Victrex plc
Annual Report and Accounts
for the year ended 30 September 2010

victrex®

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.

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.

Group strategy

Victrex plc's corporate strategic intent is to achieve sustainable earnings growth for our shareholders by:

- Focusing, through the Victrex Polymer Solutions ('VPS') and Invibio Biomaterial Solutions ('Invibio') divisional strategies, on maintaining the Group's leadership in developing and growing the market for polyketone based products;

For more info on the VPS divisional strategy go to page 10

For more info on the Invibio divisional strategy go to page 14

- Maintaining the highest appropriate quality, efficiency, safety, health and environmental standards throughout the supply chain;

For more info on health and safety go to page 18

- Providing a fulfilling and appropriately challenging environment for our employees; and
- Seeking out and implementing, where appropriate, added value business opportunities.

Group at a Glance

victrex®

Victrex Polymer Solutions Division

Victrex Polymer Solutions ('VPS') is focused on developing our major industrial markets. We work with customers and end users to provide innovative and technical solutions that help meet their most difficult design challenges and leverage the benefits from the unique combination of properties and forms that our range of products provide.

Our Brands

victrex. HIGH PERFORMANCE POLYMERS

aptiv™ VICTREX® PEEK™ FILM TECHNOLOGY

VICOTE® VICTREX® PEEK™ COATING TECHNOLOGY

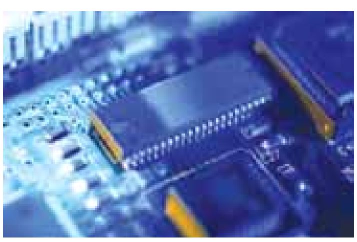
Major Markets

Industrial

Engineers are continuing to turn to VICTREX® PEEK™ polymer as the demands for product performance increase across the oil and gas, chemical processing, textile machinery, food processing and alternative energy sectors.

Transport

VICTREX PEEK polymer delivers an excellent combination of properties that make it the material of choice in a wide range of automotive, aerospace and mass transport applications.



Electronics

Trends in the consumer electronics and semiconductor fabrication sectors provide a wide range of opportunities to take advantage of the unique combination of properties offered by VICTREX PEEK polymer.

For more info on VPS **go to page 10**

Invibio® biomaterial solutions

Invibio® Biomaterial Solutions Division

Invibio Biomaterial Solutions ('Invibio') is an established, worldwide leader in biomaterial solutions for the surgical and medical device markets. Invibio is committed to delivering dependable, specialised and comprehensive resources to help medical device manufacturers realise accelerated market success across multiple targeted markets.

Our Brands

PEEK-OPTIMA®

MOTIS®

PEEK-CLASSIX®

ENDOLIGN®

Our Markets

Spine

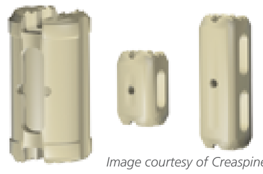


Image courtesy of Creaspine

Spinal Fusion

Invibio's biomaterials continue to be extensively used to treat spinal disorders. Within spinal fusion, the combination of numerous clinical studies and Invibio's focus has increased our share in both lumbar and cervical fusion.

Image courtesy of Pioneer Surgical Technology, Inc.

Spinal Non-fusion

During 2010, Invibio continued to see strong usage in a diverse range of demanding applications in the spinal non-fusion market, aimed at maintaining mobility in the spine.

Developing Markets

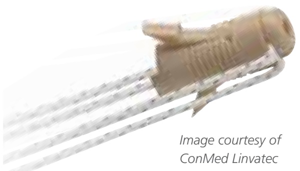


Image courtesy of ConMed Linvatec

Arthroscopy

Strength, imaging capability and ease of revision has helped drive Invibio's considerable growth in shoulder arthroscopic repair and, more recently, increased use in knee arthroscopy treatments aimed at soft tissue and ligament repair.

Image courtesy of Maastricht Instruments

Target Markets

As device manufacturers seek solutions that reduce surgical complications and operating time, we continue to identify further areas where our materials can provide improvements in the clinical success rates of a wide range of emerging medical device applications.

For more info on Invibio **go to page 14**

Overview

Business Review

Governance

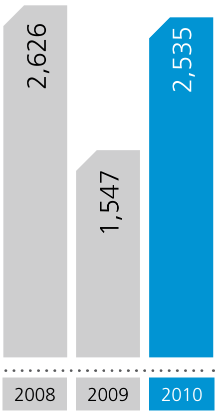
Financial Statements

Shareholder Information

Highlights

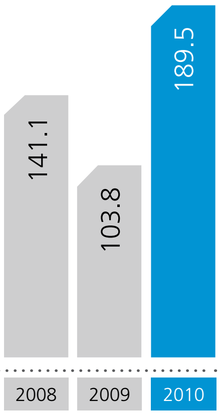
Group sales volume
tonnes

+64%



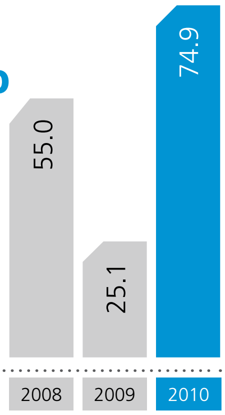
Group revenue
£m

+82%



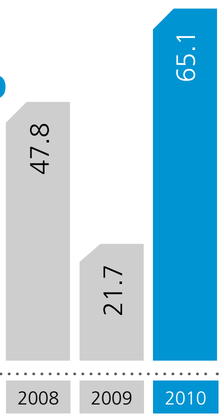
Group profit before tax
£m

+198%



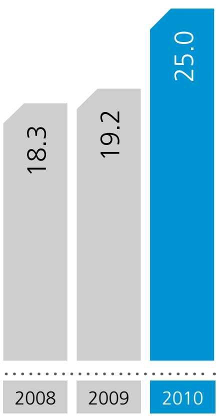
Earnings per share
pence

+200%



Dividend per share
pence

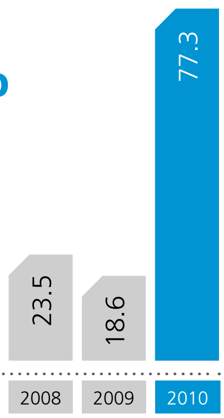
+30%



Additional special dividend of 50.0p per ordinary share.

Cash
£m

+316%



Chairman's Statement
Anita Frew

"I am delighted to report excellent progress at Victrex with record revenue and profit, a significant increase in our underlying dividend and a special dividend return to shareholders."

Results

Group profit before tax increased by 198% to a record £74.9m on revenues up 82% to £189.5m leading to an increase in basic earnings per share of 200% to 65.1p. Both of our divisions recorded record profits for the year with Victrex Polymer Solutions contributing £48.3m of operating profit (2009: £6.3m) on the basis of a strong rebound in demand across all major markets and Invibio Biomaterial Solutions contributing £28.1m of operating profit, up 40% over 2009 (£20.0m).

Dividends

In recognition of the Group's strong performance and our confidence in the strength and growth potential of our business, we are recommending a final dividend of 18.6p (2009: 14.0p) per ordinary share making a total of 25.0p (2009: 19.2p) per ordinary share for the year, an increase of 30% over last year. Dividend cover is 2.6 times (2009: 1.1 times).

During the year we completed our review of the requirement for capital in the strategic development of our business. As a result and taking into account our strong cash position and exceptional return on capital, we are also recommending a special dividend of 50.0p per ordinary share.

The Board

As previously announced, Michael Peacock stepped down from the Board as Finance Director in October 2010. He will retire from the Company at the forthcoming AGM. I would like to thank Michael for his invaluable contribution during 10 years of service. Following an extensive external search process, I was delighted to welcome Peter Bream to the Board as Michael's successor. Peter was formerly Finance Director of Renold plc and is a Chartered Accountant with an engineering degree from Cambridge University.

The Board continues to comprise a wealth of experience and a diverse range of skills, including international, industrial, marketing, corporate and financial expertise. These add greatly to the value, quality and depth of Board deliberations.

Governance

The Board continually reviews the way in which we operate against best practice corporate governance. We welcome the new UK Corporate Governance Code which was issued in June 2010. Although this new code is not applicable to the Group until our next financial year we will be early adopters. All Directors will be subject to annual election at the forthcoming AGM. Additionally, Lawrence Pentz has been appointed as Chairman of the Group's Risk Management Committee to improve further the Board oversight of the risk management process. Finally, although we have a thorough internal process for Board evaluation, we will undertake an external evaluation of the Board during the next financial year.

People

I would like to thank our employees formally for their outstanding contribution to the Group's success in 2010 particularly following last year's challenging economic conditions. As I visit our operations around the world I am always impressed by the enthusiasm, professionalism and dedication of our employees at all levels across the Group which remains key to our continued progress and success.

Outlook

The Group's strong recovery has continued into the first two months of the current financial year. We expect gross margins to improve as a consequence of operational gearing and more favourable exchange rates. Overheads will also increase as we maintain our investment in future growth opportunities.

We are vigilant of the continuing uncertainty in the global economy and the potential impact on our customers and markets. Nonetheless, we have strong underlying growth drivers across our end user markets. In addition, cash generation is robust and with no debt, even after allowing for the special dividend, the balance sheet remains strong. We are, therefore, well placed to pursue opportunities as they arise and remain confident in our ability to continue to grow the business.

Anita Frew

Anita Frew
Chairman
6 December 2010

Business Review

David Hummel and Peter Bream

Business Overview

Group financial results

Group revenue for the year was up 82% to £189.5m (2009: £103.8m) primarily reflecting a 64% increase in sales volume to 2,535 tonnes (2009: 1,547 tonnes) together with the benefit of improved underlying effective exchange rates as sterling weakened against our major currencies during the year. Underlying revenue (at constant exchange rates) was up 47% on 2009. As previously reported, the second half sales volume was a half year record of 1,364 tonnes.

Gross profit increased by 87% to £120.6m (2009: £64.5m), representing a gross margin of 63.6% of turnover (2009: 62.1%). This increase of 1.5 percentage points is due to the positive impact of currency partially offset by an increase in cost per tonne because sales, particularly in the first half, were largely out of inventory produced in 2009. As previously reported, in 2009 significantly reduced production volumes resulted in increased fixed production costs per tonne. As anticipated, second half cost of sales per tonne reverted towards lower historic levels as second half sales utilised 2010 production when volumes were higher.

Sales, marketing and administrative expenses increased by 16% to £45.7m (2009: £39.4m) largely as a result of elements of staff remuneration being linked to financial performance. In addition, we continue to invest in resources to drive new application development across both divisions.

Group profit before tax was £74.9m, up 198% on 2009 (£25.1m), with underlying profit before tax, at constant exchange rates, increasing by 53%.

For clarity, a reconciliation of 2010 actual results to 2009 results restated at 2010 effective exchange rates is set out as follows:

	2010 £m	2009 £m	Growth %
Revenue			
Actual	**189.5**	103.8	82%
Constant exchange rates	–	25.2	
Restated	**189.5**	129.0	47%

	2010 £m	2009 £m	Growth %
Profit before tax			
Actual	**74.9**	25.1	198%
Constant exchange rates	–	24.0	
Restated	**74.9**	49.1	53%

The overall effective tax rate (including deferred tax) was 28% (2009: 29%).

Basic earnings per share were up 200% at 65.1p (2009: 21.7p). Underlying earnings per share, at constant exchange rates were up 53%.

Cash flow

Cash from operations increased to £90.9m (2009: £26.8m) which reflects the strong rebound in sales and increased operating profit.

Capital expenditure cash payments amounted to £4.5m (2009: £7.5m), which is lower than in recent years following the conclusion of the capacity investment programme.

Taxation paid was £13.7m (2009: £11.1m), which increased in line with improved trading.

As at 30 September 2010, the Group had cash of £77.3m and no debt (2009: £18.6m 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

In recognition of the Group's strong performance and our confidence in the strength and growth potential of our business, we are recommending a final dividend of 18.6p (2009: 14.0p) per ordinary share making a total of 25.0p (2009: 19.2p) per ordinary share for the year, an increase of 30% over last year. Dividend cover is 2.6 times (2009: 1.1 times).

During the year we completed our review of the requirement for capital in the strategic development of our business. As a result and taking into account our strong cash position and exceptional return on capital, we are also recommending a special dividend of 50.0p per ordinary share.

Victrex Polymer Solutions ('VPS')

	2010 £m	2009 £m	Change %
Revenue	**145.3**	69.6	109%
Gross profit	**80.9**	34.4	135%
Operating profit	**48.3**	6.3	670%

VPS has had an excellent year with record revenue and profits.

Revenue for the year was £145.3m (2009: £69.6m) representing an increase of 109% over 2009. All of our major markets have seen a significant recovery during the year and we have had continued success in closing new business. Revenue also benefited significantly in 2010 as a result of improved effective exchange rates with the underlying year on year increase in revenue being 61%.

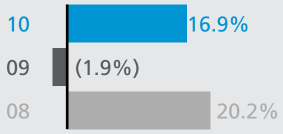
The sharp recovery in sales volume and the need to adjust inventory levels in line with demand resulted in production volume increasing significantly compared to 2009. New annual production volume records have been achieved on all our major assets. Our recent investment in capacity for monomer and polymer production, and the dedication of our employees across all sites, allowed us to provide security of supply to our customers during this challenging period.

Gross margin improved to 55.7% for the year (2009: 49.5%) with second half margin at 61.5% (H1: 48.9%). The improvement over the period reflects the favourable effective exchange rates together with a lower underlying cost of sales per tonne in the second half resulting from lower fixed costs per tonne as production volume increased.

Key Performance Indicators

Financial Performance

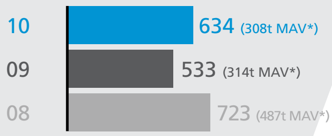
Five year compound annual growth rate in basic EPS



Target
Sustainable earnings growth

New Application Development

Commercialised applications (number)



Target
Delivery of sufficient new commercialised applications to underpin growth

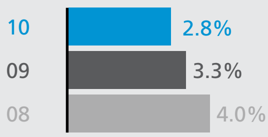
Supply Chain

Capacity (tonnes per annum)

Target
Delivery of sufficient high quality capacity to meet demand

Employees

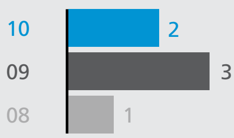
Voluntary staff turnover



Target
Minimise

Health and Safety

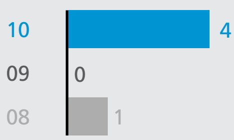
Reportable injuries



Target
Zero

Environment

Notifiable events



Target
Zero

* Mature annualised volume

Business Review continued

Business Overview continued

Sales, marketing and administrative expenses increased by 16% to £32.6m (2009: £28.1m). The increase predominantly reflects increased staff costs as elements of staff remuneration are linked to underlying performance of the division. We have also continued to invest in resources to support new application development and have undertaken a strategic review during the year to deploy resources to key areas of future growth.

Resulting operating profit at £48.3m (2009: £6.3m) increased by 670% over the prior year. Underlying growth in operating profit adjusted for effective exchange rates increased by 86%.

Trading

All of our major markets, geographical and industrial, have seen a strong rebound during the year with second half global sales volume being a new record. A recovery in end user demand for our products has led to higher manufacturing rates and inventory levels, both at our customers and throughout the supply chain. In addition, we have continued to have success in developing and closing new business during the year.

Industrial sales volume at 1,028 tonnes increased by 53% compared to 2009 reflecting a strong recovery across all sub markets. The main growth areas were the industrial machinery sector, driven mainly by increased activity in Asia, and renewed investment in exploration and production in the oil and gas sector resulting from increasing demand and higher prices for these resources.

Transport sales volume at 674 tonnes increased by 59% over 2009 with the recovery dominated by the automotive sector. Whilst manufacturing is not yet back to 2008 levels, we have benefited globally from a strong recovery in vehicle production and sales as well as a higher proportion of sales being luxury cars where technology is more advanced and more of our products are used. In addition, we continue to close new business for applications driven by the trends for improved fuel efficiency and lower CO_2 emissions. Aerospace also showed strong growth due to a combination of higher production levels and new aircraft orders driven by positive trends and forecasts for both business and tourism travel and new application development for our products to help meet the demands for weight reduction across all platforms.

Electronics sales volume at 558 tonnes increased by 96% over 2009 which reflected strong sales into the consumer electronics and semiconductor manufacturing sectors. In consumer electronics, innovation and new product launches have continued to drive growth and manufacturing activity. In the semiconductor manufacturing sector, investment activity is recovering as forecasts for the industry improve.

Product and market development

We commercialised 634 new VICTREX PEEK polymer applications with an estimated mature annualised volume ('MAV') of 308 tonnes compared with 533 commercialised applications with an MAV of 314 tonnes in 2009.

The development pipeline has also strengthened as new opportunities have been generated and at the year end contained 3,267 potential developments (2009: 2,942) with an estimated MAV of 2,271 tonnes (2009: 1,966 tonnes) if all of the developments were successfully commercialised.

We continue to see growth opportunities across all of our major geographies and industries through further penetration and broader acceptance of existing applications and technologies. Furthermore, trends and innovation in many of our markets continue to broaden the range of opportunities for our products to help our customers and end users overcome their challenges.

Within industrial, the oil and gas sector is developing deeper and more chemically aggressive wells operating at higher temperatures and pressures which is opening up new opportunities for our product range. Within the processing industries, our products are helping to develop longer life components and belting that are able to withstand more demanding processing and cleaning conditions. Innovation in the alternative energy sector is growing and we are exploring opportunities for our products in the wind, geothermal and nuclear sectors.

Within transport, opportunities in the automotive sector for our products include further replacement of metal components, providing weight reduction without compromising performance, as well as the translation of existing technology and safety features from the luxury car market to a broader range of vehicles. We are also exploring opportunities for our products in the development of hybrid technology. In aerospace the acceptance and awareness of our products as an enabler for weight reduction, whilst providing a broad range of performance properties, is increasing and has led to a number of development opportunities both on new aircraft platforms and also for retrofitting existing platforms.

Within electronics, the rate of innovation in the consumer electronics industry continues apace. Many of the trends, including miniaturisation, play to the strengths of our products and we continue to work closely with customers and end users to understand their challenges. Investment in the semiconductor manufacturing sector is forecast to steadily increase and our products are well positioned both in existing and potential future technologies.

New product development is an important part of our growth strategy. We work closely with customers and end users to understand the challenges they are facing to innovate in their markets and identify where existing products need to be improved to enable or optimise the opportunity. Typically we look to develop our product range by enhancing one or more existing properties to meet specific requirements. Recent examples include products that provide better wear performance as well as materials that offer higher temperature performance.

Invibio Biomaterial Solutions ('Invibio')

	2010 £m	2009 £m	Change %
Revenue	**44.2**	34.2	29%
Gross profit	**39.7**	30.1	32%
Operating profit	**28.1**	20.0	40%

Invibio had a strong year and generated record revenue of £44.2m, an increase of 29% over 2009 (£34.2m). Underlying revenue (at constant exchange rates) increased by 15%. Gross margins have remained strong and broadly stable at 89.7% (2009: 88.0%).

Sales, marketing and administrative expenses increased by £1.5m to £11.5m, primarily due to targeted investment in resources to drive growth. As planned, Invibio ended 2010 with 58 employees (2009: 47) as a result of its ongoing recruitment programme.

Operating profit increased to £28.1m, up 40% compared to 2009 (£20.0m). Underlying operating profit (at constant exchange rates) increased by 16%.

The results in 2010 were driven by continued growth and innovation within spinal fusion and arthroscopy applications. Other targeted markets such as orthopaedics and bariatric continue to yield successes and lay the foundation for future growth. Since its introduction over ten years ago, more than 2.5 million devices containing Invibio's PEEK-OPTIMA® polymer have been implanted in patients.

Invibio continues to work closely with medical device manufacturers, surgeons and clinicians. A network of relationships with key opinion leaders has enabled increased research collaborations with world leading organisations. Invibio has been awarded several EU government funded research grants to support material and device innovation.

During 2010, Invibio entered into 53 additional long-term supply assurance agreements with implantable medical device manufacturers. These agreements were with manufacturers based in Europe and the United States and increasingly in emerging geographic markets including Asia-Pacific and South America.

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 through the Risk Management Committee is set out in the Corporate Governance Report on page 26.

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. 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.

Business Review continued

Business Overview continued

Principal risks

Economic environment

The global economic environment and the levels of activity in the markets and territories in which the Group operates could adversely affect the Group's revenues, profitability and cash flow.

Mitigating factors

The diverse nature of the Group's markets and the territories in which each division operates, together with appropriate contingency planning, help to mitigate the impact of a global economic downturn.

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.

Mitigating factors

We employ specialists covering the major market segments for our products to maintain and advance our skills and knowledge. This enables us to develop new applications for our products, 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.

Mitigating factors

We have implemented policies and procedures to efficiently and safely manage all our operations and to maintain our supply of products to our 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 18.

Additionally we hold significant stocks of raw materials and finished goods which should enable us to maintain supplies during any short-term disruption. Furthermore, our two polymer manufacturing plants are able to operate independently, 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.

Mitigating factors

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.

Mitigating factors

VICTREX PEEK is manufactured within a quality management system approved to ISO 9001:2008. 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.

Mitigating factors

We continue 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 98% 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.

Mitigating factors

The Group hedging policy to mitigate the short-term risk is set out in the Corporate Governance Report on page 26.

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 19 and 20. 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 the majority of our 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, with a global customer survey being carried out by both VPS and Invibio divisions in 2010.

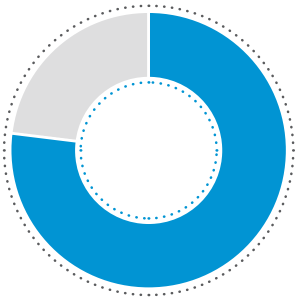
Suppliers

Victrex is self sufficient in 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 8, 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.

David Hummel
Chief Executive
6 December 2010

Peter Bream
Finance Director

Business Review continued
Victrex Polymer Solutions



% of Group revenue

77%

Tim Cooper

Managing Director

Tim was appointed to the position of Managing Director of the Victrex Polymer Solutions ('VPS') division in January 2010. He joined VPS from his previous position as Group Managing Director of Umeco Composites Process Materials, part of Umeco plc, a leading provider of supply chain services and advanced composite materials.

Strategy

VPS's divisional strategy is to:

- Maximise growth by working closely with our customers to fulfil their needs and leverage our focused global organisation and infrastructure to build awareness and develop the market for our products;
- Provide market, product and technical leadership to the industries we serve helping end users and customers to innovate and gain competitive advantage by enhancing their products and processes with the use of Victrex products;
- Offer security of supply by optimising production capacity, key supplier relationships and inventory policy whilst continuously improving efficiency and product cost; and
- Provide a safe and rewarding environment for our employees and operate our assets to appropriate environmental standards.

Our business

With over 30 years of focus and experience, VPS is the world's leading manufacturer of high performance polyaryletherketones, including VICTREX PEEK polymer. VPS provides a wide range of products and technical and marketing support to our customers and end users to help them deliver innovative, cost effective solutions in our major markets of industrial, transport and electronics.

The increasing demand for higher performing, more efficient and cost effective products to provide companies with a competitive advantage is driving innovation in the choice of materials used both in the materials of construction of new products as well as in the manufacturing equipment to make new products. Our high performance materials are increasingly the materials of choice due to the unique combination of properties and physical forms that can help achieve benefits such as weight reduction, enhanced energy efficiency, miniaturisation without loss of performance, increased application lifetime, enhanced performance in more challenging conditions and operating environments, compliance with environmental and safety standards and lower overall system costs.

With dedicated field based market development, sales and technical teams organised around our main regional offices in Germany, the United States, Japan and China, plus satellite offices in a number of other countries, we provide assistance to customers and end users in new application development, product performance data and processing support.

Providing world class technical expertise VPS has two complementary customer focused technology centres, the Applied Technology Centre in the UK and the Asia Innovation and Technology Center in China. These facilities house a team of dedicated and highly knowledgeable professionals who provide continual assistance and support in process troubleshooting, moulds validation and prototyping, on-site customer trials and technical seminars.

Our core technology and manufacturing expertise resides in the UK where we operate three manufacturing sites and the Victrex Technology Centre. Our core technology team includes organic and polymer chemists, physicists and material scientists who work with both the commercial team on new product development and the operations team on asset and process development. The operations team operate the manufacturing assets to high quality, safety, health and environmental standards and with a pro-active asset care and development strategy to optimise efficiency, availability and sustainability.

Our activities are enhanced by global infrastructure and communication systems and a network of logistics, customer service, finance, HR and IT professionals focused on optimising service to our customers and the efficiency of our business processes.

Why Victrex?

- Focus and experience;
- Comprehensive product portfolio;
- Security of supply;
- Product quality and consistency;
- Global application and technical development support; and
- Commitment to customer growth.

Our products

Our range of polyaryletherketones provides exceptional performance over a wide range of temperatures and extreme conditions. When an end use application demands a combination of three or more performance properties our materials offer a tremendous advantage with unmatched versatility. This ability to combine properties without sacrificing performance allows our materials to perform in a broad range of applications.

Performance properties

- Excellent high temperature performance;
- Inherent purity;
- Hydrolysis resistance;
- Chemical resistance;
- Mechanical strength and dimensional stability;
- Electrical performance;
- High abrasion and wear resistance;
- Low smoke and toxic gas emission; and
- Processability.

Our products include a diversified range of polyaryletherketones including standard grades, as well as blends and compounds to enhance certain properties that are critical to an end use application. In addition to granules and powder, materials are available in finished forms such as stock shapes, fibres, films and coatings.

Our brands

victrex HIGH PERFORMANCE POLYMERS

VICTREX® PEEK™ polymers

VICTREX PEEK polymers provide a unique combination and range of high performance properties. They are used in the design and manufacture of high performance applications to replace metals and other materials to improve performance, increase design freedom and reduce system costs.

aptiv VICTREX® PEEK™ FILM TECHNOLOGY

APTIV™ films

APTIV films provide all of the properties of VICTREX PEEK polymer in a thin, flexible format. The extensive range of properties which includes thermoformability and excellent acoustic performance makes it the highest performing, most versatile thermoplastic film available. APTIV films are a technology enabler to facilitate reduced system costs and improved product performance whilst providing increased design freedom and ease of processing.

VICOTE® VICTREX® PEEK™ COATING TECHNOLOGY

VICOTE® coatings

VICOTE coatings are a dedicated range of eco-friendly, high performance coatings, manufactured from VICTREX PEEK polymers. The powder and aqueous dispersions provide high temperature performance, exceptional scratch and wear resistance, high strength and durability. When compared with traditional coatings, these coatings can be considered to improve performance, extend application life, facilitate design freedom and reduce system costs.

Business Review continued

Victrex Polymer Solutions continued

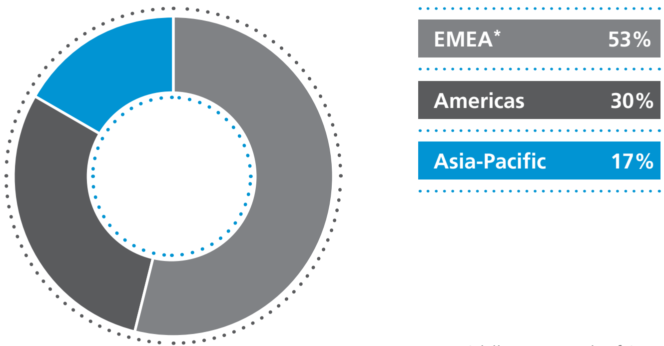
Our markets

Geographic

We export 98% of our sales, selling to over 30 countries globally. Our key markets are Europe, USA and Asia-Pacific.

We continue to explore opportunities and develop new markets in areas such as India, Russia and Brazil.

Volume by region

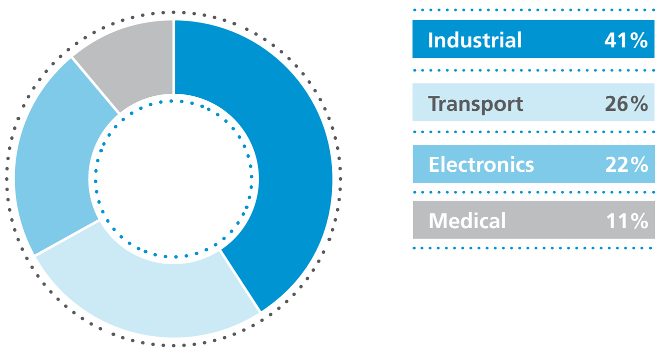


*Europe, Middle East and Africa

Industries

We sell into a diverse range of applications across a wide range of markets. We analyse our business into the main markets of industrial, transport, electronics, as well as medical where VPS focuses only on non-implantable applications for our products.

Volume by industry



Industrial

Oil and gas, chemical, textile machinery, food processing, alternative energy and other industrial sectors demand materials that can withstand increasingly harsh temperatures and extreme operating conditions. Parts and systems made with Victrex materials can help to improve operating performance and reduce the risk of downtime associated with component failure. Providing high temperature performance and a unique combination of properties, such as lighter weight, processability, decreased reliance on lubricants and reduced noise levels, Victrex polymers are being used as a replacement for metal and other plastics in a growing range of industrial applications such as compressors, bearings and bushings, hydraulic couplings and hoses.

Transport

The transportation industry is increasingly demanding solutions that provide weight reduction, energy efficiency, improved safety performance, increased part performance and lower manufacturing cost. Additionally there is a requirement for the miniaturisation of components and functional integration along with increasing safety and environmental legislation. Victrex polymers offer a unique combination of performance properties, the ability to withstand extreme temperature conditions and harsh environments as well as processing advantages. As such our materials are increasingly displacing metals, traditional composites and other plastics in automotive, aerospace and mass transit applications.

Electronics

Material selection is critical to today's electronic components. Demands for higher performance, portability, wireless/high frequency and longer life, as well as concerns about the environment, are all shaping the way electronic parts are designed. Our products offer a unique combination of properties including wear resistance, processing flexibility, dimensional stability, low out gassing, low moisture absorption, and high temperature resistance. Designers and manufacturers of electrical components such as mobile phones, circuit boards, printers, connectors, LEDs, switches and batteries are specifying Victrex materials to improve process efficiency, enhance part performance, exploit greater design freedom, achieve product differentiation and reduce system costs.

Application examples

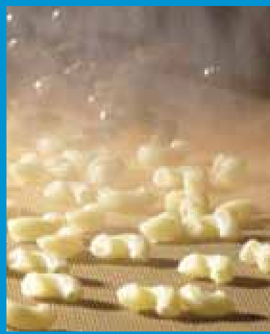
Industrial processing

Providing superior chemical and abrasion resistance, Victrex polymers are increasingly being used as an alternative to conventional plastics and metals which cannot satisfy the demanding processing conditions required to process corrosive or reactive substances in the chemical or pharmaceutical industries or abrasive media in the paper and oil and gas industries.

Food and textile processing

Victrex polymers are successfully replacing metals and other plastics to facilitate the design of long-life conveyer belts and belting components for food and textile processing.

In these applications our products provide the opportunity to design components with the ability to withstand harsh chemical and steam cleaning systems.



Aerospace

Commercial aircraft producers and insulation manufacturers in the aerospace industry are replacing traditional films with Victrex APTIV films in new lightweight thermal acoustic blanket insulation systems that satisfy FAA safety and performance requirements.

Automotive

Victrex high performance polymers are displacing metals and other polymers in a wide range of demanding automotive applications such as gears, bearings and thrust washers that require long-term performance under extreme pressures, at high temperatures and varying speeds.

Semiconductor

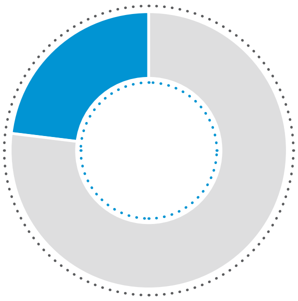
Offering high purity, and chemical and abrasion resistance, VICTREX PEEK polymer is widely accepted in the semiconductor market and is displacing traditional materials for applications such as Chemical Mechanical Planarisation rings which play a critical role in the fabrication and processing of semiconductor wafers.

Consumer electronics

Our products are used to enhance the design and performance of electronic components. Offering a thin format with inherent acoustics, APTIV films present numerous opportunities for OEMs, designers and processors in the manufacture of high performance speaker systems and acoustics components such as mobile phone speaker diaphragms.

Business Review continued

Invibio Biomaterial Solutions



% of Group revenue

23%

Michael Callahan

Managing Director

Michael joined Victrex plc in 1998 and has led Invibio since its launch in 2001. He developed and implemented the introduction of Invibio's PEEK-OPTIMA polymer to the medical device market. He was formerly with DSM Engineering Plastics Products and General Electric.

Strategy

Invibio's divisional strategy is to:

- Maintain and expand our global leadership in the medical device market through the exceptional provision of:
  - High performance biomaterials and capabilities;
  - Advanced technical research and services;
  - Proven market expertise across a wide range of device applications; and
  - Enhanced biomaterial solutions offering.

Our business

Invibio was formed in 2001 to address the unmet needs of the long-term implantable device market. We deliver solutions to the medical device industry with superior biomaterials, advanced technical research and capabilities across multiple targeted markets.

We continue to pursue new application areas and developments that require the unique services and capabilities for which we are well recognised. Our biomaterials are utilised in many markets including spine, arthroscopy and target markets including orthopaedic, trauma and cranial-maxillo facial. We continually enhance our biomaterial solutions offering to enable our customers to deliver innovative medical devices and procedures, realise accelerated market success and enhance patient quality of life.

Why Invibio?

- Market leader producing superior biomaterial solutions for medical device manufacturers;
- Trusted for advanced biomaterial and value-add solutions;
- More than a decade of implanted device experience;
- Uncompromised quality for complete confidence in product excellence; and
- Proprietary research and technology investment.

Continued commitment to unsurpassed quality, focus and innovation

The business continues to prioritise and invest in delivering safe, reliable and consistently high quality implantable biomaterials. A best in class standard of quality, control and risk management underpins all operations, and is routinely acknowledged by regulators, customers and auditors. Significant investment in resource and infrastructure supports global expansion in technology and production activities. Evidence of this investment is the advanced logistics facilities, which have been established in the United States and the Invibio Global Technology Centre expansion. The expansion will double the current size, such that advanced R&D, product and process innovation and applications specialism can meet demand.

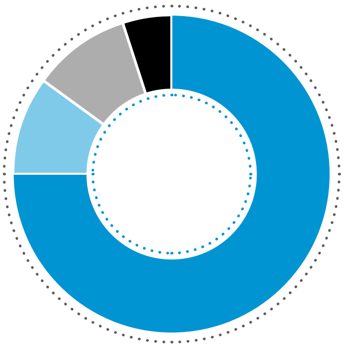
New service offerings have experienced enthusiastic uptake. Components is a service established in response to customers' need to speed up product development. Interest in the Component offering has grown quickly, with many programmes now in delivery across diverse application sectors. Enabling technology, clinical and regulatory solutions are examples of other services that help medical device manufacturers continue to develop and approve new products.

Key market highlights

Invibio continues to focus on maintaining and growing the use of our materials in key market applications such as spinal fusion and arthroscopy. Invibio has focused on further strengthening our regulatory expertise to support our customers in expanding the geographical reach of these applications, resulting in the increased use of our material in Asia-Pacific and South America. Additionally, we maintain our drive in growing clinical use and surgeon awareness of our materials in new application areas such as bone fixation in trauma and the first clinical use of our materials in revision knee surgery in orthopaedics.

Invibio key markets

By revenue



Spinal fusion	75%
Arthroscopy	10%
Target markets	10%
Spinal non-fusion	5%

Spine

Invibio's market leading biomaterials continue to be extensively used in implantable medical devices used to treat spinal disorders – a global industry with annual sales in excess of $9b. Within spinal fusion, more than 80 clinical studies support the use of PEEK-OPTIMA based devices in alleviating patient pain and discomfort. These clinical studies, combined with Invibio's focus on this application area, increased our market share in both lumbar and cervical fusion.

Case Study

Strong device development partnership

The US minimally invasive spine surgery market is projected to expand at a compound annual growth rate of nearly 30% from 2006 to 2012, fuelled by faster recovery times, shorter hospital stays and reduced complication rates of minimally invasive surgery ('MIS').

The InterFuse® interbody fusion device, from Vertebral Technologies Inc ('VTI'), is an advanced MIS technology manufactured from unfilled PEEK-OPTIMA polymer. Collaboration between Invibio and VTI was instrumental to the realisation of this innovative design and advanced MIS platform.

From initial bench test work through to post launch refinements, Invibio worked closely with VTI product development, strategic sourcing and regulatory, as well as with manufacturing partners. The companies continue to actively work together on additional InterFuse platform developments to further leverage this MIS delivery solution.

Case Study

Developing expertise and emerging markets

Asian regulatory support and expertise

Japan and China, with a combined 2009 medical device market value estimate of over $40b, are important emerging markets for medical device manufacturers. However, these markets also represent significant regulatory challenges and approvals can take up to 10 times longer than for the equivalent device in the United States and Europe.

Recognising this challenge, Invibio has worked pro-actively to assist customers in overcoming regulatory obstacles.

In 2010, these efforts contributed to three additional approvals for PEEK-OPTIMA based medical devices in Japan, including the Cespace® from B. Braun Aesculap AG, Tuttlingen, and the first in China for an interbody fusion device since the 2007 increased regulatory requirements.

Invibio regulatory support in Japan and China includes:

- Robust data dossiers addressing regional requirements;
- Meetings with regulatory authorities at SFDA (China) and PMDA (Japan);
- Educational symposia at SFDA orthopaedic testing centres; and
- Direct customer collaboration.

(Data sources: ADMIS; BCC Research; FDA 510k searchable database)

During 2010, Invibio continued to see strong usage of PEEK-OPTIMA in a diverse range of demanding applications aimed at maintaining mobility of the spine, including solutions such as interspinous devices, nucleus replacement, treatments for vertebral compression fractures and spinal arthroplasty. Invibio's ongoing commitment to partnering with medical device manufacturers in bringing innovative and high quality biomaterial solutions to the industry provides the basis for continued advancement and market presence across the spinal implant market.

There is a growing customer commitment to commercialise spinal devices in new geographies. Invibio has invested in detailed research and data generation specifically to support regulatory requirements within these emerging markets. Of note, Invibio's medical device partners have achieved numerous approvals in important emerging countries such as Japan, China and Brazil.

Implantable medical devices used to treat spinal disorders will continue to be tied to an ageing global population and greater emphasis worldwide on improved healthcare and patient outcomes. Invibio remains well placed within an industry striving to meet these needs.

Business Review continued

Invibio Biomaterial Solutions continued

Arthroscopy

In 2009 nearly 3.8 million knee, shoulder, small joint and hip arthroscopic procedures were performed in the US. Growth in procedures is expected to be positively influenced by factors such as:

- Increasingly active elder generation;
- Improved surgeon training in arthroscopic procedures; and
- Increased desire to gain benefits of minimally invasive surgery.

PEEK-OPTIMA is now an established material in shoulder arthroscopic repair, where it competes with metallic and bioresorbable materials. PEEK-OPTIMA's strength, imaging capability and ease of revision has helped drive considerable growth in this market. As surgeons gain confidence in our biomaterials, we are now seeing increased use of PEEK-OPTIMA in knee arthroscopy treatments aimed at soft tissue and ligament repair, such as interference screws and meniscus repair.

The progress Invibio has made within the soft tissue repair space is yet another demonstration of the versatility of Invibio's biomaterial portfolio, and our commitment to supporting and fuelling growth within a broad array of implantable medical device markets.

Case Study

Compressing the timeline from innovation to market

The US and European market value for suture anchors, primarily used for shoulder rotator cuff repair, has experienced 10% growth for 2010. This growth is driven certainly by active baby boomers but also by improved technologies, in which Invibio can play an important role.

Invibio's Components Team works closely with device manufacturers to speed the progression from drawing board to market launch by providing:

- Manufacturing evaluation;
- Prototype manufacturing; and
- Production process development.

The Invibio Components Team and B1 Medical worked closely starting with early designs for the SPEEDLOK PEEK-OPTIMA based suture anchor, identifying modifications to enable injection moulding and supporting the manufacturing feasibility assessment of design iterations.

Managing prototype manufacturing for the first phase design evaluation, Invibio eliminated time and cost associated with a third party manufacturer at this stage. The Components Team will continue to develop the manufacturing route through to market launch.

(Data source: MRG)

Pictured: Investment in United States logistics facilities.

Target markets

Resulting from more than a decade of clinical use, market confidence in the biocompatibility and quality of our materials is the foundation of Invibio's success. Building on this, specific material properties and capabilities make it a strong fit for a wide range of emerging applications.

PEEK-OPTIMA's use in the leads of cardiovascular and neurological devices results from the material's electrical properties and ease of manufacturing. Ease of manufacturing is also influencing the growing use of PEEK-OPTIMA in trauma devices known as patient specific implants that are custom designed to the anatomical needs of each patient. As device manufacturers continue to seek solutions that reduce surgical complications and operating time, we continue to engage with our customers and clinicians to identify further areas where our materials can provide improvements in the clinical success rates of medical devices.

MOTIS™ polymer

Introduced in 2009 as a bearing material in the development of new hip and knee joint replacement devices, MOTIS targets excellent wear resistance and facilitates new designs that provide the benefits of conserving natural bone, reducing stress shielding and transmitting load in a more anatomical fashion.

(* REF: Years 2008, 2009 for product codes MAX and ODP; Source FDA 510k searchable database)

MOTIS is well placed as an alternative to traditional metal-on-metal joint replacements, which have been under increased scrutiny due to clinical efficacy and metal ion concerns, especially in areas such as hip resurfacing. Invibio are progressing a number of customer device development programmes using MOTIS as a bearing component in hip replacement devices. The design and performance advantages of MOTIS in hip and knee replacement devices were a focus of an industry workshop session at the 2010 European Orthopaedic Research Society meeting.

The Invibio Components Team play an important role in providing expertise for the efficient manufacturing of MOTIS based hip and knee devices using methods such as injection moulding, which were not previously an option for this market. Sustained support will take place in both material evaluation and in components manufacturing solutions in 2011.

Latest developments and future innovations

Invibio continues to work closely with medical device manufacturers, surgeons and clinicians. Their needs and challenges will guide the direction of research investment to deliver defined, specialised, application-relevant solutions. A network of relationships with key opinion leaders has enabled increased research collaborations with world leading organisations. Invibio has been awarded several EU government funded research grants to support material and device innovation primarily for the orthopaedic sectors.

As part of a holistic approach to product stewardship, fundamental research investments help to understand the behaviours of the product in the body. Such research is broad ranging, from the comparative behaviour of bacterial infections on the surface of PEEK-OPTIMA, to the use of PEEK-OPTIMA in active implantable medical devices ('AIMDs').

Pictured: Dr Thomas Grupp, Director of Research & Development in Knee Arthroplasty & Biomechanical Research Aesculap, presenting at European Orthopaedic Research Society 2010 Invibio Workshop.

Case Study

New and innovative ideas

Aesculap® and Invibio R&D collaboration on EnduRo™ knee project

Revision knee surgery, following the failure of an initial implant, already accounts for approximately 15% of procedures in knee surgery.

For patients with severe knee joint disorders, an implant linked to a rotating hinge can often be the treatment of choice. However, these types of implant have been prone to premature loosening and eventual implant failure.

The EnduRo rotating hinged knee from Aesculap uses Invibio's carbon fibre reinforced PEEK-OPTIMA polymer to prolong implant service life by providing excellent wear performance and strength in the implant's axle bearings. The improved performance was achieved through close collaboration with Invibio in relation to material properties, wear performance, component manufacturing and biocompatibility data for regulatory approval.

Advanced engineering expertise delivers process development and innovation in design for manufacture and our product portfolio continues to grow with the addition of new material grades, structures, forms and shapes of PEEK-OPTIMA. These advances enable fresh approaches to design and construction, device processing efficiency and surgical procedures. Specific product developments include formulations to aid implant imaging capabilities and materials designed towards better bone integration or fixation. Building on the ENDOLIGN® product family, implantable composites are further evolving with sophisticated formulation and process developments.

Looking forward, Invibio is working with those at the forefront of science to investigate the potential to include functionality and biological performance into biomaterials.

Invibio® biomaterial solutions

QUALITY FOCUS INNOVATION

Business Review continued

Corporate Responsibility

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. 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 Chief Executive has Board level responsibility for overseeing these areas, which are managed in conjunction with all other business risks and are covered by the internal control systems and procedures outlined on page 27. 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. A dedicated SHE department provides support to achieve this.

A review of the Group's policies relating to safety, health and environment, employees 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 goes hand in hand with good business performance.

These policy objectives are achieved by:

- identifying SHE hazards;
- assessment of the risks associated with the 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 SHE performance through regular and effective communication and consultation.

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 two over-3-day reportable injuries during the year, when an operator suffered a thumb injury and an operator suffered back strain. The Group received the Royal Society for the Prevention of Accidents ('RoSPA') President's Award in 2010 in recognition of sustained occupational health and safety achievement after winning ten consecutive RoSPA Gold Awards.

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 four notifiable events at our Rotherham plant: during a decomposition event there was a release of white fume; on two occasions during prescribed routine air emissions monitoring the amount of fluoride measured exceeded agreed limits; and on another occasion during prescribed routine water emissions monitoring the amount of suspended solids measured exceeded agreed limits. On all occasions no environmental harm was caused.

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

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.

Environmental impacts per tonne of VICTREX PEEK sold

	2006	2007	2008	2009	**2010**
Victrex PEEK sales volume — tonnes	2,339	2,508	2,626	1,547	**2,535**
Energy use — GJ	181	168	196	255	**209**
Water use — m^3	210	189	148	183	**155**
CO_2 emissions — tonnes equivalent	9.4	8.6	9.8	12.8	**10.5**
Hazardous waste (post treatment) — tonnes	0.2	0.2	0.0	0.0	**0.0**

We are constantly striving to improve efficiency in all areas of our operations, including energy use (and therefore CO_2 emissions), water consumption and quantities of hazardous waste produced. This is achieved by implementing many procedures and projects, large and small, across the business.

Energy usage, water usage and CO_2 generation per tonne of product sold reduced in 2010 because of increased production plant operation and associated efficiencies. Increased operation of our downstream processing plants and technical facilities has continued to increase energy usage.

REACH

The REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulations came into force on 1 June 2007. Polymers are outside the scope of the regulations, however, the Company is working to ensure full REACH compliance for all materials involved in our manufacturing processes which do require registration. Plans are in place to complete full registration in phases from 2010 to 2018. We do not anticipate any disruption to the supply of products arising from the regulations. Although we cannot precisely quantify the cost of implementing the regulations, we do not expect it to be material for Victrex.

Employees

The Board recognises our talented and diverse workforce as a key business asset. The Chief Executive is responsible for overseeing employee matters. 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 staff presentations, email communication and the Group intranet to which all employees worldwide have access.

Achieving our business goals requires an environment within Victrex where our employees feel engaged, empowered and capable of performing to the highest levels of their ability. In 2010 we conducted an employee survey and 78% of staff participated. We measured employee engagement by asking questions about employees' commitment to Victrex and their desire to continue working for us. The survey also helped us identify opportunities to improve working environments and practices and support employees so they can do their best work.

In recognition of the commitment and hard work of its employees, Victrex recognises those who have reached 10, 20 and 30 years unbroken service, including a celebratory lunch to mark the event.

The Company supports employee share ownership and, where practical, offers the opportunity to participate in share schemes. As at 30 September 2010, approximately 83% (2009: 95%) of employees worldwide were participants in employee share schemes, principally as option holders under the Company's employee share option schemes. We also sponsor pension plans for employees throughout the world. These comprise defined benefit or defined contribution arrangements, savings schemes and provident funds designed to provide appropriate retirement benefits based on local laws, custom and market practice. Details of the Group's principal pension schemes are set out in note 16 to the financial statements.

Largely as a result of the above approach, Victrex has low voluntary employee turnover, 2.8% in 2010 (2009: 3.3%).

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.

Business Review continued

Corporate Responsibility continued

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.

Victrex invests in recruiting and developing young people through our advanced engineering apprenticeship programme. This scheme is based on national standards, is fully monitored and trains apprentices to fulfil a tradesman role on completion of their apprenticeship.

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 £5,008 (2009: £4,094) during the year, of which £2,342 (2009: £2,110) were in the UK. In addition, old computer equipment is given to either local schools or charities chosen by the Staff Committee.

Pictured: VICTREX PEEK polymer provides a competitive edge for racing bikes and other sports equipment used at Olympic level.

Board of Directors

Anita Frew (53) BA MPhil
Chairman *
Appointed in 2000 and became Chairman in 2008. Currently a non-executive Director of Aberdeen Asset Management plc, IMI plc, Lloyds Banking Group plc and Northumbrian Water Limited. Prior to this she was executive Director of Abbot Mead Vickers PLC, Director of Corporate Development at WPP Group, and has held various investment and marketing roles at Scottish Provident and the Royal Bank of Scotland.

Giles Kerr (51) 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 (55) BCEng MSc
Non-executive Director * † #
Appointed in 2008. Chairman of the Remuneration Committee. Currently a non-executive Director of Morgan Sindall plc and CPPGroup plc. He was formerly Chairman of Microsoft Europe, Middle East & Africa.

Lawrence Pentz (55) BS ChE MBA
Non-executive Director * † # ^
Appointed in 2008. Chairman of Risk Management Committee. 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.

David Hummel (52) BSc
Chief Executive ^
Appointed in 1993. Formerly with Diamond Shamrock, GE Plastics and ICI, assuming responsibility for VICTREX PEEK worldwide in 1992.

Peter Bream (44) MA ACA
Finance Director ^
Appointed in 2010. Formerly Finance Director of Renold plc and Provalis plc. He is a Chartered Accountant and has an engineering degree from Cambridge University.

Nominations Committee * Audit Committee † Remuneration Committee # Risk Management Committee ^

Directors' Report

The Directors present their Annual Report and Accounts to shareholders for the year ended 30 September 2010.

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 2010, 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 a 'Business Review').

The information that fulfils the requirements of this Business Review can be found on pages 4 to 20.

Results and dividends

Group profit after tax for the year was £54.0m (2009: £17.8m).

The Directors recommend the payment of a final dividend of 18.6p per ordinary share and a special dividend of 50.0p per ordinary share on 25 February 2011 to all shareholders on the register on 11 February 2011. This makes a total dividend of 75.0p per ordinary share for the year (2009: 19.2p per ordinary share).

Share capital

Details of the Company's share capital and reserve for own shares are given in note 19. During the year 482,203 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 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 2010 Annual General Meeting ('AGM'), shareholders renewed the Company's authority to make market purchases of up to 8,319,636 of its own ordinary shares (representing 10% of the issued share capital of the Company as at 4 December 2009). 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 2011 AGM of the Company is given on page 73.

Directors

Details of the Directors of the Company are given on page 21. Details of Directors' interests in shares are provided in the Report on Directors' Remuneration on pages 28 to 33.

As previously announced, during the year Tim Walker stepped down from the Board as Production and Technical Director in February 2010.

As early adopters of the new UK Corporate Governance Code issued in June 2010, resolutions will be proposed at the forthcoming AGM for the re-election of Mr P E Bream, Ms A M Frew, Mr G F B Kerr, Mr P J M De Smedt, Mr L C Pentz and Mr D R Hummel.

Appointment and replacement of Directors

The 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 either by the Directors, or at the previous AGM, must retire at the next 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.

Powers of the Directors

The powers of the Directors are determined by the Company's 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 2010 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 19.

Major interests in shares

The Company has been notified of the following interests in 3% or more of its issued share capital as at 3 December 2010:

	Number of ordinary shares	
BlackRock Investment Management (UK) Limited	10,034,530	12.00%
Schroders plc	8,115,152	9.71%
AEGON UK Group of Companies	5,064,894	6.06%
Legal and General Group Plc	4,389,243	5.25%
F&C Asset Management plc	4,228,620	5.06%
Old Mutual Asset Managers (UK) Ltd	4,151,130	4.96%
Standard Life Investments Ltd	4,101,202	4.90%
AXA S.A.	3,729,607	4.46%

Combined Code

A statement on corporate governance is set out on pages 24 to 27.

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 20. No political donations were made (2009: £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 (2009: 25 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
6 December 2010

Corporate Governance

The Board is committed to high standards of corporate governance and has reviewed the Company's compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the 'Code') and confirms that the Company complied in all aspects with the Code throughout the year ended 30 September 2010 as set out below.

A new UK Corporate Governance Code was issued in June 2010 (the 'New Code') to supersede the Code and, in the case of the Company, it will be effective for the year ended 30 September 2011. It is anticipated that the Company will be in a position to confirm compliance with the New Code in all material respects.

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.

At the end of the year the Board comprised a non-executive Chairman, three other non-executive Directors and two executive Directors. Changes in the composition of the Board during the year are noted in the Directors' Report. Following the year end, on 7 October 2010, Michael Peacock retired as Finance Director and Peter Bream was appointed to the Board as the new Finance Director on 8 October 2010. 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, Anita Frew, upon her appointment as Chairman on 1 October 2008), 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 and divisional Managing Directors led by the Chief Executive and the Chief Executive's Committee. This Committee meets monthly and comprises the executive Directors, divisional Managing and Finance Directors, the Group Chief Accountant and the Company Secretary.

The Board receives sufficient management information and reports on all strategic and significant operational matters on a timely basis. Group and divisional senior executives also attend Board meetings as appropriate. Site visits and briefings by operational management to enhance the Board's understanding of the businesses 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. During and after induction Directors are encouraged to, and do, visit businesses across the Group and meet with Group and divisional management. 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 the Board operates in accordance with good corporate governance under the Code and relevant regulatory requirements. Appropriate levels of insurance cover are obtained for all Directors and Officers of the Company.

The Board met formally seven times during the year. There was full attendance at all meetings, with the exception of Anita Frew, who was unable to attend one Board meeting, which, in her absence, was chaired by Giles Kerr. During the year pursuant to the Code 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, as further described below, which report back to the Board on the basis of clearly defined terms of reference.

The terms of reference of the Nominations, Audit and Remuneration 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 evaluation of Board, Board Committee and individual Director's performance is carried out annually. The 2010 Board evaluation comprised an internal evaluation process including questionnaires and individual meetings between the Chairman and each Director and appropriate follow up discussions. The Chairman's performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive. The other non-executive Directors' performance is evaluated by the Chairman in consultation with the executive Directors. Executive Directors' performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive, except in the case of his own performance review.

The evaluation process concluded that the Board and its Committees remain effective in fulfilling their responsibilities appropriately and that each Director continues to demonstrate a valuable contribution. Actions agreed as a result of the Board evaluation included the appointment of a non-executive Director as the Chairman of the Risk Management Committee to further improve Board oversight of the risk management process and further development of talent management at Board and senior executive levels. An external Board evaluation process will be carried out in 2011 pursuant to the New Code.

Nominations Committee
(Chairman — Anita Frew)

The Nominations Committee, comprising all of the non-executive Directors, 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 Peter Bream. The external search consultant used was Russell Reynolds.

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

Based on recommendations from the Nominations Committee, Directors submit themselves for re-election at the AGM following their appointment and thereafter, annually with effect from the 2011 AGM, pursuant to the New Code.

Remuneration Committee
(Chairman — Patrick De Smedt)

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 five times during the year and there was full attendance at all meetings.

Audit Committee
(Chairman — Giles Kerr)

The Audit Committee, chaired by Giles Kerr, a qualified Chartered Accountant with significant relevant financial experience, and 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, senior finance executives and the External Audit Engagement Partner are normally invited to attend meetings. Others are also invited to attend as appropriate. A section of at least one meeting each year takes place without management present.

At its meeting on 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 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 14 May 2010, 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.

Corporate Governance continued

On 20 September 2010, the external auditor presented its proposed fees and scope for the audit for the year ended 30 September 2010. The Committee also carried out its annual performance appraisal and terms of reference review. The results of regular internal control reviews were also considered.

At its meeting on 22 November 2010, the Committee reviewed the Company's preliminary announcement of its results for the financial year ended 30 September 2010 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 Committee carried out the annual appraisal of the external auditor (including reviewing non-audit fees) and the effectiveness of the audit process.

Risk Management Committee

(Chairman — Lawrence Pentz)

The Risk Management Committee is chaired by Lawrence Pentz with effect from 1 October 2010 and comprises both executive Directors, both divisional Managing Directors, the Company Secretary and senior operational, SHE and Group finance executives. The Committee 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.

The VPS and Invibio divisional Risk Management Committees, comprising the Directors of each division respectively along with the Company Secretary and senior operational and SHE executives, meet quarterly, report into the Group Risk Management Committee and are responsible for ensuring that all risks facing the divisions are reduced to an acceptable level.

Disclosure Committee

(Chairman — Anita Frew, David Hummel or Peter Bream)

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.

Currency Committee

(Chairman — David Hummel)

The Currency Committee is chaired by the Chief Executive, and comprises the other executive Director, the Company Secretary 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 98% 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.

Internal control

The Group has complied with the Code provisions on internal control by operating throughout the year ended 30 September 2010 (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 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.

Governance

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 Group has a clear and ongoing process for identifying, evaluating and managing significant risks, which is managed by the Risk Management Committee as described on page 26. The Directors have also reviewed the internal audit procedures and have concluded that whilst there is no dedicated internal audit function, there is a rolling programme of internal control reviews carried out across the Group by the Group finance function with the senior Group finance executive reporting, with effect from 1 October 2010, to the Chairman of the Audit Committee in relation to internal control matters.

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. Voting at the AGM is conducted by way of a show of hands in order to encourage questions from and interaction with private investors and proxy votes lodged on each AGM resolution are announced at the meeting and published on the Company's website.

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.

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, including where applicable the Chairmanship of Board Committees. The Remuneration Committee consists entirely of non-executive Directors, as set out on page 25, 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 Directors' remuneration. Neither Hewitt New Bridge Street nor AON Corporation, its ultimate 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

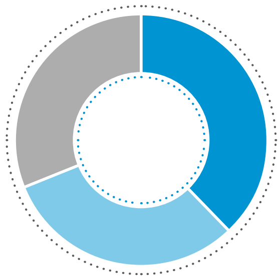
The Company aims to provide a remuneration structure that is aligned with shareholder interests and as such is competitive in the marketplace to attract, retain and motivate executive Directors of superior calibre in order to deliver continued growth of the business. Company policy is that performance related components should form a significant portion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that represent the best interests of shareholders. In 2010, if executive Directors earned a maximum annual bonus and Long Term Incentive Plan ('LTIP') payout, basic salary would represent one third of total remuneration, with one third attributable to annual bonus and one third to LTIP (excluding pension provision). This assumes an LTIP award of one times salary. Going forward, as mentioned below, the LTIP award level will be increased to 125% of basic salary for the awards due to be made in the year ending 30 September 2011.

Potential overall remuneration package mix for executive Directors

2010

LTIP	33$\frac{1}{3}$%
Basic salary	33$\frac{1}{3}$%
Bonus	33$\frac{1}{3}$%

2011



LTIP	38%
Basic salary	31%
Bonus	31%

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 including the principles of the new UK Corporate Governance Code, effective for the year ending 30 September 2011 and the particular circumstances of the Company.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee ensures that the incentive structure for executive Directors and senior management do 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 ESG matters into account. The Committee is also satisfied that the overall remuneration structure neither encourages nor rewards inappropriate operational risk-taking and is fully compatible with the Company's risk management policies and systems. 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 adjustments take into account each executive Director's performance against agreed challenging objectives and the Group's financial circumstances as well as comparing each executive Director's basic salary to senior management in the Group and relative to the external market. The Committee used the services of Hewitt New Bridge Street to provide comparative data. The executive Directors received no increase in basic salary for the financial year ended 30 September 2010. For the financial year ending 30 September 2011, the Chief Executive's basic salary will increase by 3% to $670,000 and the Group's contributions to his pension scheme and associated salary supplement will increase from 20% of basic salary to 25% of basic salary, with the Group's employees in general receiving pay rises ranging from 5% - 8% depending on promotional increases and individual performance.

Following his appointment on 8 October 2010 the Finance Director's basic salary is £240,000 and the total remuneration packages of both executive Directors will remain around median levels.

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 2010. This was determined by reference to performance targets based on the Group's financial results (up to 80% of basic salary) and specific individual objectives (up to 20% of basic salary) set at the beginning of the financial year. For 2010 the individual objectives included a revision of the Group's corporate strategy following divisionalisation in 2009, the completion of customer and employee satisfaction surveys and operational and technical effectiveness and efficiencies across the Group.

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 2010.

The actual bonus payable to each executive Director for the year ended 30 September 2010 was 81.3% of basic salary. This comprised 61.3% based on performance against budgeted Group profit before tax and 20% for the achievement of specific non-financial objectives. These levels of bonus reflect a year of outstanding Group and personal performance.

For the annual bonus plan for the year ending 30 September 2011 the maximum bonus potential will remain at 100% of basic salary and the split of targets will be consistent with those used in the year ended 30 September 2010.

Awards under the 2009 Victrex Long Term Incentive Plan

At the 2009 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 ordinary 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. To date all awards made under the 2009 LTIP have been equivalent to 100% of basic salary; this award level will be increased to 125% of basic salary for the awards due to be made in the year ending 30 September 2011 so as to ensure long-term incentive provision remains market competitive. Notwithstanding the increase in long-term incentive provision (together with the salary increase noted above), the remuneration packages of the executive Directors will remain around median levels.

Awards normally vest in three equal tranches on the third, fourth and fifth anniversaries of grant to the extent that the applicable performance conditions measured over a single three year period from grant (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.

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 years ended 30 September 2009 and 2010 will 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'), as follows:

- 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 financial growth. The TSR performance condition is monitored on the Committee's 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 2011.

Report on Directors' Remuneration continued

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). Peter Bream, resident 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

Peter Bream is not a member of any Group pension scheme and has his own pension arrangements to which the Company will make annual contributions equal to 25% of basic salary. The Company has no pension liability beyond making these annual contributions. On death, a lump sum death-in-service benefit of four times basic salary is payable.

David Hummel participates in a defined contribution scheme and a life assurance plan operated in respect of the Group's USA employees. 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.

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.

Non-executive Directors

Non-executive Directors receive a fee, as disclosed below, determined after reference to external benchmarks based on their time and work on the Board and the Board Committees, including a supplement for chairing a Committee and do not participate in any bonus or share option scheme of the Company. Non-executive Directors are appointed under arrangements that may generally be terminated at will by either party without compensation and their appointment is reviewed annually.

The auditor is required to report on the information contained from here to page 32 inclusive.

Directors' remuneration for the year ended 30 September 2010 was as follows:

	Date of service contract	Basic salary[1] £	Pension/ other supplements[2] £	Bonus £	Benefits in kind £	**Total 2010 £**	Total 2009 £
Executive Directors							
D R Hummel	6 Dec 95	426,730	72,152	335,353	–	**834,235**	491,094
M W Peacock (retired 7 October 2010)	1 Feb 00	245,000	43,751	199,185	5,106	**493,042**	293,585
T J Walker (retired 9 February 2010)	1 May 99	76,512	12,783	85,767	566	**175,628**	247,781
Chairman							
A M Frew (appointed Chairman 1 October 2008)	1 Oct 08	125,000	–	–	–	**125,000**	125,000
Non-executive Directors							
G F B Kerr	1 Aug 06	48,000	–	–	–	**48,000**	48,000
P J M De Smedt	28 July 08	43,500	–	–	–	**43,500**	41,000
L C Pentz	28 July 08	41,000	–	–	–	**41,000**	41,000
Total remuneration		1,005,742	128,686	620,305	5,672	**1,760,405**	1,287,460

The total payments (including pension contributions) made to the highest paid Director, D R Hummel, were £855,490 (2009: £514,468).

(1) The basic salary of D R Hummel is paid in US Dollars. The equivalent US Dollar amount is $650,000 (2009: $650,000). The basic salary of G F B Kerr includes £2,500 for chairing the Audit Committee and £4,500 as the Senior Independent Director. The basic salary of P J M De Smedt includes £2,500 for chairing the Remuneration Committee. For the year ending 30 September 2011 the basic salary of A M Frew will be £135,000; the basic salary of G F B Kerr will be £51,000, including £5,000 for chairing the Audit Committee and £4,000 as the Senior Independent Director; the basic salary of P J M De Smedt will be £47,000, including £5,000 for chairing the Remuneration Committee and the basic salary of L C Pentz will be £47,000, including £5,000 for chairing the Risk Management Committee.

(2) In accordance with the policy outlined on page 30, D R Hummel received a salary supplement of £64,010 with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme and £8,142 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 £30,350 and £7,924 respectively with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme. In addition, M W Peacock and T J Walker each received an additional salary supplement of £13,401 and £4,859 respectively in lieu of a company car. Compensation for loss of office was not paid to T J Walker and will not be paid to M W Peacock upon retirement.

Pensions

	Age at 30/09/10	Accrued benefit at 30/09/09 £	Change in accrued benefit due to inflation £	Change in accrued benefit due to other factors £	**Accrued benefit at 30/09/10 £**	Transfer value at 30/09/09 £	Directors' contributions £	Increase in transfer value net of Directors' contributions £	**Transfer value at 30/09/10 £**
M W Peacock (retired 7 October 2010)	52	20,742	977	1,727	**23,446**	394,196	5,804	68,131	**468,131**
T J Walker (retired 9 February 2010)	62	22,223	497	1,131	**23,851**	576,559	2,903	77,902	**657,364**

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 £28,404 and £27,080 respectively.

The cost of pension contributions payable and accrued under defined contribution arrangements for D R Hummel amounted to £21,255 (2009: £23,374).

Directors' shares

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

	30/09/10 Beneficial	**30/09/10 Non-beneficial**	30/09/09 Beneficial	30/09/09 Non-beneficial
Executive Directors				
D R Hummel	**3,590,465**	**210,010**	3,679,940	179,000
M W Peacock (retired 7 October 2010)	**124,487**	–	97,593	–
Chairman				
A M Frew (appointed Chairman 1 October 2008)	**14,184**	–	14,184	–
Non-executive Directors				
G F B Kerr	**2,500**	–	2,500	–
P J M De Smedt	**2,000**	–	2,000	–
L C Pentz	**2,000**	–	2,000	–

The mid-market price of Victrex plc ordinary shares at 30 September 2010 was 1,276.0p (2009: 763.5p). The range in the financial year was 749.0p to 1,286.0p (2009: 371.5p to 785.5p).

The Directors' Sharesave options at 30 September 2010 were nil (2009: nil). No Sharesave options lapsed during the period. In accordance with the rules of the scheme the exercise price equates to a discount of 20% on the market value of the ordinary shares on the date of grant. To reflect the relevant statutory provisions, no performance conditions apply to these options.

Report on Directors' Remuneration continued

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 ordinary shares under these plans at 30 September 2010, as set out below, were as follows:

	30/09/09	Granted in year	Exercised in year	Lapsed in year	**30/09/10**
D R Hummel	224,351	49,741	(84,943)	(3,435)	**185,714**
M W Peacock (retired 7 October 2010)	150,584	30,434	(62,663)	(2,775)	**115,580**
T J Walker (retired 9 February 2010)	136,298	–	(80,038)	(56,260)	**–**
	511,233	80,175	(227,644)	(62,470)	**301,294**

The market value of the shares granted in the year was 805.0p per ordinary share on the date of the grant, which was 14 December 2009.

On 15 February 2010, under the 1999 LTIP, D R Hummel and M W Peacock exercised 84,943 and 62,663 share options respectively at an option price of nil p per ordinary share when the market price was 811.0p per ordinary share.

During the year, T J Walker retired and his contingent interest in LTIP shares were pro rated for reduced service periods and assessed on the basis of the EPS and TSR performance conditions as of his leaving date (31 March 2010).

M W Peacock's contingent interest in LTIP shares will be pro rated for reduced service periods and will be assessed on the basis of the EPS and TSR performance conditions as of his leaving date (28 February 2011).

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 2010, 387,846 shares (2009: 616,206) were held in trust as further described in note 19.

Outstanding option awards granted annually under the LTIP:

Granted in year	2007	2008	2009[4]	2010[4]	**30/09/10**
D R Hummel	7,424	35,731	92,818	49,741	**185,714**
M W Peacock (retired 7 October 2010)	5,797	28,865	50,484	30,434	**115,580**
	13,221	64,596	143,302	80,175	**301,294**

LTIP performance period — three years ending	30/09/09	30/09/10	30/09/11[4]	30/09/12[4]
TSR element[1]	23.68%	50.00%	n/a[3]	n/a[3]
EPS element[2]	nil%	41.23%	n/a[3]	n/a[3]
Total exercisable rate (% of grant)	23.68%	91.23%	n/a[3]	n/a[3]

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

(2) Based on 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 2009 and 2010 are not yet complete and hence the exercisable rate has yet to be determined.

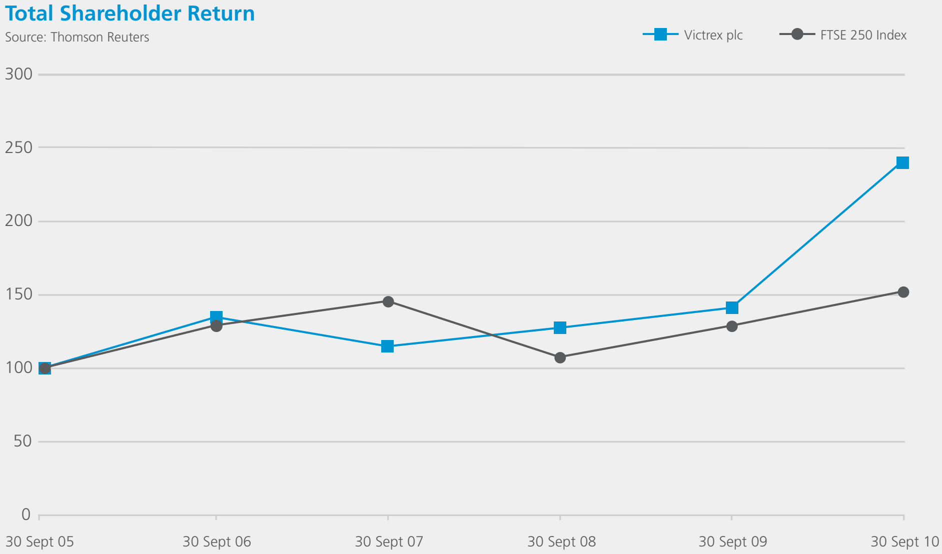
(4) The performance conditions applicable to these 2009 LTIP option awards are outlined on page 29.

Total Shareholder Return performance graph

The following graph shows the cumulative Total Shareholder Return of the Company over the last five financial years relative to the FTSE 250 Index. The FTSE 250 Index has been selected for consistency as it is the Index against which the Company's Total Shareholder Return is measured for the purposes of the LTIP. In addition, the Company is a constituent of the Index.

Total Shareholder Return

Source: Thomson Reuters



This graph shows the value, by 30 September 2010, of £100 invested in Victrex plc on 30 September 2005 compared with the value of £100 invested in the FTSE 250 Index on the same date. The other points plotted are the values at intervening financial year-ends.

Patrick De Smedt
Chairman of the Remuneration Committee
6 December 2010

Governance

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 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 21.

By order of the Board

Peter Bream

Peter Bream
Finance Director
6 December 2010

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 2010 set out on pages 37 to 71. 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 Chapter 3 of Part 16 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 Responsibility Statement of the Directors set out on page 34, 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 website 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 2010 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 23, 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.

David Bills (Senior Statutory Auditor)
for and on behalf of
KPMG Audit Plc
Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
6 December 2010

Accounts

Contents

Consolidated Income Statement

For the year ended 30 September

	Note	2010 £000	2009 £000
Revenue	2	**189,473**	103,822
Cost of sales	3	**(68,921)**	(39,307)
Gross profit		**120,552**	64,515
Sales, marketing and administrative expenses	3	**(45,657)**	(39,420)
Operating profit	2	**74,895**	25,095
Financial income	5	**139**	91
Financial expenses	6	**(93)**	(60)
Profit before tax		**74,941**	25,126
Income tax expense	7	**(20,984)**	(7,287)
Profit for the year attributable to owners of the parent		**53,957**	17,839
Earnings per share			
Basic	8	**65.1p**	21.7p
Diluted	8	**64.4p**	21.6p
Dividend per ordinary share			
Interim	19	**6.4p**	5.2p
Final	19	**18.6p**	14.0p
Special	19	**50.0p**	–
	19	**75.0p**	19.2p

A final dividend in respect of 2010 of 18.6p and a special dividend of 50.0p per ordinary share have been recommended by the Directors for approval at the Annual General Meeting in February 2011.

Consolidated Statement of Comprehensive Income

For the year ended 30 September

	Note	2010 £000	2009 £000
Profit for the year		**53,957**	17,839
Other comprehensive income			
Currency translation differences for foreign operations		**160**	1,935
Effective portion of changes in fair value of cash flow hedges		**217**	(19,923)
Net change in fair value of cash flow hedges transferred to profit or loss		**2,233**	25,366
Defined benefit pension schemes actuarial losses	16	**(846)**	(7,210)
Tax on other comprehensive income	7	**(89)**	(2,178)
Total other comprehensive income for the year		**1,675**	(2,010)
Total comprehensive income for the year attributable to owners of the parent		**55,632**	15,829

Balance Sheets

As at 30 September

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Assets					
Non-current assets					
Property, plant and equipment	9	**125,335**	129,484	**–**	–
Intangible assets	10	**10,110**	10,263	**–**	–
Investments	11	**–**	–	**13,665**	13,665
Deferred tax assets	12	**9,653**	7,096	**–**	–
		145,098	146,843	**13,665**	13,665
Current assets					
Inventories	13	**34,520**	37,168	**–**	–
Current income tax assets		**741**	1,015	**–**	–
Trade and other receivables	14	**19,114**	15,663	**30,711**	40,092
Derivative financial instruments	15	**2,240**	1,702	**–**	–
Cash and cash equivalents		**77,271**	18,563	**11**	16
		133,886	74,111	**30,722**	40,108
Total assets		**278,984**	220,954	**44,387**	53,773
Liabilities					
Non-current liabilities					
Deferred tax liabilities	12	**(15,654)**	(15,587)	**–**	–
Retirement benefit obligations	16	**(9,501)**	(10,831)	**–**	–
		(25,155)	(26,418)	**–**	–
Current liabilities					
Derivative financial instruments	15	**(2,269)**	(6,303)	**–**	–
Current income tax liabilities		**(15,106)**	(5,424)	**(187)**	(184)
Trade and other payables	17	**(25,150)**	(14,582)	**(5,884)**	(5,884)
		(42,525)	(26,309)	**(6,071)**	(6,068)
Total liabilities		**(67,680)**	(52,727)	**(6,071)**	(6,068)
Net assets		**211,304**	168,227	**38,316**	47,705
Equity					
Share capital		**836**	831	**836**	831
Share premium		**24,268**	21,653	**24,268**	21,653
Translation reserve		**2,565**	2,405	**–**	–
Hedging reserve		**115**	(1,651)	**–**	–
Retained earnings		**183,520**	144,989	**13,212**	25,221
Total equity attributable to owners of the parent	19	**211,304**	168,227	**38,316**	47,705

These financial statements of Victrex plc, registered number 2793780, were approved by the Board of Directors on 6 December 2010 and were signed on its behalf by:

D R Hummel
Chief Executive

P E Bream
Finance Director

Cash Flow Statements

For the year ended 30 September

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Cash flows from operating activities					
Cash generated from operations	20	**90,919**	26,804	**11,131**	7,709
Interest and similar charges paid		**(106)**	(50)	**–**	–
Interest received		**84**	91	**–**	–
Tax paid		**(13,682)**	(11,156)	**–**	–
Net cash flow from operating activities		**77,215**	15,689	**11,131**	7,709
Cash flows from investing activities					
Acquisition of property, plant and equipment	9	**(4,558)**	(7,468)	**–**	–
Dividends received		**–**	–	**3,139**	7,413
Net cash flow from investing activities		**(4,558)**	(7,468)	**3,139**	7,413
Cash flows from financing activities					
Issue of ordinary shares exercised under option	19	**5**	2	**5**	2
Premium on issue of ordinary shares exercised under option	19	**2,615**	930	**2,615**	930
Purchase of own shares held	19	**–**	(977)	**–**	(977)
Dividends paid	19	**(16,895)**	(15,080)	**(16,895)**	(15,080)
Net cash flow from financing activities		**(14,275)**	(15,125)	**(14,275)**	(15,125)
Net increase/(decrease) in cash and cash equivalents		**58,382**	(6,904)	**(5)**	(3)
Effect of exchange rate fluctuations on cash held		**326**	1,935	**–**	–
Cash and cash equivalents at beginning of year		**18,563**	23,532	**16**	19
Cash and cash equivalents at end of year		**77,271**	18,563	**11**	16

Consolidated Statement of Changes in Equity

	Note	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Equity at 1 October 2008		829	20,723	470	(5,570)	150,342	166,794
Total comprehensive income for the year							
Profit		–	–	–	–	17,839	17,839
Other comprehensive income							
Currency translation differences for foreign operations		–	–	1,935	–	–	1,935
Effective portion of changes in fair value of cash flow hedges		–	–	–	(19,923)	–	(19,923)
Net change in fair value of cash flow hedges transferred to profit or loss		–	–	–	25,366	–	25,366
Defined benefit pension schemes actuarial losses	16	–	–	–	–	(7,210)	(7,210)
Tax on other comprehensive income	7	–	–	–	(1,524)	(654)	(2,178)
Total other comprehensive income for the year		–	–	1,935	3,919	(7,864)	(2,010)
Total comprehensive income for the year		–	–	1,935	3,919	9,975	15,829
Contributions by and distributions to owners of the Company							
Share options exercised	19	2	930	–	–	–	932
Equity-settled share-based payment transactions	18	–	–	–	–	729	729
Purchase of own shares held	19	–	–	–	–	(977)	(977)
Dividends to shareholders	19	–	–	–	–	(15,080)	(15,080)
Equity at 30 September 2009		831	21,653	2,405	(1,651)	144,989	168,227
Total comprehensive income for the year							
Profit		**–**	**–**	**–**	**–**	**53,957**	**53,957**
Other comprehensive income							
Currency translation differences for foreign operations		**–**	**–**	**160**	**–**	**–**	**160**
Effective portion of changes in fair value of cash flow hedges		**–**	**–**	**–**	**217**	**–**	**217**
Net change in fair value of cash flow hedges transferred to profit or loss		**–**	**–**	**–**	**2,233**	**–**	**2,233**
Defined benefit pension schemes actuarial losses	16	**–**	**–**	**–**	**–**	**(846)**	**(846)**
Tax on other comprehensive income	7	**–**	**–**	**–**	**(684)**	**595**	**(89)**
Total other comprehensive income for the year		**–**	**–**	**160**	**1,766**	**(251)**	**1,675**
Total comprehensive income for the year		**–**	**–**	**160**	**1,766**	**53,706**	**55,632**
Contributions by and distributions to owners of the Company							
Share options exercised	19	**5**	**2,615**	**–**	**–**	**–**	**2,620**
Equity-settled share-based payment transactions	18	**–**	**–**	**–**	**–**	**1,720**	**1,720**
Dividends to shareholders	19	**–**	**–**	**–**	**–**	**(16,895)**	**(16,895)**
Equity at 30 September 2010		**836**	**24,268**	**2,565**	**115**	**183,520**	**211,304**

Company Statement of Changes in Equity

	Note	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Equity at 1 October 2008		829	20,723	–	–	32,908	54,460
Total comprehensive income for the year							
Profit		–	–	–	–	7,641	7,641
Contributions by and distributions to owners of the Company							
Share options exercised	19	2	930	–	–	–	932
Equity-settled share-based payment transactions	18	–	–	–	–	729	729
Purchase of own shares held	19	–	–	–	–	(977)	(977)
Dividends to shareholders	19	–	–	–	–	(15,080)	(15,080)
Equity at 30 September 2009		831	21,653	–	–	25,221	47,705
Total comprehensive income for the year							
Profit		**–**	**–**	**–**	**–**	**3,166**	**3,166**
Contributions by and distributions to owners of the Company							
Share options exercised	19	**5**	**2,615**	**–**	**–**	**–**	**2,620**
Equity-settled share-based payment transactions	18	**–**	**–**	**–**	**–**	**1,720**	**1,720**
Dividends to shareholders	19	**–**	**–**	**–**	**–**	**(16,895)**	**(16,895)**
Equity at 30 September 2010		**836**	**24,268**	**–**	**–**	**13,212**	**38,316**

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 2010 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 6 December 2010.

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 Business Review on pages 4 to 20. In addition, note 15 on financial risk management details the Group's 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 2010 and remained undrawn at 6 December 2010 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 and 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.

A number of new standards and amendments to existing standards were effective for the financial year ended 30 September 2010. The effect of adopting the new standards, amendments to standards and interpretations which were mandatory for the first time for the year ended 30 September 2010 was as follows:

- As a result of the adoption of IAS 1 (Revised), the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income, and the Consolidated Statement of Changes in Equity is now presented separately as a primary statement;

- The amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations was adopted. The principal effect of this amendment is that when an award to an employee under a share option scheme lapses due to cancellation of the scheme then the full cost of the award will be expensed in the period in which the option lapses. The amendment also stipulates that an individual ceasing to pay contributions is classed as a cancellation, unless a replacement award is issued. Under the previous interpretation the lapsing of the award through employee cancellation would have resulted in the fair value of the option charged to date being reversed in the income statement. The amendment to IFRS 2 affects the Group's Save as You Earn ('SAYE') schemes. This interpretation is required to be applied fully retrospectively. The implementation of the interpretation has had no material impact on either the current or prior year financial statements;

- During the period IFRS 8 — Operating Segments was adopted. IFRS 8 requires operating segments to be identified and reported upon that are consistent with the level at which results are regularly reviewed by the entity's chief operating decision maker. The chief operating decision maker for the Group is the Victrex plc Board. In February 2009 the Group's business was strategically reorganised into two divisions: Victrex Polymer Solutions ('VPS') and Invibio Biomaterial Solutions ('Invibio'). VPS manufactures high performance thermoplastic polymers for customers in the transport, industrial and electronics markets. Invibio is the provider of biocompatible PEEK based polymers to medical device manufacturers. Divisional information is the primary basis on which information is reported to the Victrex plc Board and as such the segmental information in note 2 reflects this divisional structure. The performance of the divisions is assessed based on segmental operating profit; and

- IFRS 7 revised — Financial Instruments: Disclosures was adopted. Accordingly, disclosure is given regarding the level of the fair value hierarchy within which the fair values of the Group's forward foreign exchange contracts are categorised and the maturity analysis required in relation to the timing of cash flows.

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 2011:

- Improvements to IFRSs 2009:
  - Amendment to IAS 1 — Presentation of Financial Statements;
  - Amendment to IAS 7 — Statement of Cash Flows;
  - Amendment to IAS 17 — Leases;
  - Amendment to IAS 36 — Impairment of Assets;
  - Amendment to IAS 39 — Financial Instruments: Recognition and Measurement;
  - Amendments to IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations; and
  - Amendments to IFRS 8 — Operating Segments.
- Amendments to IFRS 2 — Share-based Payment;
- Amendment to IAS 32 — Financial Instruments: Presentation — Classification of Rights Issues;
- Improvements to IFRSs 2010:
  - Amendments to IFRS 3 — Business Combinations; and
  - Amendments to IAS 27 — Consolidated and Separate Financial Statements.
- IFRIC 19 — Extinguishing Financial Liabilities with Equity Instruments.

Notes to the Financial Statements continued

1. Significant accounting policies continued

Effective for the Group's financial year ending 30 September 2012:

- Revised IAS 24 — Related Party Disclosures;
- Improvements to IFRSs 2010:
  - — Amendment to IFRS 7 — Financial Instruments, Disclosures;
  - — Amendment to IAS 1 — Presentation of Financial Statements; and
  - — Amendment to IAS 34 — Interim Financial Reporting.
- Amendments to IFRIC 14 IAS 19 — The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction.

Effective for the Group's financial year ending 30 September 2014:

- IFRS 9 — Financial Instruments.

Investments

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

Basis of consolidation

Subsidiaries

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

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

During the year the Group has adopted IFRS 8 — Operating Segments. IFRS 8 requires operating segments to be identified and reported upon that are consistent with the level at which results are regularly reviewed by the entity's chief operating decision maker. The chief operating decision maker for the Group is the Victrex plc Board. Divisional information is the primary basis of information reported to the Victrex plc Board and this is reflected in the segmental information in note 2. The performance of the divisions is assessed based on segmental operating profit.

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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at weighted average exchange rates; and
- 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 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 transaction 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.

Notes to the Financial Statements continued

1. Significant accounting policies continued

Depreciation

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

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

Freehold land is not depreciated.

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

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

Intangible assets

Goodwill

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

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 CGU to which goodwill has been allocated 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 other comprehensive income or equity as appropriate.

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.

Notes to the Financial Statements continued

1. Significant accounting policies continued

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.

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.

Employee benefits

Defined contribution pension schemes

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

Defined benefit pension schemes

The Group's net obligation in respect of defined benefit pension schemes 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 not yet recognised. 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 comprehensive income as opposed to the income statement.

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

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 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.

Notes to the Financial Statements continued

2. Segment reporting

The Group's business is strategically organised as two divisions: Victrex Polymer Solutions, which focuses on our transport, industrial and electronics markets and Invibio Biomaterial Solutions, which focuses on providing specialist solutions for medical device manufacturers.

	Victrex Polymer Solutions 2010 £000	Invibio Biomaterial Solutions 2010 £000	Group 2010 £000	Victrex Polymer Solutions 2009 £000	Invibio Biomaterial Solutions 2009 £000	Group 2009 £000
Revenue from external sales	**145,265**	**44,208**	**189,473**	69,626	34,196	103,822
Segment operating profit	**48,329**	**28,109**	**76,438**	6,276	20,040	26,316
Unallocated central costs			**(1,543)**			(1,221)
Operating profit			**74,895**			25,095
Net financing income			**46**			31
Profit before tax			**74,941**			25,126
Income tax expense			**(20,984)**			(7,287)
Profit for the year attributable to owners of the parent			**53,957**			17,839
Other information						
Segment assets	**259,494**	**19,490**	**278,984**	203,770	17,184	220,954
Segment liabilities	**59,249**	**8,431**	**67,680**	45,852	6,875	52,727
Capital expenditure	**3,224**	**1,216**	**4,440**	7,100	263	7,363
Depreciation	**8,293**	**215**	**8,508**	8,074	223	8,297
Amortisation	**153**	**–**	**153**	610	–	610

Entity wide disclosures

Information about products and services

The Group derives its revenue from the sale of high performance thermoplastic polymers.

Information about geographical areas

The Group's country of domicile is the United Kingdom. Revenues are attributed to customers based on the customer's location. Geographical information about non-current assets excludes deferred tax assets and is based on the location of the assets. The location of intangible assets is the location of the Registered Office of the company to which they relate.

	Revenue from external sales 2010 £000	2009 £000
United Kingdom	**3,846**	3,666
Europe, Middle East and Africa ('EMEA')	**85,592**	43,545
Americas	**67,974**	45,834
Asia-Pacific	**32,061**	10,777
	189,473	103,822

	Non-current assets 2010 £000	2009 £000
United Kingdom	**132,152**	136,134
Other countries	**3,293**	3,613
	135,445	139,747

Information about major customers

Revenue derived from one of the Group's customers amounted to £22.7m (2009: £8.5m) of the Group's total revenue from external customers and is included in both segmental revenues.

3. Expenses by nature

	Note	2010 £000	2009 £000
Staff costs	4	**38,679**	31,892
Depreciation of property, plant and equipment	9	**8,508**	8,297
Amortisation of knowhow	10	**153**	610
Operating lease rentals	9	**1,195**	1,326
Other costs of manufacture		**50,969**	22,056
Other sales and marketing costs		**6,239**	7,148
Other administrative costs		**4,276**	3,418
Other research and development costs		**4,559**	3,980
		114,578	78,727

Auditor's remuneration is as follows:

	2010 £000	2009 £000
Audit services relating to:		
Victrex plc Annual Report and Accounts	**34**	32
The Company's subsidiaries, pursuant to legislation	**89**	80
Tax services	**–**	2
Other services	**70**	16
	193	130

4. Staff costs

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Wages and salaries		**30,611**	26,258	**258**	301
Social security costs		**3,062**	2,213	**30**	32
Defined contribution pension schemes		**1,615**	1,659	**–**	–
Defined benefit pension schemes	16	**1,671**	1,033	**–**	–
Equity-settled share-based payment transactions	18	**1,720**	729	**–**	–
	3	**38,679**	31,892	**288**	333

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

	Group 2010	Group 2009	Company 2010	Company 2009
Operations	**236**	234	**–**	–
Technical	**92**	96	**–**	–
Commercial	**118**	124	**–**	–
Administration	**53**	55	**4**	5
	499	509	**4**	5

5. Financial income

	2010 £000	2009 £000
Bank interest receivable	**139**	91

Notes to the Financial Statements continued

6. Financial expenses

	2010 £000	2009 £000
Bank interest and similar charges payable	**93**	60

7. Income tax expense

	Note	2010 £000	2009 £000
Current tax			
UK corporation tax on profits for the year		**18,815**	4,010
UK corporation tax adjustments relating to prior years		**(300)**	(340)
Overseas tax on profits for the year		**4,746**	2,396
Overseas tax adjustments relating to prior years		**(369)**	(62)
		22,892	6,004
Deferred tax			
Origination and reversal of temporary differences	12	**(1,604)**	1,283
Reduction in tax rate	12	**(304)**	–
Total tax expense in income statement		**20,984**	7,287

Reconciliation of effective tax rate

	2010 %	2010 £000	2009 %	2009 £000
Profit before tax		**74,941**		25,126
Tax expense at UK corporation tax rate	**28.0**	**20,984**	28.0	7,035
Effects of:				
Expenses not deductible for tax purposes		**494**		288
Higher rates of tax on overseas earnings		**1,264**		827
UK research and development tax credits and other allowances		**(844)**		(461)
UK corporation tax adjustments relating to prior years		**(300)**		(340)
Overseas tax adjustments relating to prior years		**(369)**		(62)
Reduction in tax rate		**(304)**		–
Differences between current and deferred tax rates		**59**		–
Effective tax rate	**28.0**	**20,984**	29.0	7,287

In July 2010, a reduction in the UK tax rate from 28% to 27%, which will be effective from 1 April 2011, was substantively enacted. In accordance with IAS 12 — Income Taxes, the deferred tax liabilities and assets have been calculated using a rate of 27%.

Tax recognised in other comprehensive income

	2010 £000	2009 £000
Cash flow hedges	**(684)**	(3,405)
Defined benefit pension schemes	**393**	1,528
Equity-settled transactions	**202**	(301)
	(89)	(2,178)

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).

		2010	2009
Earnings per share	— basic	**65.1p**	21.7p
	— diluted	**64.4p**	21.6p
Profit for the financial year		**£53,957,000**	£17,839,000
Weighted average number of shares used:			
Issued ordinary shares at beginning of year		**83,122,301**	82,897,093
Effect of own shares held		**(470,695)**	(642,042)
Effect of shares issued during the year		**271,119**	74,814
Basic weighted average number of shares		**82,922,725**	82,329,865
Effect of share options		**917,675**	384,567
Diluted weighted average number of shares		**83,840,400**	82,714,432

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 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
Exchange differences	(70)	25	6	8	–	(31)
Additions	21	1,655	393	53	2,318	4,440
Disposals	–	–	(393)	(52)	–	(445)
Reclassification	–	1,900	–	–	(1,900)	–
At 30 September 2010	**19,314**	**151,628**	**6,771**	**1,378**	**3,765**	**182,856**
Depreciation						
At 1 October 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
Exchange differences	2	5	11	6	–	24
Disposals	–	–	(381)	(38)	–	(419)
Depreciation charge	600	7,218	477	213	–	8,508
At 30 September 2010	**2,949**	**47,555**	**6,047**	**970**	**–**	**57,521**
Carrying amounts						
At 30 September 2010	**16,365**	**104,073**	**724**	**408**	**3,765**	**125,335**
At 30 September 2009	17,016	107,716	825	580	3,347	129,484

The Company has no property, plant or equipment.

Notes to the Financial Statements continued

9. Property, plant and equipment continued

Leased property, plant and equipment

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

Operating lease rentals of £1,195,000 (2009: £1,326,000) 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 30 September 2009 and 30 September 2010	**13,254**	**6,100**	**19,354**
Amortisation			
At 1 October 2008	3,144	5,337	8,481
Amortisation charge	–	610	610
At 30 September 2009	3,144	5,947	9,091
Amortisation charge	–	153	153
At 30 September 2010	**3,144**	**6,100**	**9,244**
Carrying amounts			
At 30 September 2010	**10,110**	**–**	**10,110**
At 30 September 2009	10,110	153	10,263

Goodwill

Goodwill comprises £10,110,000 in Victrex Polymer Solutions.

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. 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.

The goodwill of £10,110,000 is measured against the discounted future cash flow projections of our Victrex Polymer Solutions division. The long-term average growth rate used was 2.5% (2009: 2.5%) and the risk adjusted pre-tax discount rate was 7.5% (2009: 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 has been fully amortised. The charge has been recognised within cost of sales in the income statement.

11. Investments

Company	Shares in Group undertakings £000
Cost and carrying value	
At 30 September 2009 and 30 September 2010	**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 2010 £000	Employee benefits 2010 £000	Inventories 2010 £000	Other 2010 £000	Total 2010 £000	Property, plant and equipment 2009 £000	Employee benefits 2009 £000	Inventories 2009 £000	Other 2009 £000	Total 2009 £000
Deferred tax assets	**–**	**4,235**	**3,727**	**1,691**	**9,653**	–	4,040	2,531	525	7,096
Deferred tax liabilities	**(15,654)**	**–**	**–**	**–**	**(15,654)**	(15,587)	–	–	–	(15,587)
Net tax assets/(liabilities)	**(15,654)**	**4,235**	**3,727**	**1,691**	**(6,001)**	(15,587)	4,040	2,531	525	(8,491)

	Note	Property, plant and equipment £000	Employee benefits £000	Inventories £000	Other £000	Total £000
Movement in net provision						
At 1 October 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 other comprehensive income		–	1,227	–	(1,881)	(654)
At 30 September 2009		(15,587)	4,040	2,531	525	(8,491)
Exchange difference		–	(13)	–	–	(13)
Reduction in tax rate	7	557	(144)	(90)	(19)	304
Recognised in income statement	7	(624)	(243)	1,286	1,185	1,604
Recognised in other comprehensive income		–	595	–	–	595
At 30 September 2010		**(15,654)**	**4,235**	**3,727**	**1,691**	**(6,001)**

13. Inventories

	2010 £000	2009 £000
Raw materials and consumables	**8,124**	7,239
Work in progress	**2,640**	3,461
Finished goods	**23,756**	26,468
	34,520	37,168

Notes to the Financial Statements continued

14. Trade and other receivables

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade receivables	**17,930**	14,298	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**30,711**	40,092
Prepayments	**917**	972	**–**	–
Other	**267**	393	**–**	–
	19,114	15,663	**30,711**	40,092

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 98% 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 for 2010 is £3.1m, £2.9m and £0.6m (2009: £1.9m, £1.4m and £0.3m respectively). The impact of a 5% movement in the average sterling/US Dollar, sterling/Euro and sterling/Yen rates on equity for 2010 is £1.3m, £0.4m and £0.4m (2009: £0.9m, £0.3m and £0.3m 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 26. 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 are as follows:

	Notional contract amount 2010 £000	Carrying amount and fair value 2010 £000	Notional contract amount 2009 £000	Carrying amount and fair value 2009 £000
Current assets	**80,194**	**2,240**	9,010	1,702
Current liabilities	**50,700**	**(2,269)**	76,389	(6,303)
	130,894	**(29)**	85,399	(4,601)

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. These are categorised as Level 1 within the fair value hierarchy under IFRS 7.

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 is applied are expected to occur:

	Expected cash flows 2010 £000	**6 months or less 2010 £000**	**6 to 12 months 2010 £000**	**12 to 18 months 2010 £000**	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	**78,653**	**35,899**	**36,985**	**5,769**	10,762	2,923	7,839	–
Liabilities	**51,700**	**27,583**	**24,117**	**–**	73,412	36,477	32,392	4,543
	130,353	**63,482**	**61,102**	**5,769**	84,174	39,400	40,231	4,543

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 2010 £000	**6 months or less 2010 £000**	**6 to 12 months 2010 £000**	**12 to 18 months 2010 £000**	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	**1,541**	**1,541**	**–**	**–**	(1,752)	(2,261)	509	–
Liabilities	**(1,000)**	**(1,000)**	**–**	**–**	2,977	2,977	–	–
	541	**541**	**–**	**–**	1,225	716	509	–

Any change in the fair value of these items is recognised in the income statement.

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2010 will be recognised in the income statement during the period in which the hedged forecast transaction affects the income statement. At 30 September 2010, there are a number of hedged foreign currency transactions which are expected to occur at various dates during the next 12 months. During the year, £185,000 relating to forward exchange contracts on the balance sheet at 30 September 2010 was released to the income statement (2009: £2,306,000).

Notes to the Financial Statements continued

15. Financial risk management continued

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:

	2010 £000	2009 £000
Amounts neither past due nor impaired	**15,698**	12,301
Amounts past due but not impaired:		
Less than 30 days	**2,021**	1,715
30–60 days	**145**	132
More than 60 days	**66**	150
Total past due but not impaired	**2,232**	1,997
Amounts impaired	**350**	385
Impairment allowances	**(350)**	(385)
Carrying amount of impaired receivables	**–**	–
Trade receivables net of allowances	**17,930**	14,298

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:

	2010 £000	2009 £000
At beginning of year	**385**	663
Charge/(release) in the year	**18**	(287)
Utilisation of provision	**(58)**	–
Exchange adjustments	**5**	9
At end of year	**350**	385

Amounts receivable from the Group's major customer are not considered to pose a significant credit risk based on historic payment behaviour, strict credit terms and the customer's size and strength.

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 2010, the maximum exposure with a single bank for deposits was £24.2m (2009: £6.7m) for the Group. At 30 September 2010, the mark to market exposure on forward foreign exchange contracts was a net gain position of £0.1m with any single bank. At the prior financial year end, there was a net financial liability position with each bank. The amounts on deposit at the year end represent the Group's maximum exposure to credit risk on cash and deposits.

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 2010 the Group had a cash and cash equivalents balance of £77,271,000.

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. The Group's policy for managing capital is to maintain a strong balance sheet with the objective of maintaining customer, supplier and investor confidence in the business and to ensure that the Group has sufficient resources to be able to invest in future development and growth of the business.

The Board regularly reviews the Group's capital structure and when deemed necessary may take action to adjust it. This was demonstrated by the Directors' recommendation of payment in February 2011 of a special dividend to shareholders in addition to the final dividend for the year ended September 2010.

The Board do not expect to make significant share repurchases in 2011, although there is a resolution proposed at each Annual General Meeting ('AGM') to authorise the Company to make one or more market purchases of its ordinary shares up to a maximum number of shares equal to 10% of its issued ordinary share capital as at the date of the AGM notice.

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

	2010 £000	2009 £000
Total equity	**211,304**	168,227
Total assets	**278,984**	220,954
Equity ratio	**76%**	76%

Notes to the Financial Statements continued

15. Financial risk management continued

Summary of categories of financial assets and liabilities

	Carrying amount and fair value Group 2010 £000	Carrying amount and fair value Group 2009 £000
Financial assets		
Derivative instruments designated as fair value through profit and loss ('FVTPL')	**111**	130
Derivative instruments in designated hedge accounting relationships	**2,129**	1,572
Loans and receivables	**18,197**	14,691
Cash and cash equivalents	**77,271**	18,563
Financial liabilities		
Derivative instruments designated as FVTPL	**(12)**	(1,565)
Derivative instruments in designated hedge accounting relationships	**(2,257)**	(4,738)
Trade and other payables	**(25,150)**	(14,582)

The maturity profile and basis of the fair value calculation of the derivative instruments in designated hedge accounting relationships and trade receivables are given on pages 57 and 58 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

As at 30 September	2010	2009
Discount rate	**5.30%**	5.70%
Expected return on schemes' assets[1]	**6.46%**	6.50%
Future salary increases	**5.05%**	5.00%
Future pension increases	**3.50%**	3.40%
Mortality tables	**PNA00 CMI 2009 (1%)**	PA92mc
Life expectancy from age 62 of current pensioners:		
Male	**25.5 yrs**[2]	25.6 yrs[3]
Female	**27.4 yrs**[2]	28.9 yrs[3]
Life expectancy from age 62 of active and deferred members:		
Male	**26.8 yrs**[4]	27.3 yrs[5]
Female	**28.8 yrs**[4]	30.8 yrs[5]

(1) The future expected return on assets of 6.46% (2009: 6.5%) per annum has been derived from assumed returns of 7.5% (2009: 7.5%) per annum from equity assets, 5.3% (2009: 5.7%) per annum from bonds and 0.5% (2009: 0.5%) 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 2010.

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

(4) Life expectancy from age 62 for members aged 45 in 2010.

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

Amounts recognised in the balance sheet

As at 30 September	**2010 £000**	2009 £000	2008 £000	2007 £000	2006 £000
Present value of funded obligations	**(40,522)**	(34,832)	(24,027)	(26,218)	(28,590)
Fair value of schemes' assets	**31,021**	24,001	17,649	19,108	16,431
Net liability before deferred taxation	**(9,501)**	(10,831)	(6,378)	(7,110)	(12,159)
Related deferred taxation asset	**2,565**	3,033	1,786	1,991	3,648
Net liability after deferred taxation	**(6,936)**	(7,798)	(4,592)	(5,119)	(8,511)
Change in assumptions and experience adjustments arising on schemes' liabilities	**(2,843)**	(9,033)	4,509	5,185	(4,778)
Experience adjustments arising on schemes' assets	**1,997**	1,823	3,642	544	728

Changes in the present value of the funded obligation

	2010 £000	2009 £000
Defined benefit obligation at beginning of year	**(34,832)**	(24,027)
Exchange difference	**88**	(162)
Service cost	**(1,423)**	(1,075)
Interest cost	**(2,006)**	(1,453)
Actuarial losses	**(2,843)**	(9,033)
Benefits paid	**494**	918
Defined benefit obligation at end of year	**(40,522)**	(34,832)

The Group expects to contribute £3,984,000 to its defined benefit pension schemes during the year ending 30 September 2011, which includes normal contributions together with the third of three deficit funding contributions of £2,555,000.

Changes in the fair value of the schemes' assets

	2010 £000	2009 £000
Fair value of schemes' assets at beginning of year	**24,001**	17,649
Exchange difference	**(42)**	93
Expected return	**1,650**	1,389
Actuarial gains	**1,997**	1,823
Contributions by employer	**3,801**	3,859
Contributions by employee	**108**	106
Benefits paid	**(494)**	(918)
Fair value of schemes' assets at end of year	**31,021**	24,001
Actual return on schemes' assets	**(1,560)**	1,892

Notes to the Financial Statements continued

16. Retirement benefit obligations continued

Major categories of schemes' assets

As at 30 September	2010 £000	2009 £000
UK equities	**5,919**	4,777
Non UK equities	**11,098**	9,152
Bonds	**12,589**	8,752
Cash	**522**	514
Insurance policies	**893**	806
Fair value of schemes' assets at end of year	**31,021**	24,001

Amounts recognised in the income statement

	Note	2010 £000	2009 £000
Current service cost		**(1,423)**	(1,075)
Contributions by employee		**108**	106
Interest on obligations		**(2,006)**	(1,453)
Other finance income and expenditure		**1,650**	1,389
Total included in 'staff costs'	4	**(1,671)**	(1,033)

Of the total included in staff costs, £974,000 is included within cost of sales (2009: £593,000) and £697,000 is included within sales, marketing and administrative expenses (2009: £440,000).

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

	2010 £000	2009 £000
Cumulative amount at beginning of year	**(12,036)**	(4,826)
Movement in year	**(846)**	(7,210)
Cumulative amount at end of year	**(12,882)**	(12,036)

17. Trade and other payables

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade payables	**3,707**	4,678	**4**	4
Amounts owed to Group undertakings	**–**	–	**5,870**	5,870
Accruals	**18,701**	8,778	**–**	–
Other	**2,742**	1,126	**10**	10
	25,150	14,582	**5,884**	5,884

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 ten 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 within a ten year period 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.

Outstanding options as at balance sheet date

Grant date	**2010 Number of options**	2009 Number of options
July 2001	**–**	5,000
June 2002	**–**	1,712
June 2003	**–**	8,529
December 2003	**–**	2,431
July 2004	**2,023**	82,631
December 2004	**1,072**	4,173
	3,095	104,476

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	**2010 Number of options**	2009 Number of options
February 2005	**–**	1,021
June 2005	**43,807**	174,288
December 2005	**3,197**	30,954
June 2006	**107,947**	282,887
December 2006	**–**	53,058
June 2007	**–**	349,684
December 2007	**59,849**	65,438
May 2008	**309,186**	322,051
December 2008	**99,038**	119,194
May 2009	**40,487**	42,179
December 2009	**212,909**	–
May 2010	**18,220**	–
	894,640	1,440,754

Notes to the Financial Statements continued

18. Share-based payments continued

Sharesave Scheme

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

Outstanding options as at balance sheet date

Grant date	Vesting conditions	**2010 Number of options**	2009 Number of options
March 2005	Five years of service and saving	**–**	12,648

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 ordinary shares less 20% on the date of grant.

Outstanding options as at balance sheet date

Grant date	Vesting conditions	**2010 Number of options**	2009 Number of options
March 2006	Five years of service and saving	**19,664**	19,664
March 2007	Three years of service and saving	**–**	15,064
March 2007	Five years of service and saving	**7,310**	7,310
March 2008	Three years of service and saving	**30,597**	32,670
March 2008	Five years of service and saving	**7,563**	7,563
March 2009	Three years of service and saving	**318,995**	339,730
March 2009	Five years of service and saving	**228,464**	229,022
March 2010	Three years of service and saving	**25,038**	–
March 2010	Five years of service and saving	**5,074**	–
		642,705	651,023

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 ordinary 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 an ordinary share on the date of grant or the date of purchase.

Awards may be granted over a number of ordinary 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 (2009: nil).

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

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

Each year executive Directors were eligible to be awarded options to acquire, at no cost, market purchased ordinary 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.

Outstanding options as at balance sheet date

Grant date	**2010 Number of options**	2009 Number of options
April 2005	**–**	116,780
December 2005	**–**	90,070
December 2006	**13,221**	18,496
December 2007	**64,596**	99,107
	77,817	324,453

Notes to the Financial Statements continued

18. Share-based payments continued

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 ordinary 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	2010 Number of options	2009 Number of options
February 2009	**188,665**	232,143
December 2009	**93,963**	–
February 2010	**13,487**	–
	296,115	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	646p	1,545,230	375p	663,671	–	–	nil p	556,596
Granted during the year	816p	238,903	637p	32,197	403p	20,023	nil p	107,450
Forfeited during the year	731p	(451,550)	404p	(25,831)	–	–	nil p	(62,470)
Exercised during the year	553p	(434,848)	483p	(27,332)	403p	(20,023)	nil p	(227,644)
Outstanding at end of year	**693p**	**897,735**	**383p**	**642,705**	**–**	**–**	**nil p**	**373,932**
Range of exercise prices		355.0p–939.5p		348.0p–658.0p		–		nil p
Weighted average contractual life (years)		7.8		2.7		4.5		8.4
Exercisable at end of year	642p	158,046		–		–		–

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	204p	178p	270p	475p
Share price at grant	706p	525p	880p	626p
Exercise price	693p	383p	n/a	nil p
Expected volatility	30%	37%	30%	37%
Option life	10yrs	4yrs	5yrs	10yrs
Expected dividends	2.5%	3.6%	2.2%	0.5%
Risk-free interest rate	4.0%	2.3%	0.7%	2.4%

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	2010 £000	2009 £000
ESOS and ESOP		**440**	92
Sharesave Scheme and Plan		**409**	112
Stock Purchase Plan		**18**	61
LTIP		**853**	464
	4	**1,720**	729

Notes to the Financial Statements continued

19. Share capital and reserves

Share capital

	2010 Number	2010 £000	2009 Number	2009 £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	**83,122,301**	**831**	82,897,093	829
Issued for cash	**482,203**	**5**	225,208	2
At end of year	**83,604,504**	**836**	83,122,301	831

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary 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 2010 was 387,846 (2009: 616,206). 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 2010 £000	Year ended 30 September 2009 £000
Year ended 30 September 2008		
final dividend paid February 2009 at 13.1p per ordinary share	**–**	10,795
Year ended 30 September 2009		
interim dividend paid July 2009 at 5.2p per ordinary share	**–**	4,285
final dividend paid February 2010 at 14.0p per ordinary share	**11,574**	–
Year ended 30 September 2010		
interim dividend paid July 2010 at 6.4p per ordinary share	**5,321**	–
	16,895	15,080

A final dividend in respect of 2010 of £15,480,000 (18.6p per ordinary share) and a special dividend of £41,610,000 (50.0p per ordinary share) have been recommended by the Directors for approval at the Annual General Meeting in February 2011. These financial statements do not reflect this dividend payable.

20. Reconciliation of profit to cash generated from operations

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Profit after tax for the year		**53,957**	17,839	**3,166**	7,641
Income tax expense	7	**20,984**	7,287	**3**	428
Net financing income		**(46)**	(31)	**–**	–
Operating profit		**74,895**	25,095	**3,169**	8,069
Adjustments for:					
Depreciation	9	**8,508**	8,370	**–**	–
Amortisation	10	**153**	610	**–**	–
Decrease/(increase) in inventories		**2,919**	(5,493)	**–**	–
(Increase)/decrease in trade and other receivables		**(3,239)**	2,532	**11,101**	5,973
Increase/(decrease) in trade and other payables		**10,210**	(2,726)	**–**	1,080
Equity-settled share-based payment transactions	18	**1,720**	729	**–**	–
Changes in fair value of derivative financial instruments		**(2,121)**	444	**–**	–
Retirement benefit obligations charge less contributions		**(2,126)**	(2,757)	**–**	–
Dividends received from subsidiaries		**–**	–	**(3,139)**	(7,413)
Cash generated from operations		**90,919**	26,804	**11,131**	7,709

21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2010 £000	Group 2009 £000
Not later than one year	**1,007**	1,045
Later than one year but not later than five years	**1,663**	1,261
Later than five years	**3,189**	3,368
	5,859	5,674

22. Reconciliation of net cash to movements in net cash

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Increase/(decrease) in cash and cash equivalents in year	**58,382**	(6,904)	**(5)**	(3)
Effect of exchange rate fluctuations on cash held	**326**	1,935	**–**	–
Movement in net cash in year	**58,708**	(4,969)	**(5)**	(3)
Net cash at beginning of year	**18,563**	23,532	**16**	19
Net cash at end of year	**77,271**	18,563	**11**	16

Notes to the Financial Statements continued

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 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trading transactions with subsidiaries				
Administrative expenses paid on Company's behalf by subsidiary	–	–	465	482
Management charge to subsidiaries	–	–	2,250	1,176
Amounts receivable from subsidiaries	–	–	30,711	40,092
Financing transactions with subsidiaries				
Dividends received from subsidiaries	–	–	3,139	7,413
Cash transfers received from subsidiaries	–	–	17,459	16,077
Cash transfers made to subsidiaries	–	–	6,291	9,063

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 Report on Directors' Remuneration on pages 28 to 33.

Directors of the Company control 5% of the voting shares of the Company, details of which are given on page 31.

Details of Directors' indemnities are given on page 23.

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. These estimates and assumptions 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 2010 Average	**Year ended 30 September 2010 Closing**	Year ended 30 September 2009 Average*	Year ended 30 September 2009 Closing
US Dollar	**1.58**	**1.58**	1.85	1.60
Euro	**1.15**	**1.15**	1.31	1.09
Yen	**153**	**132**	181	143

* Excluding adverse impact from buyout of surplus forward exchange contracts.

Five Year Financial Summary

For the year ended 30 September

	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Results					
Revenue	122.5	131.0	141.1	103.8	**189.5**
Profit before tax	46.1	52.0	55.0	25.1	**74.9**
Balance sheet					
Fixed assets	93.8	124.3	140.8	139.7	**135.4**
Inventories	23.0	27.9	31.7	37.2	**34.5**
Net cash	26.9	13.7	23.5	18.6	**77.3**
Trade receivables and other assets	22.9	24.1	27.4	25.4	**31.8**
Retirement benefit obligations	(12.2)	(7.1)	(6.4)	(10.8)	**(9.5)**
Trade payables and other liabilities	(40.9)	(41.4)	(50.2)	(41.9)	**(58.2)**
Equity shareholders' funds	113.5	141.5	166.8	168.2	**211.3**
Cash flow					
Net cash flow from operating activities	43.1	38.9	46.6	15.7	**77.2**
Capital expenditure	(21.5)	(37.2)	(25.0)	(7.5)	**(4.5)**
Acquisitions	–	(1.0)	–	–	**–**
Dividends and other items	(10.2)	(10.0)	(17.1)	(15.1)	**(14.3)**
Net increase/(decrease) in cash and cash equivalents	11.4	(9.3)	4.5	(6.9)	**58.4**
Ratios					
Earnings per ordinary share — basic	39.4p	44.9p	47.8p	21.7p	**65.1p**
Full year dividend per ordinary share	14.4p	17.3p	18.3p	19.2p	**25.0p**
Special dividend per ordinary share	–	–	–	–	**50.0p**
Sales volume					
Tonnes	2,339	2,508	2,626	1,547	**2,535**

Notice of Annual General Meeting

Notice is hereby given that the eighteenth Annual General Meeting ('AGM') of Victrex plc ('the Company') will be held at 11am on 8 February 2011, 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 2010.

2. To receive the Company's Annual Report and Accounts for the year ended 30 September 2010, together with the reports of the Directors and the auditor.

3. To approve the payment of a final dividend of 18.6p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2010.

4. To approve the payment of a special dividend of 50.0p per share on the Company's ordinary shares of 1p.

5. To re-elect Mr P E Bream who, having been appointed as a Director after the last AGM of the Company, retires and offers himself for re-election.

6. To re-elect Ms A M Frew, who offers herself for re-election.

7. To re-elect Mr G F B Kerr, who retires and offers himself for re-election.

8. To re-elect Mr P J M De Smedt, who retires and offers himself for re-election.

9. To re-elect Mr L C Pentz, who retires and offers himself for re-election.

10. To re-elect Mr D R Hummel, who retires and offers himself for re-election.

11. 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:

12. 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 £278,714; and
    b) up to a nominal amount of £278,714 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 8 May 2012) 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:

13. That, conditional upon resolution 12 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 12, by way of a rights issue only):

Notice of Annual General Meeting continued

(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 12 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 £41,807.

Such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 8 May 2012) 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.

14. 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 8,361,408 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% 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

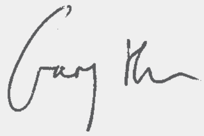
(ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out; and

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 8 May 2012) 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.

15. That a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board



G M Hulme
Company Secretary
6 December 2010

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 6 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 3 December 2010 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 83,614,084 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 3 December 2010 are 83,614,084. 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 6 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.

Notes continued

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.

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:

    a) 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
    b) 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:

    a) 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
    b) 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 28 December 2010, being the date six 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 existing Memorandum and Articles of Association.

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 28 to 33.

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 final dividend

A final dividend of 18.6p per ordinary share payable on 25 February 2011 has been recommended by the Directors for the year ended 30 September 2010. In accordance with the requirements of HM Revenue & Customs, all dividends are declared and paid net of income tax at the standard rate.

Resolution 4 — Declaration of special dividend

A special dividend of 50.0p per ordinary share payable on 25 February 2011 has been recommended by the Directors. In accordance with the requirements of HM Revenue & Customs, all dividends are declared and paid net of income tax at the standard rate.

Resolutions 5 to 10 — Re-election of Directors

In accordance with the Articles of Association Mr P E Bream (who was appointed as a Director after the last Annual General Meeting of the Company) is required to retire as a Director. He will, however, seek re-election by the shareholders. In addition, Ms A M Frew offers herself for re-election as a Director and will seek re-election by the shareholders in accordance with the Articles of Association of the Company. Mr D R Hummel and the other three non-executive Directors all offer themselves for re-election pursuant of the new UK Corporate Governance Code which, although not effective until the year ending 30 September 2011, advocates annual 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.

The Board considers that non-executive Directors Giles Kerr, Patrick De Smedt and Larry Pentz have added breadth, perspective and value to the Board's deliberations and recommends their re-election.

Specifically, Patrick De Smedt brings a breadth of international and industrial experience, with knowledge of market and geographical development. He chairs the Remuneration Committee of the Board, as well as sitting on the Audit and Nominations Committees.

Lawrence Pentz also brings a breadth of international and industrial experience, with knowledge of market and geographical development. He sits on the Audit, Nominations and Remuneration Committees and with effect from 1 October 2010 chairs the Risk Management Committee.

Giles Kerr brings a range of recent and relevant financial experience to his role as Chairman of the Audit Committee. He is a Chartered Accountant and the Senior Independent Director.

Biographical details of all Directors seeking re-election are set out on page 21.

Resolution 11 — Reappointment of auditor/auditor's remuneration

This resolution proposes the reappointment of KPMG Audit Plc as auditor of the Company and authorises the Directors to determine their remuneration.

Special Business

Resolution 12 — 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 8 May 2012, 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 13 — 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 £41,807, representing approximately 5% of the current issued ordinary share capital, other than to existing shareholders in order to take advantage of

Explanatory Notes continued

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 8 May 2012, if sooner.

Resolution 14 — Authority to purchase own shares
In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 14 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 will be reduced accordingly, or be held as treasury shares. Shares held as treasury shares can in the future be cancelled, resold or used to provide shares for employee share schemes.

As at 3 December 2010, options over a total of 1,528,995 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represents 1.83% of the Company's issued Ordinary Share capital at 3 December 20010. It would represent 2.03% 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 8 May 2012, if sooner.

Resolution 15 — Authority to hold general meetings (other than annual general meetings) on 14 clear days' notice
This Resolution is required to reflect the changes made to the Companies Act 2006 by the Companies (Shareholders' Rights) Regulations 2009 (the 'Shareholders' Rights Regulations'). The Shareholders' Rights Regulations increased the notice period for general meetings of the Company to 21 days unless shareholders approve a shorter period, which cannot however be less than 14 clear days. Prior to the coming into force of the Shareholders' Rights Regulations the Company was able to call general meetings (other than an annual general meeting) on 14 clear days' notice and would like to maintain this ability. In order to be able to do so the Company's shareholders must approve the calling of such meetings on 14 clear days' notice. Resolution 15 seeks such approval. The Company undertakes to meet the requirements for electronic voting under the Shareholders' Rights Regulations before calling a general meeting on 14 clear days' notice. If given, the approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

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.

Shareholder Notes

Shareholder Notes

Financial Calendar and Advisors

Annual General Meeting	8 February 2011
Ex dividend date	9 February 2011
Record date*	11 February 2011
Payment of final and special dividend	25 February 2011
Announcement of 2011 half-yearly results	May 2011
Payment of interim dividend	July 2011

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

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