victrex Limited	Ordinary	158,063	-
		C Ordinary	149,310	-
		D Ordinary	49,770	-
		Preference	3,571	-
A Clinch	Victrex Limited	A Ordinary	52,892	-
		B Ordinary	204,252	-

Three-quarters of P J Syms's interest is non-beneficial.

Victrex Limited

Directors' report

Directors and directors' interests *(continued)*

None of the other directors who held office at the end of the financial period had any disclosable interest in the shares of group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

Political and charitable contributions

The group made no political or charitable contributions during the period.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

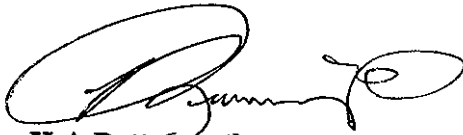
Victrex Limited

Directors' report

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



H A Butterworth
Secretary

York House
Hill House International Site
PO Box 4
Thornton Cleveleys
BLACKPOOL
FY5 4DQ



St James' Square
Manchester M2 6DS

Auditors' report to the members of Victrex Limited

We have audited the financial statements on pages 8 to 31.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 1994 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

3 March 1995

Victrex Limited

Consolidated profit and loss account for the period ended 30 September 1994

	Note	1994 £000	1993 £000
Turnover - continuing operations	2	23,444	-
Cost of sales		(12,950)	-
Gross profit		10,494	-
Administrative expenses		(3,470)	-
Operating profit - continuing operations		7,024	-
Other interest receivable and similar income	6	84	-
Interest payable and similar charges	7	(1,260)	-
Profit on ordinary activities before taxation	2-5	5,848	-
Tax on profit on ordinary activities	8	(754)	-
Profit on ordinary activities after taxation		5,094	-
Dividends paid and proposed	9	(533)	-
Retained profit for the financial period	18	4,561	-
The company		532	-
Group undertakings		4,029	-
		4,561	-

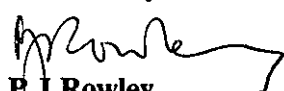
There are no recognised gains or losses other than the profit for the period.

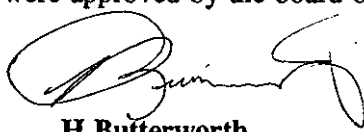
Victrex Limited

Consolidated balance sheet at 30 September 1994

	Note	1994		1993	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		9,750		
Current assets					
Stocks	12	5,540		-	
Debtors	13	3,794		-	
Cash at bank and in hand		4,957		-	
		<u>14,291</u>		-	
Creditors: amounts falling due within one year	14	(5,017)		-	
Net current assets			9,274		-
Total assets less current liabilities			19,024		-
Creditors: amounts falling due after more than one year	15		(11,690)		-
Provisions for liabilities and charges	16		(500)		-
Net assets			<u>6,834</u>		-
Capital and reserves					
Equity:					
Called up share capital	17	347		-	
Profit and loss account	18	4,562		-	
			4,909		-
Non equity:					
Called up share capital	17	111		-	
Share premium	18	10,759		-	
Goodwill reserve	18	(8,945)		-	
			1,925		-
			<u>6,834</u>		-

These financial statements were approved by the board of directors on 16 Feb 95 and were signed on its behalf by:


P J Rowley
Director


H Butterworth
Director

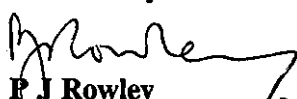
Victrex Limited

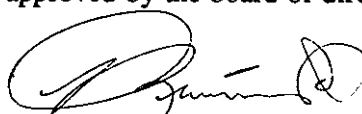
Balance sheet

at 30 September 1994

	Note	1994		1993	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		-		-
Investments	11		11,100		-
			<u>11,100</u>		<u>-</u>
Current assets					
Debtors	13	6,323		-	
Cash at bank and in hand		199		-	
		<u>6,522</u>		<u>-</u>	
Creditors: amounts falling due within one year	14	(1,191)		-	
		<u></u>		<u>-</u>	
Net current assets			5,331		-
			<u></u>		<u>-</u>
Total assets less current liabilities			16,431		-
Creditors: amounts falling due after more than one year	15	(4,682)		-	
		<u></u>		<u>-</u>	
Net assets			11,749		-
			<u></u>		<u>-</u>
Capital and reserves					
Equity:					
Called up share capital	17	347		-	
Profit and loss account	18	532		-	
		<u></u>	879	<u>-</u>	-
Non equity:					
Called up share capital	17	111		-	
Share premium	18	10,759		-	
		<u></u>	10,870	<u>-</u>	-
			<u>11,749</u>		<u>-</u>

These financial statements were approved by the board of directors on its behalf by:


P J Rowley
Director


H Butterworth
Director

and were signed on

Victrex Limited

Consolidated cash flow statement for the period ended 30 September 1994

	Note	1994		1993	
		£000	£000	£000	£000
Net cash inflow from operating activities	23		8,130		-
Return on investments and servicing of finance					
Interest received		84		-	
Interest paid		(1,260)		-	
Dividends paid		(533)		-	
Net cash outflow from returns on investment and servicing of finance			(1,709)		-
Investing activities					
Purchase of tangible fixed assets		(190)		-	
Purchases of subsidiary undertakings (net of cash and cash equivalents acquired)	24	(26,760)		-	
Sale of tangible fixed assets		7		-	
Net cash outflow from investing activities			(26,943)		-
Net cash outflow before financing			(20,522)		-
Financing					
Issue of share capital		11,479		-	
Repayment of amounts borrowed		(1,000)		-	
New short-term loans		15,000		-	
Net cash inflow from financing			25,479		-
Increase in cash and cash equivalents	26		4,957		-

Victrex Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The group accounts consolidate the accounts of Victrex Limited and its subsidiary undertakings, all of which are made up to 30 September.

The results of subsidiaries acquired in the year are included in the consolidated profit and loss account from the date effective control passes. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition.

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost.

In accordance with Section 230(4) of the Companies Act 1985 Victrex Limited is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Victrex Limited is disclosed in note 18 to these accounts.

Fixed assets and depreciation

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

Freehold buildings	-	30 years
Plant and machinery	-	10 years
Fixtures and fittings	-	5 years
Computers	-	3 years

Purchased goodwill

Goodwill relating to businesses purchased by the group, is written off immediately against reserves.

Victrex Limited

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

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

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Exchange differences arising on these translations are taken to reserves.

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions

Contributions are charged against profits so as to spread the cost of pensions over employees' working lives with the group. Further details are given in note 22.

Finance costs

The finance costs of debt are deducted from the gross debt, and are allocated over the term to give a constant rate on the carrying amount of the debt.

Research and development expenditure

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

Stocks

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

Victrex Limited

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that there is a reasonable probability that an actual liability will crystallise in the foreseeable future.

Turnover

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

2 Analysis of turnover

An analysis of turnover by geographical market has not been prepared as the directors believe it would be detrimental to the commercial interests of the group.

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

All turnover, cost of sales and operating profit are derived from continuing operations, relating to the acquisition of the trade and assets in the first period of trading.

3 Profit on ordinary activities before taxation

	1994 £000	1993 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	25	-
Other services	31	-
Depreciation and other amounts written off tangible fixed assets	1,047	-
Exchange losses	13	-
Hire of plant and machinery - rentals payable under operating leases	15	-
Hire of other assets - operating leases	9	-
<i>after crediting</i>		
Exchange gains	1	-

Victrex Limited

Notes (continued)

4 Remuneration of directors

	1994 £000	1993 £000
Directors' emoluments:		
As directors	421	-
Amounts paid to third parties in respect of directors' fees	15	-
	<u>436</u>	<u>-</u>

The emoluments, excluding pension contributions, of the chairman and highest paid director were £91,227 (1993:£Nil).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	1994	1993
£0 - £ 5,000	2	4
£65,001 - £70,000	3	-
£85,001 - £90,000	1	-
£90,001 - £95,000	1	-
	<u>7</u>	<u>4</u>

Victrex Limited

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	1994	1993
Administration	6	-
Operations	30	-
Technical	15	-
Sales	16	-
	<u>67</u>	<u>-</u>

The aggregate payroll costs of these persons were as follows:

	1994	1993
	£000	£000
Wages and salaries	1,977	-
Social security costs	190	-
Other pension costs (see note 22)	247	-
	<u>2,414</u>	<u>-</u>

6 Other interest receivable and similar income

	1994	1993
	£000	£000
Other	<u>84</u>	<u>-</u>

Victrex Limited

Notes (continued)

7 Interest payable and similar charges

	1994 £000	1993 £000
On bank loans repayable within five years	<u>1,260</u>	<u>-</u>

8 Taxation

	1994 £000	1993 £000
UK corporation tax at 33% (1993:33%) on the profit for the period on ordinary activities	212	-
Overseas taxation	42	-
Deferred taxation (note 16)	<u>500</u>	<u>-</u>
	<u>754</u>	<u>-</u>

9 Dividends

	1994 £000	1993 £000
Preference shares:		
Interim	<u>533</u>	<u>-</u>

Victrex Limited

Notes (continued)

10(a) Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Computers	Fixtures fittings tools and equipment	Total
	£000	£000	£000	£000	£000
Group					
<i>Cost</i>					
At beginning of period	-	-	-	-	-
Additions	614	10,023	112	55	10,804
Disposals	-	-	(7)	-	(7)
At end of period	614	10,023	105	55	10,797
<i>Depreciation</i>					
At beginning of period	-	-	-	-	-
Charge for period	20	1,001	18	8	1,047
At end of period	20	1,001	18	8	1,047
<i>Net book value</i>					
At 30 September 1994	594	9,022	87	47	9,750
At 31 August 1993	-	-	-	-	-

Victrex Limited

Notes (continued)

10(a) Tangible fixed assets (continued)

	Computers	Fixtures fittings tools and equipment	Total
	£000	£000	£000
Company			
<i>Cost</i>			
At beginning of period	-	-	-
Additions	2	8	10
Intra group transfers	(2)	(8)	(10)
At end of period	-	-	-
<i>Depreciation</i>			
At beginning of period	-	-	-
Charge for period	-	-	-
At end of period	-	-	-
<i>Net book value</i>			
At 30 September 1994	-	-	-
At 31 August 1993	-	-	-

10(b) Intangible fixed assets

	1994
	£000
Additions in the period, at cost:	
Purchased goodwill (see note 10 (c))	8,086
Acquisition costs	859
	8,945

All goodwill has been written off direct to reserves.

Victrex Limited

Notes (continued)

10(c) Fair value table

On 1 October 1993 the assets and trade of the former ICI Thermoplastics Polymer Plant, PEEK, were purchased.

Assets purchased:	Fair value £000
Stock	6,400
Buildings	614
Plant and machinery	10,000
Purchased goodwill	8,086
	25,100
Discharged by:	
Cash	25,100

11 Tangible fixed asset investments

Company	Shares in group undertakings £000
<i>Cost</i>	
At beginning of period	-
Additions	11,100
At end of period	11,100
<i>Net book value</i>	
At 30 September 1994	11,100
At 31 August 1993	-

Shares in group undertakings comprise £11,100,059 (1993:£Nil).

Victrex Limited

Notes (continued)

11 Fixed asset investments (continued)

The companies in which the group's interest is more than 10% are as follows:

	Country of registration or incorporation	Principal activity	Class and percentage of shares held	
			Class	Percentage
<i>Subsidiary undertakings</i>				
Victrex Manufacturing Ltd	Great Britain	Manufacture of polymers	ordinary	100%
Victrex Sales Ltd	Great Britain	Sale of polymers	ordinary	100%
Victrex USA Inc	USA	Sale of polymers	ordinary	100%

On 30 September 1993 the company subscribed for all of the ordinary shares of Victrex Manufacturing Limited. The consideration given was £11,000,000 representing the nominal value of the shares acquired of £1,000,000 and share premium of £10,000,000.

On 30 September 1993 the company subscribed for all of the ordinary shares of Victrex Sales Limited. The consideration given was £100,000 representing the nominal value of the shares acquired.

On 30 September 1993 the company subscribed for all of the ordinary shares of Victrex Inc (a company incorporated in USA). The consideration given was £69 representing the sterling equivalent of the nominal value of the shares acquired.

12 Stocks

	Group		Company	
	1994 £000	1993 £000	1994 £000	1993 £000
Raw materials and consumables	1,368	-	-	-
Work in progress	316	-	-	-
Finished goods and goods for resale	3,856	-	-	-
	5,540	-	-	-

Victrex Limited

Notes (continued)

13 Debtors

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	3,755	-	-	-
Amounts owed by group undertakings	-	-	6,160	-
Other debtors	21	-	154	-
Prepayments and accrued income	18	-	9	-
	<u>3,794</u>	<u>-</u>	<u>6,323</u>	<u>-</u>
<i>The amounts owed by group undertakings comprise:</i>				
Subsidiary undertakings	-	-	6,160	-
	<u>-</u>	<u>-</u>	<u>6,160</u>	<u>-</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Bank loan (see note 15)	2,000	-	800	-
Trade creditors	1,417	-	24	-
Amounts owed to group undertakings	-	-	435	-
Other creditors including taxation and social security:				
Corporation tax	44	-	(650)	-
Other taxes	327	-	-	-
Social security	12	-	-	-
Other creditors	7	-	-	-
Accruals and deferred income	1,210	-	582	-
	<u>5,017</u>	<u>-</u>	<u>1,191</u>	<u>-</u>

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
<i>The amounts owed to group undertakings comprise:</i>				
Subsidiary undertakings	-	-	435	-
	<u>-</u>	<u>-</u>	<u>435</u>	<u>-</u>

Victrex Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1994 £000	1993 £000	1994 £000	1993 £000
Bank loan	11,690	-	4,682	-

Creditors payable by instalments, as at the balance sheet date

	Instalments payable within five years	
	1994 £000	1993 £000
Group		
Bank loan	11,690	-
Company		
Bank loan	4,682	-

At the balance sheet date the bank loan was repayable in 12 instalments over a six year period. Interest is charged at 8.56%. All instalments are payable within five years of the balance sheet date.

In December 1994 £4m of the bank loan in Victrex Manufacturing Limited was redeemed early. The effect of this, if it had happened before the period end, would have been to increase "creditors due within one year" and decrease net current assets by £4m.

The loan is secured by a fixed and floating charge over the assets of the group.

16 Provisions for liabilities and charges

	Taxation including deferred taxation £000
Group	
At beginning of period	-
Utilised during period	-
Charge for the period in the profit and loss account	500
At end of period	500

Victrex Limited

Notes (continued)

16 Provisions for liabilities and charges (continued)

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1994		1993	
	Provided	Unprovided	Provided	Unprovided
	£000	£000	£000	£000
Difference between accumulated depreciation and capital allowances	398	1,445	-	-
Other timing differences	102	102	-	-
	<u>500</u>	<u>1,547</u>	<u>-</u>	<u>-</u>

A partial provision for deferred taxation has been calculated based on capital expenditure projections.

Victrex Limited

Notes (continued)

17 Called up share capital

	1994 £	1993 £
<i>Authorised</i>		
Ordinary shares of 1p each (1993: £1 each)	37,935	1,000
'A' ordinary shares of 1p each	114,413	-
'B' ordinary shares of 1p each	142,730	-
'C' ordinary shares of 1p each	39,406	-
'D' ordinary shares of 1p each	22,659	-
Cumulative redeemable preference shares	111,429	-
	468,572	1,000
<i>Allotted, called up and fully paid</i>		
<i>Equity</i>		
Ordinary shares of 1p each (1993: £1 each)	37,935	100
'A' ordinary shares of 1p each	114,413	-
'B' ordinary shares of 1p each	142,730	-
'C' ordinary shares of 1p each	39,406	-
'D' ordinary shares of 1p each	11,945	-
	346,429	100
<i>Non equity</i>		
Cumulative redeemable preference shares	111,321	-
	457,750	100

On 15 September 1993, the company altered the nominal value of the ordinary shares from £1 to 1p.

On 15 September 1993, the company issued 1,040 ordinary shares, at par. On 17 September 1993, there was a rights issue of 8,560,392 1p ordinary shares, at par, to provide working capital for the company.

On 30 September 1993, the following shares were issued in order to finance the acquisition of the assets of Victrex Peek, a division of ICI plc and to establish the structure of the company:

- 4,777,932 1p ordinary shares were redesignated as "C" ordinary shares.
- 11,441,300 1p "A" ordinary shares were allotted, at par.
- 14,273,000 1p "B" ordinary shares were allotted, at par.
- 11,128,572 1p cumulative redeemable preference shares were allotted at a premium of 99p per share.

Victrex Limited

Notes (continued)

17 Called up share capital (continued)

On 20 May 1994, 357,143 1p "C" ordinary shares were issued at par and 3,572 1p cumulative redeemable preference shares were issued to employees of the company at a premium of 99p per share.

On 21 April 1994 and 15 July 1994 respectively, in order to facilitate an employees' share option scheme, 1,071,425 and 1,194,482 1p "C" ordinary shares respectively were redesignated as "D" ordinary shares.

Share rights

i) Conversion and redemption

In the event of a sale or listing, "B" ordinary shares will be converted into "A" ordinary shares and "C" ordinary shares will be converted into ordinary shares, on a one for one basis. "D" ordinary shares rank *pari passu* with the "C" ordinary shares.

The cumulative redeemable preference shares are redeemable at the total amount paid up thereon, together with all arrears and accruals of dividends, as follows:

1 October 2000	One fifth of the nominal value outstanding
1 October 2001	One quarter of the nominal value outstanding
1 October 2002	One third of the nominal value outstanding
1 October 2003	One half of the nominal value outstanding
1 October 2004	The balance then outstanding.

The company may redeem the shares earlier in multiples of 100,000 shares.

The cumulative redeemable preference shares will be redeemed in full prior to the sale or listing.

ii) Voting

The only shares carrying voting rights are the ordinary shares and the "A" ordinary shares. Each 1p share carries one vote.

In the event of a sale or listing all shares, other than the cumulative redeemable preference shares, carry voting rights.

iii) Capital rights

In the event of a capital distribution, the preference shareholders are entitled to both the amounts paid up on shares and any accruals and arrears of dividends then due.

Any remaining assets are distributed to all other shareholders (*pari passu*) in proportion to the amounts paid up on the aggregate of those share classes.

Victrex Limited

Notes (continued)

17 Called up share capital (continued)

iv) Dividend rights

The preference shares are entitled to a fixed cumulative preferential dividend of 6.4% per annum (together with the benefit of any associated tax credit).

All other shares rank *pari passu* as regards dividends, and such dividends are at the discretion of the directors.

18 Share premium and reserves

	Share premium account £000	Group Profit and loss account £000	Goodwill £000
At beginning of period	-	-	-
Goodwill written off	-	-	(8,945)
Net proceeds of shares issued in the period	10,759	-	-
Retained profit for period	-	4,561	-
Exchange adjustment	-	1	-
At end of period	10,759	4,562	(8,945)

	Share premium account £000	Company Profit and loss account £000
At beginning of period	-	-
Retained profit for period	-	532
Net proceeds of shares issued in the period	10,759	-
At end of period	10,759	532

The cumulative amount of goodwill resulting from acquisitions in the current financial period which has been written off is £8,945,000.

The company's profit for the financial year was £532,000 (1993:£Nil).

Victrex Limited

Notes (continued)

19 Reconciliation of movements in shareholders' funds

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Profit for the financial period	5,094	-	1,065	-
Dividends	(533)	-	(533)	-
	4,561	-	532	-
Exchange gain on consolidation	1	-	-	-
New share capital subscribed	11,217	-	11,217	-
Goodwill written off on acquisition	(8,945)	-	-	-
Net addition to shareholders' funds	6,834	-	11,749	-
Opening shareholders' funds	-	-	-	-
Closing shareholders' funds	6,834	-	11,749	-

20 Contingent liabilities

The company has guaranteed the overdrafts of its subsidiaries; the amount outstanding at the period end was £Nil (1993:£Nil).

21 Commitments

- (i) Capital commitments at the end of the financial period for which no provision has been made.

There were no authorised but not contracted commitments at the period end.

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Contracted	70	-	-	-

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

	1994	1993
	Other	Other
	£000	£000
Group		
Operating leases which expire:		
In the second to		
fifth years inclusive	28	-

Victrex Limited

Notes (continued)

22 Pension scheme

The group operates a pension scheme in which certain employees of subsidiary undertakings participate. The scheme provides benefits based on final pensionable pay, contributions being charged to the profit and loss account of the relevant company so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 October 1993. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The most recent actuarial valuation was carried out at the inception of the scheme, at which time the scheme's assets were transfers due from other pension scheme arrangements amounting to £2,426,000. Thus the actuarial value of the scheme's assets represented 100% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contributions of the employees will remain at the rates set out in the Rules of the Fund, of 1.8% or 6.5% of pensionable earnings. The contributions of the relevant group companies will remain at 18.3% of pensionable salary, inclusive of permanent health insurance costs.

The total charge for the period in the profit and loss account of the group was £247,000. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

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

	1994 £000	1993 £000
Operating profit	7,024	-
Depreciation charge	1,047	-
Decrease in stocks	860	-
Increase in debtors	(3,794)	-
Increase in creditors	2,674	-
Acquisition costs	319	-
Net cash inflow from operating activities	8,130	-

Victrex Limited

Notes (continued)

24 Purchase of business

	1994 £000	1993 £000
Tangible fixed assets	10,614	-
Stocks	6,400	-
	17,014	-
Acquisition costs	1,660	-
Purchased goodwill	8,086	-
Consideration given	26,760	-
Satisfied by		
Cash	26,760	-

Prior to the acquisition of the business the group did not trade.

25 Analysis of the net outflow of cash and cash equivalents in respect of the purchase of the business

	1994 £000	1993 £000
Cash consideration	26,760	-
Cash at bank and in hand acquired/(disposed of)	-	-
Bank overdrafts acquired/(disposed of)	-	-
Net outflow of cash and cash equivalents	26,760	-

26 Analysis of changes in cash and cash equivalents

	Cash £000
Balance at 31 August 1993	-
Net cash inflow/(outflow)	4,957
Balance at 30 September 1994	4,957

Victrex Limited

Notes (continued)

27 Analysis of changes in financing during the period

	Share capital (including premium)	Loans and finance lease obligations
Balance at 31 August 1993	-	-
Cash inflow from shares issued	11,479	-
Share issue costs	(262)	-
Inception of bank loan	-	15,000
Loan repayments	-	(1,000)
Adjustment re FRS4	-	(310)
Balance at 30 September 1994	11,217	13,690

28 Post balance sheet events

By special resolution passed at an extraordinary general meeting held on 20 October 1994, the share premium account of Victrex Manufacturing Limited totalling £10m was cancelled, subject to approval by the High Court of Justice, which was granted on 7 December 1994. As a result, £10m has been transferred to a special capital reserve, being the amount of the share premium account so cancelled. Victrex Manufacturing Limited then applied £8,945,000 of the special capital reserve representing the goodwill arising on the purchase of the business and assets from ICI in the period to 30 September 1994.