An innovative world leader in high performance polymer solutions

Victrex plc
Annual Report 2014

About us

INNOVATIVE

Victrex is the world leader in high performance polymer solutions

We are future thinkers

Innovation and product leadership are key to our business and what differentiates Victrex.

Every day, millions of people across the world rely on products which contain our polymers. From smartphones to oil and gas equipment, medical devices, aeroplanes and cars, we serve a diverse range of markets, helping our customers to overcome their technological challenges.

With over 35 years' experience and with global scale, we are investing in technical excellence to deliver new and leading edge solutions to our customers and our markets, and to drive value for our shareholders.

p.6

Chief Executive David Hummel explains Victrex's business model and strategy for growth

p.10

Financial Review – find out about our growth story

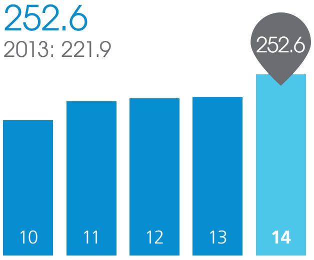
p.20

Find out how we are delivering our sustainability agenda

Highlights

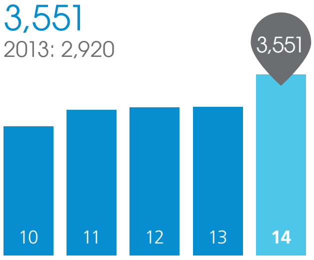
Group revenue £m

252.6
2013: 221.9



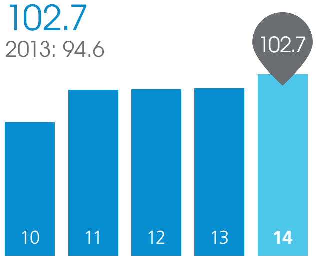
Group sales volume tonnes

3,551
2013: 2,920



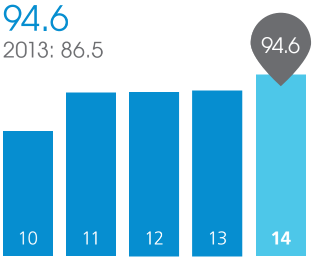
Group profit before tax £m

102.7
2013: 94.6



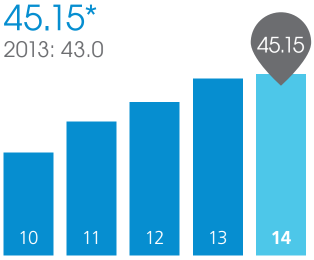
Earnings per share pence

94.6
2013: 86.5



Dividend p per share pence

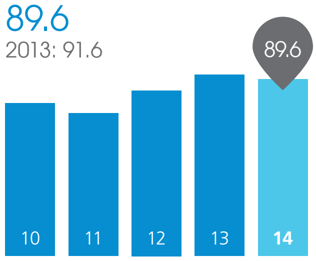
45.15*
2013: 43.0



*Dividend of 45.15p per share reflects regular dividend only

Cash £m

89.6
2013: 91.6



Focused strategy accelerating growth:
» Revenue up 14%, PBT up 9%

Continued momentum across our markets:
» Strong performance across VPS
» Invibio returned to growth
» 17% growth in higher margin Speciality Products

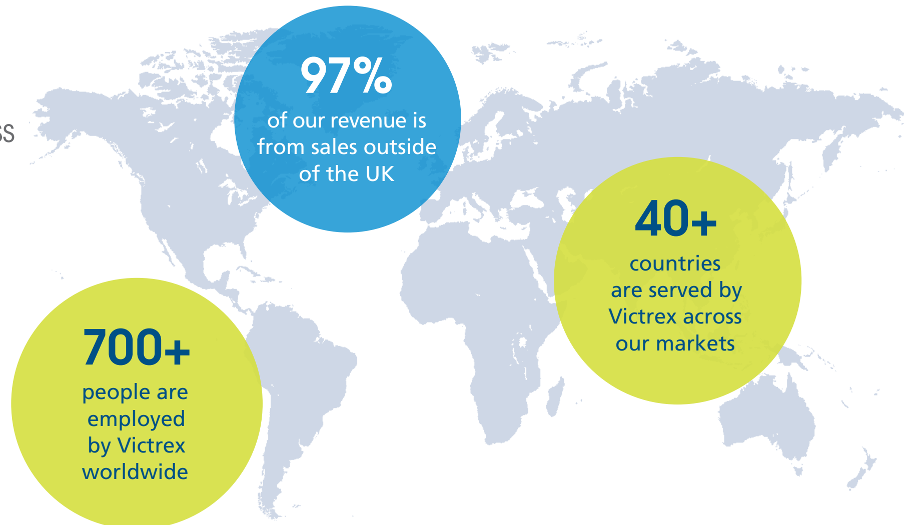
New Consumer Electronics business secured:
» Platform to future opportunities

Cost of manufacture improvement in H2:
» Continued focus on efficiency in 2015

Major capacity investments nearing completion:
» New PEEK and Aptiv film capacity to support larger commercial opportunities

Special dividend underpinned by strong cash generation:
» 50p per share special dividend, alongside 33.76p final dividend

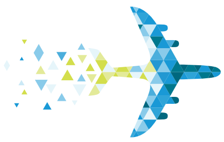
Victrex is headquartered in the UK, with technical and support facilities across our major geographical markets, giving us global reach for our customers.



Our markets and megatrends

OPPORTUNITY

With long-term megatrends in our favour, we have a strong and diverse mix of growth opportunities across our key markets.

Markets	Megatrends	Consequences
Automotive 	**Fuel efficiency and durability** Fuel efficiency, safety and reliability improvements resulting from consumer and regulatory trends.	**Emissions reduction design challenges** Energy efficiency and durability are primary strategic imperatives for the automotive industry.
Aerospace 	**Fly lighter** Lighter weight means fuel saving – a strategic imperative for the aerospace industry.	**Weight reduction and fuel efficiency** Weight reduction and improved fuel efficiency are primary strategic drivers for the aerospace industry.
Electronics 	**Thinner, smaller, smarter** The need for instant access to communication and information on the move is driving trends for mobile devices.	**Energy and thermal management challenges** Increased functionality and miniaturisation create challenges for mobile device performance as well as energy and thermal management.
Energy 	**Natural resource depletion** Increasing demand for and depletion of existing resources drive exploration into uncharted territory.	**Extreme environments** Deeper, hotter, higher pressure and chemically aggressive wells must be tapped to reach new reserves, requiring more durable materials.
Medical 	**Ageing global population** People are living longer and have a strong desire to maintain their quality of life in their elderly years.	**Joint replacement and pain management** Extended life expectancy results in an increasing need to replace worn out body parts or to alleviate pain in order to resume normal activities. Long term demand for new solutions in core markets, such as Spine, and in emerging markets, such as Knee, Trauma, Dental, remains strong.

A world leader: *At Victrex, we are developing new and leading edge solutions for our customers and our markets*

Our opportunities

Lightweight metal replacement
VICTREX PEEK enables lightweighting and reliability via metal replacement and is key to meeting the complex challenges of next generation automotive powertrain technology.

Lightweight metal replacement
VICTREX PEEK helps aerospace lightweighting via metal replacement and is key to driving improved fuel efficiency and reduced emissions.

High durability, thin film technology
Victrex materials, such as our Aptiv acoustic film technology, create design opportunities by virtue of their durability in today's thinner, smaller, smarter mobile devices.

Recover more
Reliable, safe and high yield operations are enabled using VICTREX PEEK based solutions in exploration and production tooling.

High performance materials which enable device innovation

Invibio provides materials for devices that alleviate back pain and can be used in a minimally disruptive manner, accelerating patient recovery. Our materials are also being developed for use as component solutions in the repair of hip, knee and shoulder joints, as well as in dental discs.

Divisions

Victrex Polymer Solutions (VPS)

victrex®

Unique products for industrial markets

VPS focuses on our major industrial markets. We work with customers and end users to provide innovative and technical solutions that help them meet their most difficult design challenges. We work directly with industry leading decision makers, from prototyping with end users to support for processors. Victrex delivers solutions for our customers across all our end markets.

Invibio Biomaterial Solutions (Invibio)

Invibio® biomaterial solutions

Dependable resources for surgical and medical devices

Invibio is an established and proven worldwide leader in providing biomaterial solutions for the surgical and medical device markets. Invibio is committed to facilitating PEEK based device solutions in Spine and developing medical markets such as Dental and Knee. Our goal for all of these areas is to deliver extensive, dependable resources to medical device manufacturers, now and into the future.

Chairman's review

FOCUSED

Our clear and focused product leadership strategy has underpinned our strong growth performance this year and keeps us well placed for the longer term.

Strategy

Our return to growth has been shaped by a strategy that focuses on larger and more impactful high volume and high value targets, and utilises our strong technical excellence, marketing know-how and innovation across our five chosen markets of Automotive, Aerospace, Electronics, Energy and Medical.

Victrex is the world leader in high performance polymer solutions. We are a global business, with UK headquarters, which continues to steadily transform from its historic manufacturing and polymer sales focus into a more integrated global solutions provider, supporting and working with customers on short, medium and long term development programmes. With our investment in significant new production capacity nearing its conclusion, the combination of our market leadership, technical excellence and sizeable manufacturing capability offers us a strong platform to realise Victrex's future potential and to truly differentiate ourselves from our competitors.

Results

We delivered a strong and broad based growth performance this year, with all of our markets performing well. Group revenue of £252.6m was 14% ahead of the prior year (2013: £221.9m). We continued our innovation and new business commercialisation to reflect Victrex being more than just a manufacturer; we are becoming a more focused solutions provider for our customers.

Our profitability and ability to invest, alongside delivering appropriate returns to our shareholders, remained strong this year.

Larry Pentz
Chairman

Gross margins of 64.6% (2013: 66.6%) reflected a marginally higher cost of manufacture in the first half – which saw improvement in the second half year – and a softer sales mix driven by some shorter lifecycle Consumer Electronics business. Our long term pipeline of high volume and high margin opportunities keeps us well placed to retain our margin strength, with a complementary mix of future business opportunities. As a global business and a major exporter from our UK manufacturing base, we are not immune to the challenges of foreign currency and are redoubling our focus on cost efficiency and appropriate pricing, to ensure we can maximise profitability from top line revenue growth. We believe that the medium term opportunities to improve in these areas remain attractive.

The strong investment in our products, in capacity and in our research and development ('R&D') capabilities to deliver technical excellence remains a key differentiator for Victrex, particularly as we move downstream into new added value products and closer to our customers. By working with our customers and end users, we are working across the value chain – producing PEEK, developing PEEK and pioneering the market for PEEK in new applications. R&D expenditure of £15.7m was ahead of the prior year (2013: £14.6m), representing approximately 6% of revenue.

Group profit before tax of £102.7m was 9% ahead of the prior year (2013: £94.6m), as was earnings per share of 94.6p (2013: 86.5p). As we start to see our capital expenditure reduce next year, our longer term cash position remains attractive. The investment in new PEEK and new Aptiv film capacity was underpinned by continued strong cash generation, with the Group's closing cash balance reaching £89.6m this year (2013: £91.6m) and no debt. Overall, our balance sheet remains robust, underpinning investment, providing reassurance to customers and enabling us to deliver appropriate returns for shareholders.

Looking ahead, we will refine our key financial metrics to focus on return on sales, earnings per share, research and development investment and sales from new products. We will also ensure that the sustainable benefits our products can bring to customers are measured, with sustainability being embedded in everything we do. Further details can be found in the CEO's Strategy and Business Model section on pages 7 to 9 and the Sustainability Report on pages 20 to 31.

> The combination of our market leadership, technical excellence and sizeable manufacturing capability offers us a strong platform to realise Victrex's future potential and to truly differentiate ourselves from our competitors.

A sustainable business: *At Victrex, sustainability is firmly embedded in our business. We are more efficient with resources and deliver products which help our customers improve environmental performance*

Dividends

Our continued confidence in the strength of and prospects for our business is reflected in our progressive and sustainable dividend policy, which applies to both regular and special dividends. The Group is proposing to pay a special dividend of 50p per share, which reflects our robust balance sheet and is underpinned by strong cash generation, even after a year of record capital expenditure. Alongside our special dividend is a final dividend of 33.76p (2013: 32.65p), with cover at 2.1x (2013: 2.0x). Our medium term focus is to maintain cover around or above this level, thereby supporting a sustainable future dividend. The full regular dividend for the year, incorporating interim and final dividend, is 45.15p per share (2013: 43.0p), an increase of 5%.

Board composition

The Board has a diverse range of complementary skills to support the strategic and operational direction of the Group. We recognise the importance of diversity at Board level and our Board members comprise different nationalities with a wide range of skills and experiences from different business backgrounds, including international and industrial expertise. Our current female representation on the Board is 29%, already consistent with the recommended minimum representation by 2015.

Anita Frew retired as Chairman of the Board in September 2014 and I would like to thank Anita for her strong and inspired leadership and her significant contribution during her 14 years as a Board member, six as Chairman. Louisa Burdett joined the Group as Finance Director in January 2014 and brings her diverse career experience to bear, helping Victrex shape its strategy and future direction as we become a larger and more focused international business.

Board effectiveness

The Board is responsible for the Group's strategic development, monitoring achievement of its business objectives, oversight of risk and maintaining a system of effective corporate governance, which includes the responsibilities for health, safety, environmental, social and ethical matters. A more detailed description of the governance processes that are embedded in our business are provided in the Corporate Governance section of this report, starting on page 35.

Governance

Sound governance is critical to our business and the Board regards the continuing setting, maintenance and review of the highest standards of corporate governance as a key objective. The framework for our approach is supported by the Audit, Currency, Nominations, Remuneration, Risk and Disclosure Committees.

For details of our compliance with the UK Corporate Governance Code throughout the year ended 30 September 2014 see our Corporate Governance Statement on page 35.

Sustainability

We have made significant progress in our approach to sustainability over the last two years. Sustainability for Victrex is now firmly embedded in our business, whether that be around our environmental approach and maximising our resource efficiency; or in delivering products and applications which support sustainability and help reduce CO_2 for many of our customers – for example, in weight reduction within aerospace or automotive. This year, Victrex also refined its sustainability targets and we have a clear and bold vision statement and targets to strive for over the coming years. Further detail can be found in the Sustainability Report on pages 20 to 31.

People and safety

Victrex relies on the skills, experience and competence of our people to drive our business into new applications and new geographies, as well as operating our assets to the highest standards of safety and with the highest regard for the environment.

Victrex was recognised with the Order of Distinction for its Safety record and processes by the Royal Society for the Prevention of Accidents (RoSPA) this year, a strong achievement. We also recorded no lost time accidents, a measure of our safety practices. Victrex was also listed in the top ten UK companies for the quality of its goods and services by Management Today.

On behalf of the Board, I would like to thank all our employees for their significant contribution in a year of strong performance for Victrex. Whilst we face a challenging 2015, the inherent passion, innovation and performance of Victrex employees remain key assets for Victrex and its success in the future.

Outlook

Looking forward, our new PEEK and Aptiv film capacity investments will put Victrex in a good position to capture more impactful and value creating business over the coming years. Our 2015 financial year has started well and although currency headwinds remain considerable, we now anticipate being able to fully cover the FX impact, reflecting our positive trading momentum and more recent exchange rates. With a continued focus on growth and efficiency, Victrex remains well placed for the year ahead.

Larry Pentz
Chairman
8 December 2014

Chief Executive's review

EVOLVING

A focused strategy; accelerating growth

Our strategy is helping to accelerate growth, transforming Victrex from its manufacturing and sales roots into an integrated and focused solutions partner.

Last year we communicated our evolved strategy which focuses on Product Leadership. Put simply, this blends our inherent technical excellence, marketing know-how and innovation to deliver superior and leading edge products and solutions for our customers and our markets.

Our strategy also means that we are focused on a smaller number of larger and more impactful targets in the future. Rather than manufacturing a product and chasing every single sales opportunity, we will truly pioneer the development of the market for PEEK and our polymers. Our focused strategy will also help us to translate and sell more of our materials within our markets, further building on our position as market leader. Our strategy is supported by our significant investment in new production capacity, which will come online during 2015, at a time when the diversity and breadth of new business opportunities are growing, validating our decision to invest. Aligned with our technical, marketing and innovation strengths, our capacity will act as an enabler for larger business opportunities and opens the door to commercial discussions with a wider range of potential customers, helping to differentiate us from our competitors.

Our customers continue to specify VICTREX PEEK and our polymers to replace metal and other polymers, and to capture a unique combination of performance properties, which lead to application benefits such as lightweighting to improve efficiency and durability, energy and emissions reduction; improved reliability; environmental tolerance; as well as faster patient recovery and clinical benefit in medical applications. Getting our materials specified requires detailed and diligent pre-development work, using our strong technical expertise. We have proven time and again that, once specified, we can build the position of our materials within ourmarkets, whether it be more PEEK polymers on aircraft, in cars, in smartphones, in oil and gas operations, or in newer and emerging medical areas.

Over the course of the year we demonstrated that our strategy is helping us to drive growth and enhance value across our markets of Automotive, Aerospace, Electronics, Energy and Medical. Going forward, we will continue to move further downstream towards our end customers with new technologies and product forms (eg pipes, film), principally through organic means. We will continue to consider acquisitions at the right price, but only if they can accelerate our growth and reduce development time. All of this will broaden the applications for our products, an area we continue to invest in.

In the future, we aspire to maintain our margin strength and enhance our profitability and shareholder value, particularly as we work to fill our new capacity with a diverse mix of more impactful and large scale business, thereby improving our medium term operating efficiencies. Our future growth programmes remain healthy across our three growth horizons, with a mix of long and short lifecycle business, and a focus on more impactful developments. Working with our customers as genuine long term solutions partners on development programmes will provide mutual benefits.

By helping our customers to solve their own technical challenges and gain competitive advantage, we will continue to provide a clear point of difference for Victrex.

The Strategic Report on pages 6 to 31 signed on behalf of the Board

David Hummel
Chief Executive
8 December 2014

Executive Leadership Team

Our strategic intent is to be the world leader in value creation through delivering high performance polymer solutions. This will be achieved through three key pillars:

1 Creating value through high performance polymer solutions

Creating solutions not just producing high performance polymers. High end materials, with clearly defined and proven benefits in many different forms, to suit our customer needs.

2 Focused and market-led innovation

Continuing to work with customers and capturing value across markets. Investing in strategic marketing, selecting the right projects to work on and to ensuring an appropriate balance of short and long term projects.

3 Application and technology leadership

Developing new applications, products and technologies. Understanding applications and technology in depth that can deliver for our customers.

Operating model

Invent/R&D
Ideas from everywhere, breakthroughs, reduced cycles, focused resource, reduced uncertainty

Make/produce
Rapid, flexible manufacturing prepared for constantly changing product portfolio

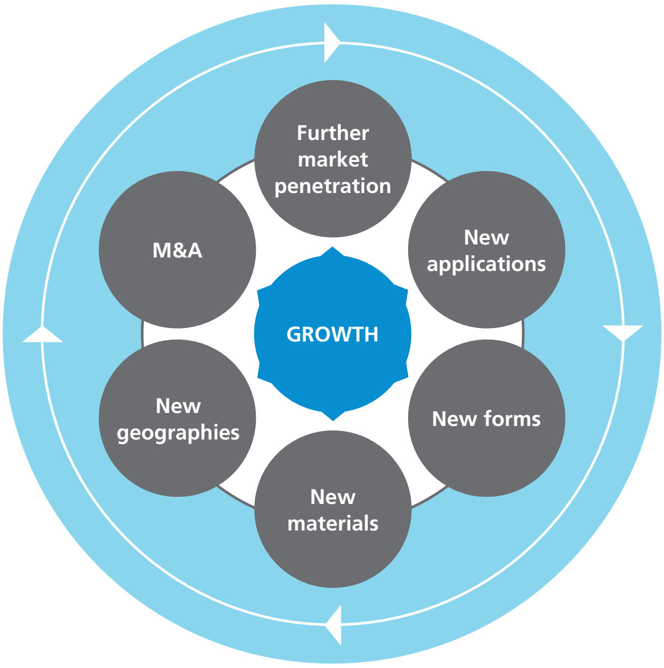
Sell/commercialise
Market preparation, commercialise quickly, early adopter programmes, narrow portfolio, value sell

Our strategy

WORLD LEADER

Turning strategy into action

Our strategic intent is to be the world leader in value creation through delivering high performance polymer solutions, thereby delivering sustainable earnings growth for our shareholders.



Strategic intent – Industrial

Focus on polyaryletherketones ('PAEK') in automotive, aerospace, electronics and energy, exploiting new technologies, downstream integration opportunities and extending into other proven markets.

Strategic intent – Medical

Focus on spine, arthroscopy, trauma, dental and orthopaedics, delivering value-creating solutions, based on PEEK and other enabling polymers.

Strategic intent – Reputation and employee care

Providing a safe and rewarding environment for our employees and operating our assets to appropriate environmental standards.

Measuring our performance against our growth strategy is key to Victrex's future. As part of our evolved strategy, we will now focus on a select number of key performance indicators:

Strategic progress	What we're doing	Progress being made	
DRIVE core business	» Strategic marketing: focus on highest growth opportunities » Execute on key growth programmes in five strategic markets » Drive growth in emerging geographies	**Revenue growth** 14%	**Return on sales*** 41% * Return on sales: PBT/revenue
DIFFERENTIATE through innovation	» Market-led innovation » Invest in emerging businesses » Move further downstream: new applications, new forms, new materials, new product launches	**Research and development spend**** £16m ** 6% of Group revenue	**Sales from new products***** £3m *** Sales from new grades sold from FY14 onwards
CREATE future value	» Strong pipeline » Portfolio management » M&A	**Pipeline mega-programmes** (Number of pipeline projects >£50m annual revenue potential) 5	**Earnings per share** 94.6p
UNDERPIN through safety, sustainability and capability	» Safe and sustainable business » Future capacity/solutions » Talent strategy	p.20 Find out how we are delivering on our sustainability agenda	

Strategic report

Financial review

GROWTH AND VALUE

Focused strategy accelerating growth – momentum remains positive for 2015.

Group financial results

Victrex delivered a strong performance in 2014, reflecting a focused strategy which is accelerating growth across our five chosen markets of Automotive, Aerospace, Energy, Electronics and Medical. Growth was driven in the first half of the year by an outperformance in our core PEEK resin business and in the second half by new business in Consumer Electronics. Our higher margin Speciality Products and Invibio medical business delivered continuing growth year on year.

Group revenue for the period was 14% ahead of the prior year (2013: £221.9m) but with a slightly lower average selling price of £71.1/kg (2013: £76.0/kg). This was due to currency and a softer sales mix, principally the lower priced but higher volume Consumer Electronics business. Excluding Consumer Electronics volumes, but still reflecting some currency impact, our average selling price remained broadly stable year on year at £74.6/kg. Volumes were particularly strong, 22% ahead of last year at 3,551 tonnes (2013: 2,920 tonnes) following a broad based performance across each quarter.

Return on capital employed:
Profit after tax/net assets

Operating cash conversion:
Cash generated from operations/operating profit

Louisa Burdett
Group Finance Director

Our PEEK powder manufacturing capacity utilisation at year end was 78% (2013: 62%), compared to our nameplate capacity of 4,250 tonnes (although effective capacity is slightly lower than this when maintenance and grade changes are factored in). This level of utilisation, and year on year increase, supports our decision to invest in new manufacturing assets which will support the breadth of new and larger business opportunities which we are focused on. Our PEEK manufacturing process remains technically superior, enabling us to differentiate versus competitors, whether we use raw materials from our own upstream assets (principally BDF, one of the key precursors to PEEK) or BDF which we source externally.

Divisional summary

Growth across Victrex Polymer Solutions (VPS) reflects broad based growth across our markets as long term global megatrends such as fuel efficiency in Automotive and Aerospace, and yield and reliability in Oil and Gas, remain strong, irrespective of cyclical patterns. These longer lifecycle and higher margin markets, together with our Invibio medical business form the bulk of our portfolio, remain attractive over the longer term. In the Consumer Electronics market, we anticipate a continuation of volumes during the first half of FY 2015 and we are working hard to use this opportunity as a platform into more sustainable and longer lifecycle business in the future.

The higher margin Speciality Products business continued to progress, particularly Aptiv film, where we saw continued demand and recorded a 17% increase in revenue over the year. Our new Aptiv film capacity came online in Q1 FY 2015 and will enhance our ability to supply ultra-thin and ultra-wide film to customers in the future. Film remains a key differentiator for Victrex, particularly in the Aerospace and Electronics markets, where its unique combination of properties helps overcome complex technical challenges.

In our Invibio medical business, we saw a steady return to growth over the year, compared to the weaker period of destocking seen in the first half of last year. Revenue in Invibio was 5% ahead of the prior year at £53.4m (2013: £50.8m). This predominantly reflects continued improvement in sales to the spine market in the mature geographies of the US and Europe with sales to emerging countries, particularly China (with double-digit growth), progessing well. Away from spine, our emerging medical businesses including Dental, Trauma and Knee, and sales to new geographies continue to show steady progress.

Group gross margin of 64.6% (2013: 66.6%) reflects a slightly softer sales mix and higher cost of manufacture in the first half and the lower priced Consumer Electronics business and currency in the second half. With an improvement in our cost of manufacture programme over the course of the year, H2 gross margin saw an improvement on the first half year, to 65.1% (H1 2014: 64.0%). We are renewing our focus on cost of manufacture in FY 2015, with the aim of improving our medium term efficiency, particularly as our new manufacturing capacity starts to ramp up.

Investment: *Our new PEEK manufacturing plant will support our ability to drive future growth*

Speciality Products: *UK Chancellor of the Exchequer, George Osborne, talks to Victrex employees during the opening of our new Aptiv® film facility*

Our strategy to use our technical excellence to deliver new solutions to our customers means continued investment to drive our future growth programmes. This includes the technical, marketing, quality and regulatory functions, with total indirect overheads – including the profit driven bonus provision this year – increasing by 13%, slightly ahead of the increase seen in 2013. With significant overhead investment in recent years to create the building blocks for our future growth, we anticipate that overhead growth will be more moderate in the medium term. To support our solutions-driven approach to customers, we continued to invest in research and development, of which approximately 85% relates to market and customer related product and application development. Our R&D expenditure increased to £15.7m this year (2013: £14.6m), representing 6% of revenue (2013: 7%).

As a UK-based global exporter, currency had a £2.3m adverse impact on our profits for this year as our major trading currencies moved against the pound. Some of the 2014 impact arose from hedging Q2 outperformance volumes and the new Consumer Electronics business at less favourable spot rates, rather than up to 12 months in advance as part of our normal hedging policy. Looking forward, currency remains a considerable headwind for FY 2015, although we note the more recent favourable movement of the £/$ rate. We now anticipate being able to fully cover the FX impact, reflecting our positive trading momentum and more recent exchange rates.

Group profit before tax of £102.7m was 9% ahead of the prior year (2013: £94.6m), evidence that our strategy is accelerating growth. Basic earnings per share of 94.6p per share (2013: 86.5p per share) also reflects the lower effective tax rate of 21.9% (2013: 22.9%) resulting from the lower UK corporation tax rate.

Balance sheet

Our strong balance sheet remains a key competitive advantage, supporting our ability to invest for future growth, to provide security of supply to our customers and to support appropriate shareholder return. Net assets at 30 September 2014 totalled £353.4m (2013: £313.7m). Our working capital reflects how we choose to differentiate ourselves through product leadership and security of supply for both existing and future customers and end users.

Inventory levels reduced year on year to £44.2m (2013: £51.1m). This reflects higher sales performance and product demand across the breadth of our product grades. Trade receivables are in line with the prior year, with receivables which are either current or less than 30 days overdue at 98% (2013: 97%). Trade payables reflect consistent creditor days with the prior year, underpinning our commitment to our suppliers to pay within agreed terms to maintain strong working and strategic relationships. Return on capital employed (ROCE) has reduced slightly following a period of high capital investment in manufacturing assets but remains ahead of many peers. ROCE for the year was 22.7% (2013: 23.2%) and we believe there is an opportunity to enhance ROCE once our new capacity ramps up and utilisation rates improve.

Cash flow and capacity investment

Despite 2014 being our highest level of capital expenditure (2014: £65.6m; 2013: £40.7m) to support investment, Victrex continued to see healthy cash generation. Cash generated from operations was £118.3m (2013: £100.9m) representing an operating cash conversion of 116% (2013: 107%). Investment was principally in the construction of our new PEEK plant (we announced in October 2012 that we expected to invest £90m in new capacity) alongside our Aptiv film facility. This is our third PEEK plant and it will be commissioned from early 2015 (the second quarter of Victrex's financial year). Our capacity investment (an additional 2,900 tonnes) reflects continued underlying confidence in our business and the breadth of future opportunities, where global megatrends remain strong. The investment has continued to support our commercial discussions, particularly as we focus on larger and more impactful long term opportunities, giving our customers confidence that capacity will be available to support larger long-term applications. Our Aptiv film investment will increase capacity for film, which is currently used in Aerospace and Electronics markets.

Taxation paid during the period was £21.1m (2013: £21.7m), which reflects the reduction in the UK corporation tax rate, partially offset by a stronger trading performance. Total dividends during the period increased to £37.3m (2013: £32.7m), reflecting the increase in the FY 2013 final dividend. As a result, and despite the high capital expenditure, the closing Group cash balance as at 30 September 2014 was £89.6m with no debt (2013: £91.6m; no debt).

Special dividend

Our proposed special dividend of 50p per share is underpinned by strong cash generation, despite high capital expenditure this year, with the payout representing a total of £43m, enabling the Group to still retain a robust balance sheet position. Alongside our special dividend is a final dividend of 33.76p (2013: 32.65p), with cover improving to 2.1x (2013: 2.0x). Our medium term focus is to maintain cover around or above this level, to support a sustainable future dividend.

These dividends reflect both our cash performance and underlying confidence in the growth programmes and prospects for our business. The full regular dividend for the year, incorporating interim and final dividend, is 45.15p per share (2013: 43.0p), an increase of 5%.

Louisa Burdett
Group Finance Director
8 December 2014

PARTNER OF CHOICE

Victrex materials are helping shape future performance.

VPS delivered a strong performance this year. The division generated revenue 16% ahead of the prior year of £199.2m (2013: £171.1m) reflecting broad based growth across our strategic markets and a particularly strong performance from core PEEK resin sales in the first half, alongside continued progress in Speciality Products where Aptiv sales recorded a 20% increase over the year. The second half was characterised by continued broad based market growth, aided by strong volumes in Consumer Electronics, with some continuation of volumes anticipated for the first half of 2015. Gross margin at 58.3% (2013: 60.3%) reflects a softer mix, adverse currency and the slightly increased cost of manufacture in H1, which saw improvement in H2. Sales, marketing and administrative expenses increased by £4.4m to £38.9m (2013: £34.5m) with continued investment to develop our organisational infrastructure and capabilities to drive our future growth initiatives. The resulting operating profit of £77.2m was 13% ahead of the previous year (2013: £68.6m).

	2014 £m	2013 £m	Change %
Revenue	**199.2**	171.1	16
Gross profit	**116.1**	103.1	13
Operating profit	**77.2**	68.6	13

Tim Cooper
Managing Director
Victrex Polymer Solutions

Market overview

Whilst we remain a market-led business, geographic trends remain important. Our core geographies of the US, Europe and Asia-Pacific all performed well this year. Sales volume in Europe of 1,778 tonnes was 9% ahead of the prior year (2013: 1,637 tonnes) driven by good growth in all key markets, particularly Automotive. In the US, sales volumes of 878 tonnes was 14% ahead of the prior year (2013: 770 tonnes). In Asia, sales volume of 895 tonnes was 74% ahead of the prior year (513 tonnes) with good growth in industrial and transport applications, a steady performance in semiconductor applications, alongside a much stronger performance in Consumer Electronics. Japan also saw a steady recovery, from a low base, with sales ahead by approximately 19% year on year.

Energy/Industrial sales volume at 1,196 tonnes was ahead of last year (1,125 tonnes). Increased demand for industrial machinery and equipment, and increased emerging market demand drove growth, aided by good growth in oil and gas, although drilling activity remains patchy. We also remain cognisant of the recent softer oil price and the potential implications for near term capital expenditure in oil and gas projects, although long term trends remain supportive.

Transport sales volume increased 20% to 962 tonnes (2013: 799 tonnes) with strong sales into Automotive and Aerospace. The increase in Automotive sales reflects the trend towards highly durable and weight saving materials, as global megatrends of emissions reduction in cars and fuel saving for aeroplanes remain strong. The use of PEEK polymers in transmission and braking systems remains an important part of our offering, in helping to reduce weight, improve efficiency and durability. We also continue to work on other future programmes, including gears. In Aerospace, build rates steadily increased during 2014. We continue to work on a number of opportunities to translate the existing level of our materials across the aircraft, as well as some emerging retrofitting opportunities for existing aircraft. Brackets and fasteners remain the key product areas in focus, as well as film. Beyond our key end customers of Boeing and Airbus, pre-development work with

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Becoming the partner of choice in delivering solutions to customers remains key.

***Automotive:** The trend of highly durable and weight saving materials in cars reflects the need to reduce emissions and improve fuel efficiency*

Focus on Automotive

The demand for materials which offer durability and can help meet the trend of reducing CO_2 emissions remains strong. With global mobility and interconnection being a key global megatrend, transport remains an attractive area for Victrex. We remain at the forefront of helping the global transport industry, whether it is in Aerospace or Automotive.

With over 1 billion cars and estimates of over 100 million new vehicles per year by 2018, improving energy efficiency and emissions is vital to the sustainability of personal transport.

Victrex materials are helping shape future performance in powertrain technology within vehicles, building on PEEK's long standing reputation in ABS braking systems. Efficiency improvements are reliant on the reduction of friction associated energy losses. Through the use of Victrex PEEK in transmission seals and thrust washers, frictional losses are reduced by approximately 20% compared with metal based or incumbent materials, enabling reduced transmission power consumption. Victrex also has a number of development programmes focused on other applications including gears. As ever more challenging regulatory criteria demands CO_2 reductions but with better performance, Victrex materials have a key role to play in the Automotive market over the coming years.

COMAC in China continues, which offers an attractive medium to longer term opportunity.

Electronics sales increased markedly to 1,031 tonnes (2013: 628 tonnes) reflecting both an improved performance in semiconductor applications, but supplemented by growth in Consumer Electronics. Whilst Consumer Electronics has slightly softened margins this year, this remains very attractive and viable high volume business and we believe that more sustainable and longer lifecycle business in this area remains achievable, complementing our other longer lifecycle portfolio opportunities.

Product and market development

Becoming the partner of choice in delivering solutions to customers remains key. Our Speciality Products business, driven predominantly by Aptiv film used in many acoustic applications, delivered a good performance, with sales increasing by 17% and pricing ahead year on year. Our other existing Speciality Product platforms are coatings, pipes and composites. Our pre-development work with Magma continues and whilst field testing trials remain ongoing, further test orders of piping were shipped during the year, to both oil majors and oil service companies. Commissioning of the spooling system, which is part of the laying process for Magma pipe, was also concluded after the year end.

Development pipeline

The development pipeline reflects our focus on larger and more impactful targets, in line with our strategy to drive value rather than just focusing on the total volume of opportunities and chasing every PEEK sale. Our portfolio management approach ensures we focus on the deliverability of our development pipeline rather than just the volume of opportunities. Our strategy KPIs show five 'mega-programmes' of PEEK-OPTIMA® HA-ENHANCED (Spine), JUVORA (Dental), Victrex Pipe/Magma, Trauma and Knee, each offering revenue potential of at least £50m in their peak year, alongside more typical 'Horizon 1' (0-2 years) opportunities. We will also continue to report the mature annualised volume (MAV) of 2,141 tonnes (30 September 2013: 2,064 tonnes) which is if all of the developments were successfully commercialised.

Growth drivers

We continue to see good growth potential for our business, reflected by our strong development pipeline, as well as opportunities to target further market penetration or geographies through strategic marketing. Continued investment in talent, technology and new capacity means that we are well placed to take advantage of growth opportunities – whether organically or through selective acquisitions – in delivering solutions to our customers and markets.

Tim Cooper
Managing Director, Victrex Polymer Solutions
8 December 2014

CLINICAL BENEFIT

Invibio is the proven market leader, developing leading edge solutions for our customers.

Invibio continued its steady recovery following the period of destocking in the Spine market seen during the first half of 2013. Revenue was 5% ahead of the prior year (2013: £50.8m), driven by sales into the Spine market. Gross margins remained strong at 88.2% (2013: 88.0%) and with continued future high value opportunities, we remain focused on enhancing our profitability over the years ahead. To support our product leadership strategy of leveraging technical excellence and particularly to help accelerate adoption and regulatory approval in our markets, investment in sales, marketing and administrative resources – particularly in quality and regulatory expertise – increased to £17.5m (2013: £15.4m), resulting in an operating profit of £29.6m (2013: £29.3m).

	2014 £m	2013 £m	Change %
Revenue	**53.4**	50.8	5
Gross profit	**47.1**	44.7	5
Operating profit	**29.6**	29.3	1

Martin Court
Managing Director
Invibio

Market overview
Spine remains our core market and saw continued progress on 2013. The Spine market generated sales of £40.1m, an increase of £0.8m (2%) on the prior year. Improvement reflects steady recovery from de-stocking, alongside translating Spine sales into newer emerging markets, which continue to be attractive for us, particularly China. Outside of Spine, Arthroscopy remains our other current revenue play. In our emerging medical markets of Dental, Trauma and Knee, we have made steady progress this year, with partner agreements signed and new channels to market being explored which will accelerate growth in the medium to longer term. In short, the demand for newer and more radical solutions which are proven to deliver clinical benefit remains high. We retain our focus on markets with high procedure rates and surgery which can deliver proven clinical benefit by using our materials.

Product and market development
Invibio is the proven market leader in providing versatile and high performance PEEK based polymer solutions to the implantable medical device market. With a strong track record and unrivalled expertise, our materials are used extensively across a number of core applications such as spinal fusion and Arthroscopy, as well as in emerging opportunities such as Dental, Trauma and Knee.

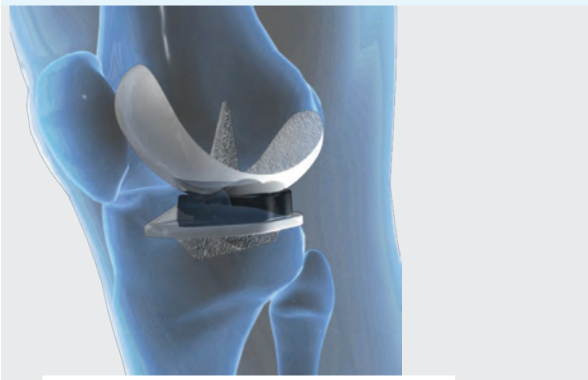
Spine
One of our focus areas, alongside our position in mature markets, has also been in emerging geographies where we have increased our regulatory approvals this year. To support our ability to drive adoption and subsequently growth, we have continued to invest in marketing and regulatory expertise, with new regulatory expertise in South America and capability in China. New product offerings also comprise one of our growth opportunities. Our PEEK-OPTIMA® HA-ENHANCED product, which promotes bone-on growth, successfully secured regulatory approvals in Europe and in the US after the year end. 2015 will be a year in which we drive adoption and education programmes in collaboration with our customers and with European and US Spine surgeons. PEEK-OPTIMA® HA-ENHANCED remains a premium product which reflects the innovation and development put into its offering for our customers, as well as the work we have undertaken with surgeons in its development. It also offers an additional value-enhancing product alongside existing PEEK-OPTIMA®.

Superior products: *Our PEEK-OPTIMA® HA-ENHANCED product secured regulatory approvals in the US and Europe this year*

Focus on PEEK-OPTIMA® HA-ENHANCED

With regulatory approval secured in both Europe and the US, roll-out and adoption of this innovative product will be at the forefront of our activity in 2015. Spine companies continue to look at ways where they can differentiate their offering and many surgeons are interested in methods where they can enhance bone-on growth and improve clinical benefit.

PEEK-OPTIMA HA-ENHANCED is a version of PEEK which improves bone-on growth for patients on all sides of the spinal device, offering a more integrated solution, avoiding the need for coatings. A product which promotes bone growth is more effective for patients, as well as omitting the extra processing time and expense of other alternative bone on-growth technologies, for example coatings. Deployment by surgeons remains key in this area and we continue to attend trade shows and develop our clinical network to drive adoption and gain acceptance, thereby helping to support future growth in this area.



Emerging markets: *Our PEEK-OPTIMA® knee solution saw Invibio sign a partner agreement this year*

Emerging businesses

Our activities in emerging businesses were driven by JUVORA, our dental brand, which offers a certified dental disc, providing our customers and their patients with an effective metal free denture solution, with improved comfort and fit. Following the traction for dental last year across geographies, we now have 130 labs operating under our certified training programme. JUVORA also has US FDA regulatory approval. The trends for the denture market are extremely encouraging and we believe that the JUVORA product is well positioned to be the material of choice for a significant patient population that could reach as many as 1.5 million denture applications per year. Whilst we have secured some revenue to date, JUVORA remains as a Horizon 2 (2-5 year) opportunity. During the course of the year, we also began exploring a more direct route to market with dental companies, rather than simply through dental laboratories. Given the fragmentation in this market, we believe this could help accelerate adoption and penetration in the market over the medium term.

Our other emerging opportunities include Trauma (Horizon 2; 2-5 years) where our materials can deliver superior performance and accelerate healing, as well as offering durability and less complexity than many incumbent solutions. In Horizon 3 (5 years +) we see significant potential in Knee, where revision rates from existing metal based materials are high, as well as high patient dissatisfaction. We signed a partner agreement to progress pre-development work on Knee during the year. Partnerships to accelerate adoption will be one option for us to drive growth in the medical markets over the coming years. Pre-development work remains ongoing and the offering of a new PEEK based knee which can be tailored to a patient's needs within a much shorter space of time and which provides superior clinical benefit, remains attractive. Knee could be particularly relevant in emerging geographies, where kneeling rates and the typically higher proportion of manual work requires an effective and sustainable solution. The proven reaction by surgeons within these markets to utilise materials that deliver clinical benefit and patient satisfaction gives us confidence on our portfolio of long term opportunities across medical markets.

Martin Court
Managing Director, Invibio
8 December 2014

Strategic report

RISK MANAGEMENT

Risk management is embedded in Victrex's culture, ensuring that we assess risks as part of delivering our strategy.

1 Risk communication – Effective communication

At Victrex, our risk management structure is as follows:

Victrex plc Board

The Board undertakes an annual review of the effectiveness of the risk management framework, policy and procedures, the performance of the Audit Committee and also approves the risk management policy. Twice yearly, the Board reviews the key risks in the corporate risk register, thereby evaluating the level of risk it is prepared to accept in pursuit of Victrex's strategic objectives.

The corporate risk register is consolidated from registers within business functions and projects. The corporate risk register tracks the status ratings against each line of defence and the action plan, therefore allowing it to be used effectively as a record of the completion of risk improvement actions and their revised likelihood and impact.

Audit Committee

The responsibilities of the Audit Committee are explained on page 42. These responsibilities have been expanded from October 2014 to include reviewing the Company's risk management systems, a role performed during the year by the Risk Management Committee ("RMC"). The risk management system is primarily designed to mitigate risk down to an acceptable level, rather than completely eliminate the risk, and the review can provide only reasonable and not absolute assurance of effective operation, compliance with laws and regulations and against material misstatement or loss.

The Company's management are responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance that it has done so. The Audit Committee receives reports from management on the effectiveness of those systems they have established.

The independent Business Assurance function supports the Audit Committee in its review of the effectiveness of the system of internal control, as do other independent assurance providers, for example the external auditor on matters identified during the course of its statutory audit work.

ELT Risk Management Committee

The Executive Leadership Team ('ELT') Risk Management Committee, chaired by the Group Finance Director, reviews the corporate risk register at least half yearly to ensure it remains relevant to the changing uncertainties threatening our business's strategic objectives. During the year feedback from these reviews was provided to the RMC twice by the Group Finance Director. In turn the RMC reported twice during the year to the Board. With effect from October 2014 feedback will be provided at least twice yearly directly to the Audit Committee and the Board by the ELT Risk Management Committee, the former in respect of the risk management systems and the latter the key risks in the corporate risk register. The ELT Risk Management Committee comprises the ELT membership in addition to the Head of Business Assurance and Global SHE Manager. Prior to its cessation in October 2014 the RMC was chaired by Larry Pentz and comprised the executive Directors, Managing Director of Invibio, the General Counsel and Company Secretary, Head of Business Assurance, VPS Manufacturing Director and Global SHE Manager.

Risk Management Subcommittees

Risk management committees exist for business unit/functional levels. These meet and report up to the ELT Risk Management Committee at least half yearly, via their respective Chairs, who are ELT Risk Management Committee members.

Projects

Where it is appropriate, projects will have a project specific risk register which will be reported to the relevant business unit.

2 Risk agenda – Why do we undertake risk management?

Risk objectives

The Board is responsible for determining the nature and extent of the risks it is willing to take in delivering Victrex's strategic objectives. The strategic risk appetite for the business is defined in the business strategy and is reviewed annually.

Victrex undertakes risk management to improve the resilience, performance, sustainability and success of its business, whilst in turn facilitating decisions and providing useful information to shareholders.

Risk strategy

The Board is responsible for creating the framework for the Group's risk management to operate effectively. This risk management framework includes risk assessment, response, communication and governance. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

3 Risk assessment – How do we assess and record risks?

When assessing risk, we consider:

- **External factors,** including environmental, social and governance factors (ESG), arising from the environment in which we operate; and
- **Internal factors** arising from the nature of our business, our internal controls and processes.

Analysis and recording of risks

Executive managers take ownership of specific business risks. The likely causes and consequences of each risk are recorded. Each risk is evaluated based on its likelihood of occurrence and severity of impact on strategy, profit, regulatory compliance, reputation and/or people. Risks are evaluated at both a gross and a net level, ie before and after the effect of mitigation. All risks are positioned on a risk ranking matrix. This approach allows the identification and consistent evaluation of significant risks, as well as consideration of the effect of current lines of defence in mitigation.

We look at three lines of defence:

1st: The day to day controls and processes put in place by management.

2nd: Management's oversight activities over its first line controls and processes and risk management processes.

3rd: Independent business assurance provided by both third parties and in-house internal audit over the effectiveness of the Group's system of internal controls and processes in management's first and second lines of defence.

Re-evaluation and challenge of risks

We seek to keep the risk registers up to date and relevant to our strategic objectives. The risk registers are regularly reviewed, challenged and debated. Risks are escalated as appropriate.

4 Risk response – How do we respond to risks?

For each risk, we decide whether to tolerate it, mitigate it through further control, transfer it (e.g. through insurance) or terminate the threat to the business.

We continually challenge the efficiency and effectiveness of existing internal controls and always seek to improve our risk management framework. The risk owners and the Business Assurance team allocate a status rating of appropriateness and effectiveness against each line of defence. This allows the risk register to record and track the completion of improvement recommendations.

5 Risk governance – How do we evaluate and provide assurance over our management of risks?

In Victrex, the processes in place to support the risk governance component of our risk management framework include the following:

- For Board and internal audit, see pages 32 and 42 respectively.
- The Chairman of each of these risk management subcommittees communicates significant output, activities and emerging and evolving risks to the meetings of the ELT Risk Management Committee, which reviews these and the risks in the corporate risk register. The three lines of defence model is recognised as best practice in relation to risk governance, and its inclusion on the face of our corporate risk register enhances the governance aspect of our risk management framework.

Principal risks

PRINCIPAL RISKS

The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively. We have listed below the most significant risks that may affect our business, although there are other risks that may occur and impact the Group's performance.

Risk area and description	Mitigation
Safety, health and environment The Group's success is dependent on us conducting our business safely. Given the nature of our various manufacturing facilities, a significant operational disruption could adversely affect our ability to make and supply products. The environment in which Victrex operates is subject to numerous legislative and regulatory requirements, where failure to comply could adversely impact our employees, our manufacturing capability, the environment or the attractiveness of our business or products to various stakeholders.	We employ a dedicated Safety, Health and Environment ('SHE') department to assist line management and to provide expert guidance. We have policies and procedures to; efficiently, safely and compliantly manage all our operations; protect the safety and health of our employees, contractors and visitors; and both manage our environmental responsibly and continually improve our resource efficiency. As our manufacturing facilities are regulated, we are subject to close regulatory review, for example by the Environmental Agency under the Environmental Permitting Regulations. Further detail is contained in the Sustainability Report on pages 20 to 31.
Technological change Innovation and product leadership are key to the success of our business. We provide innovative solutions to help our customers overcome their technological challenges. Innovation failings could result in a lack of competitive advantage and relevant new products, erosion of margin and failure to achieve sustainable earnings.	We are future thinkers, continually assessing and identifying market needs and capturing value as product leaders. We serve a diverse range of markets and work directly with our customers, end users, OEMs and industry leading decision makers to develop a pipeline of new applications. With long-term megatrends in our favour, we have a diverse mix of new growth opportunities. Further information can be found on page 2. We actively invest to advance our technology skills and knowledge, in commercial and technical specialists and global technical centres, to underpin our growth and deliver sustainable earnings growth for our shareholders.
Recruitment and retention of the right people Our success depends on recruiting and retaining the right people in all areas of our business. Victrex relies heavily on the skills, experience and competence of our people to drive business in existing and new markets, as well as to operate our manufacturing assets safely and with a strong regard to the environment.	We have strategies in place (collectively our "People Strategy") to attract and retain the best talent, provide opportunities for personal development, encourage diversity and recognise and reward excellence. The People Strategy is regularly discussed at Board, Executive Leadership Team and functional level. Our employees have clear objectives and development plans, aligned to our strategy, and participate in formal and informal training programmes. We have succession plans in place for key roles and develop our future leaders so that we are able to promote internally as well as bringing in new talent from the outside. We operate an equal opportunities policy and regard this as a commitment to make both full use of the talents and resources of all our employees.
Foreign currency risk The Group exports the majority of its product out of the UK, but has a significant Sterling cost base. Fluctuations in exchange rates between Sterling and US Dollar, Euro and Yen could cause profit and balance sheet volatility.	The Group adopts a hedging policy to mitigate short-term currency risk. This policy is managed by the Currency Committee and is detailed in the Corporate Governance Report on pages 35 to 43.

Risk area and description	Mitigation
Business continuity and supply chain It is essential to ensure continuity of supply and service to our customers and that we can operate even if a significant incident did occur. Failure to maintain a secure supply of high quality products to our customers by, for example, an unexpected upsurge in demand or delays in the implementation of major capital expenditure programmes, could lead a capacity shortage and loss of earnings.	It is our policy to keep capacity well ahead of demand by continual investment in our supply chain so that our customers can be confident that we can meet their requirements today and in the future. The current construction of our third PEEK plant, which is expected to be operational in 2015, will increase capacity by 2,900 tonnes to in excess of 7,000 tonnes. Our two existing PEEK plants are able to operate independently, thereby reducing the impact of any operational disruption on our ability to continue manufacturing products. Stocks of finished goods, which are held in a number of locations worldwide, should enable us to maintain supplies to our customers during any short-term disruption. Additionally, we work with our key suppliers to maintain appropriate stocks of key raw materials. We have robust and comprehensive business continuity plans in place that are regularly reviewed to ensure their continued effectiveness.
Network and IT systems and security A significant failure or interruption in our IT networks and systems could have a detrimental impact on our business. Data security is very important to us, as failure to appropriately process, store or share information could result in the loss of data, whether it be our data, or that of our employees or customers.	We continue to review and invest where appropriate in the development and maintenance of our IT infrastructure, systems and processes. We operate a firewall, antivirus software and monitor any attempted breaches and take action where necessary to ensure our infrastructure remains robust and appropriate. We have in place recovery plans and business continuity plans, which are regularly reviewed and tested.
Product liability We sell into highly demanding end use applications and regulated markets. Any failure to supply our products in accordance with the specification could lead to loss of business and a potential product liability claim.	Victrex PEEK polymer 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 device manufacturers. We have also attained ISO 17025:2005 General Requirements for Competence of Testing and Calibration Laboratories certification. There is a quality management process in place and the Group maintains appropriate levels of product liability insurance.
Changing global economic environment Exposure to changes and events outside the Group's control, such as external global economic conditions, markets or territories, as well as natural disasters, may impact the Group's performance and its ability to achieve its strategic objectives.	The diverse nature of the Group's markets, customers and the territories in which it operates, together with appropriate contingency planning, helps to mitigate the impact on the business of such changes and events.

RESOURCE EFFICIENCY

Focused: Reducing energy and waste are key priorities at Victrex

Sustainability is now firmly embedded in Victrex's culture, ensuring that our sustainable products are recognised for providing a competitive advantage to our customers and markets, for example in reducing CO_2 emissions in aircraft, as well as reflecting the strides we are making to maximise our own resources and be a responsible business.

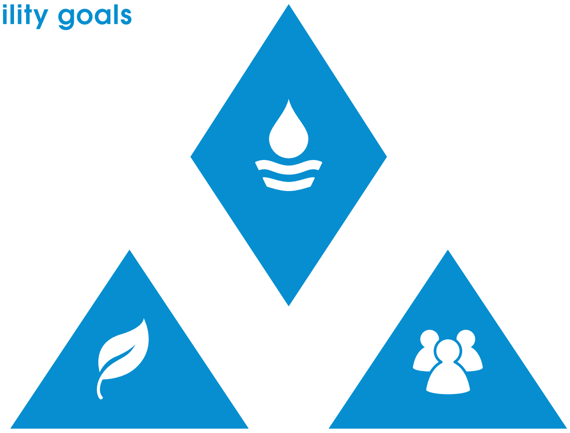
Introduction from the Chief Executive

Victrex has made considerable progress in its sustainability journey over the last two years. Whilst financial results remain an important measure of success, to be a truly successful global business, we will work hard to continually improve our positive impact on the environment and society, and to ensure our sustainable products can deliver real competitive advantage to our customers and markets.

This year, we introduced a clear and bold sustainability vision and targets across our new focus areas of sustainable solutions, resource efficiency and social responsibility. For each of these areas, we have metrics to assess our performance against our 2023 goal, which is timed for the 30th anniversary of Victrex being formed (1993 saw the management buyout of Victrex from ICI). Our 2023 goals are clear and measurable, and we believe they will show real long term progress for Victrex, as a business that is using sustainability in a proactive way and to deliver a competitive advantage.

David Hummel
Chief Executive
8 December 2014

Our 2023 vision: Sustainability goals



Victrex is committed to creating and delivering sustainable benefits and solutions to our customers and our markets, alongside maximising our resource efficiency across our global footprint

Sustainable solutions

Vision:

Develop and deliver sustainable polymer solutions that provide clear social and environmental benefits to society

2023 target:

- Save more CO_2 than we produce (carbon neutral)
- 5 million tonnes reduction of CO_2 in aerospace and automotive
- 10 million patients with PEEK-OPTIMA implanted globally

Resource efficiency

Vision:

Maximise resource efficiency across the value chain

2023 target:

- 50% reduction in energy use per £ revenue
- 50% reduction in waste per £ revenue

Social responsibility

Vision:

Inspire the next generation by supporting science, technology, engineering and maths education

2023 target:

- 10,000 employee hours (cumulative) supporting community activity by 2023
- 1,000 young people reached through education activities
- 75% of employees engaged on sustainability

Our 2023 vision: Interim targets

Metric:

- CO_2 savings
- Scale of patient benefits

Interim targets:

- Independently review method of measuring CO_2 savings in aerospace and transport by September 2015
- Extend PEEK-OPTIMA further into new and existing spinal therapeutic areas
- Extend PEEK-OPTIMA and other enabling polymers into new therapeutic areas
- Extend Invibio Biomaterial Solutions into emerging geographies

Metric:

- Reduction in energy and waste
- Primary energy per £ revenue
- Tonnes CO_2 per £ revenue

Interim targets:

- Complete an energy efficiency assessment by FY 2015 and establish a long-term plan
- Engage with key suppliers by FY 2016 to identify their climate change impact and improvement plans
- Establish an R&D programme by FY 2015 to identify process yield improvements and waste reduction opportunities
- Engage with key suppliers by FY 2016 to identify their waste impact and improvement plans

Metric:

- Employee involvement in the community
- No. of young people worked with

Interim targets:

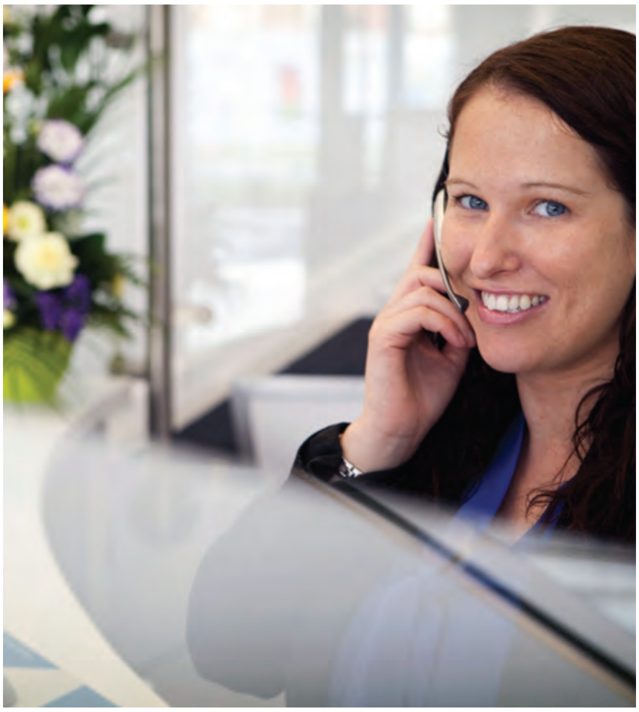
- Employee network in place to support community STEM education activities in the UK by end of 2015 and globally by end of 2016
- Support Fleetwood High to achieve improved STEM academic results by end of 2017 through employee support
- Victrex/Catalyst Science Education Centre project fully up and running by end of 2015
- Employee engagement in sustainability assessed in the next employee survey, with results benchmarked against peer companies by the end of 2015

Victrex Global Code of Conduct

Doing business the right way

Underpinning each of our sustainability programmes and our whole business is our Global Code of Conduct.

Acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business, helping us to maintain our competitive advantage. The Global Code of Conduct, further details of which can be found in the Corporate Governance section starting on page 35, is a fundamental guide to upholding our good reputation as a business and one that can be trusted by our employees, customers, suppliers, partners, investors and all other stakeholder groups with whom we engage. Our success as a business rests on maintaining this trust and ensuring that we are a company that upholds the highest standards of integrity.



Acting ethically: Victrex is a signatory of the Prompt Payment Code for suppliers

Prompt Payment Code
Approved Signatory

We have a zero tolerance to behaviour that breaches our Code of Conduct.

Our three principles of ethical business conduct are:

1. We are honest, transparent and trustworthy in all our dealings both within Victrex and in all our external business relationships.
2. We respect the privacy of individuals and other organisations with whom we work.
3. We investigate reports of potential breaches of the Code of Conduct.

p.20
Further details in our Sustainability Report

p.12-15
Divisional reviews from the Managing Directors

Sustainable solutions

Sustainable solutions

Sustainable Solutions is our focus area which includes products and services, in line with our vision of delivering products which provide clear environmental and social benefits to society.

At Victrex, we enable many industries to deliver against their future challenges. In doing so, we are not only helping our individual customers solve problems, we are providing innovative and sustainable solutions across our markets, proving our real credentials in sustainability. Our industries continue to be challenged to achieve higher performance with less: less material, less energy, less waste, less noise, less time, less cost. This drives the need for innovative designs using our materials and expertise to bring them to market.

The unique combination of properties and physical forms of Victrex materials help customers deliver against these challenges.

With proven expertise and over 35 years of experience, our customers choose to specify VICTREX PEEK in many of their applications, whether it be in aerospace to 'fly lighter', in automotive to 'reduce wear' and 'improve durability', in electronics to deliver 'thinner, smaller and smarter' devices, in energy to 'improve durability' and 'recover more', or in medical applications to help address an ageing global population.

We retain a strong and diverse development pipeline, with opportunities to target further market penetration or geographies through strategic marketing. Ultimately, we believe our products and services will continue to play an important role in delivering real and sustainable solutions for our customers and markets. New materials, new applications, new forms and new geographies will all play a part in Victrex's future. As evidence of our commitment in this area, our research and development spend once again increased this year, representing approximately 6% of Group revenue.

We also continue to focus on a sustainable supply chain, including our own upstream production assets manufacturing BDF in the UK, or our non-Victrex BDF supply, as well as how we can sustainably source our other global raw materials into the future.

Minimise CO_2 emissions – maximise efficiency

Across industries and countries, the reduction of CO_2 emissions remains a dominating trend. Global mobility continues to be a key megatrend, with transport systems having a major impact on the environment and global carbon footprint. Transport consumes 20% of global energy consumption and contributes approximately 22% of worldwide CO_2 emissions. With more than 1 billion cars and light good vehicles and forecasts of 100 million new vehicles per year by 2018, improving energy efficiency and emissions is vital to the sustainability of personal transport.

Solutions to problems: *Our polymers are helping to improve fuel efficiency in cars*

Sustainability report continued

Sustainable solutions continued

Resource efficiency

Minimise CO_2 emissions – maximise efficiency continued

Only one quarter of the fuel consumed by a car is converted to propulsion. To meet ever more challenging regulatory criteria to reduce CO_2 emissions, the global automotive industry is focusing on improvements in powertrain technology, brake energy recovery, exhaust gas energy recovery and treatment, and lighter weight construction.

Victrex remains at the forefront of helping the global transport industry, whether it be in Aerospace or in Automotive.

In cars, powertrain technology not only encompasses alternatives such as electrification and hybridisation, but also smaller engines with improved power output combined with highly efficient transmission systems.

Efficiency improvements are reliant on the reduction of friction associated energy losses. Victrex materials are shaping future performance in powertrain technology.

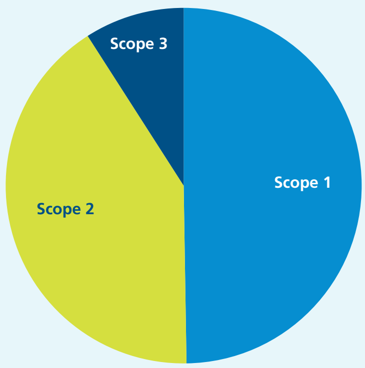
Through the use of VICTREX PEEK in transmission seals and thrust washers, frictional losses are reduced by approximately 20%, compared with incumbent materials, enabling reduced transmission power consumption.

Victrex materials are also replacing heavier metal. In single vane vacuum pumps, Victrex polymers demonstrated up to 30% less power consumption and consequently enabled >1% fuel savings according to the New European Driving Cycle ('NEDC'), a standardised cycle used to measure the emissions and consumption of motor vehicles. Further consolidating multiple metal parts into one plastic component paves the way to overall system cost reductions and reduced time to market – always a welcome effect for the automotive industry!

Lift off with less: *Our polymers help reduce weight in aircraft, saving fuel and CO_2 emissions*

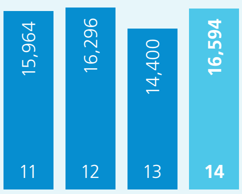
Victrex greenhouse gas emissions 2014

Tonnes of CO_2 equivalent 2014



Scope 1

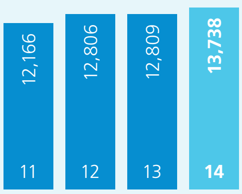
Direct emissions resulting from combustion of fuels



Tonnes CO_2e

Scope 2

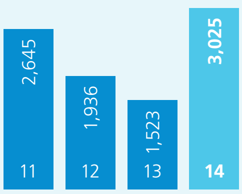
Indirect emissions resulting from electricity purchased



Tonnes CO_2e

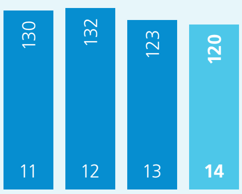
Scope 3

Other indirect emissions from related activities such as transport of goods and employees



Tonnes CO_2e

Intensity measurement (scope 1 and 2)



Tonnes CO_2e/£m revenue

Resource efficiency

Victrex retains a strong focus on resource efficiency and our clear targets (page 21) and vision to maximise efficiency across our own operations and across the value chain will help us to continually improve in this area.

Resource efficiency includes a focus on our products, which enhance sustainability and efficiency in many applications, or in our own operations, as a manufacturing backed global company. Our products help our customers to make a sustainable difference by reducing their impact on the environment, for example, Victrex polymers help our aerospace and automotive customers to reduce the weight of their aircraft and vehicles to improve fuel efficiency and reduce CO_2 emissions. Our bold target of reducing CO_2 emissions in aerospace by 5 million tonnes shows the commitment we have in this area. In medical, the wear characteristics of PEEK polymer is helping spinal fusion patients, whilst in the emerging area of plastic knees, our devices can be injection moulded to reduce surgery time, as well as enhancing patient satisfaction.

At the same time, we have an impact on the environment through the resources that we use to make our products and the processes that we operate. We continue to control these impacts and, as we grow, we are committed to continual improvement. Our priorities remain the efficient use of energy and waste minimisation, and we are proactively delivering continual improvement to address these areas.

Principal environmental impacts

The principal environmental impacts of the Group's operations are set out in the charts overleaf and are different from the Group's overall GHG emissions (see left). These show energy use, water use and waste from our UK activities which include all our manufacturing operations. The impact from our overseas technical and office facilities is not material and is not included.

We have reported data per unit of revenue to best align our indicators with our business strategy along with absolute data to demonstrate our total impact. CO_2 emissions are reported separately left as part of our greenhouse gas emissions report under the Companies Act 2006 (Directors' Report) Regulations 2013.

Greenhouse gas (GHG) emissions

Our emissions have been calculated based on the GHG Protocol Corporate Standard. Emissions reported correspond with our financial year. We have included emissions from both our owned and leased assets for which we are responsible in the UK and overseas. This includes our manufacturing plant, technical centres and offices. No material emissions are omitted. Emissions have been calculated using data gathered to fulfil our reporting requirements under Climate Change Agreements on two of our manufacturing sites (we operate under a tenancy agreement at our Seal Sands facility). Emission factors are from UK government conversion factor guidance. Whilst not a mandatory requirement we have included scope 3 emissions in our report for greater transparency; these include indirect emissions from employee travel and distribution of goods.

Our emissions are predominantly from gas and oil combustion and electricity use on our manufacturing plants in the UK. Emissions from our overseas technical facilities and offices are relatively immaterial to those from our UK activities, which explain our focus on UK reporting metrics.

Whilst our overall emissions have increased this year – principally as a result of increased sales volumes through our manufacturing plant – pleasingly, our emissions per unit of product have reduced because of our focus on optimising and delivering cost of manufacture efficiencies in our manufacturing operations.

Our efficiency focus has been enhanced this year with a specific Cost of Manufacture programme. This has already started yielding savings through more efficient distribution – for example, through shared product distribution – and through improved manufacturing efficiency in the second half year. We are focused on continuing this into 2015 as we commission our new PEEK and APTIV film capacity, with an aim of improving our medium term operating efficiency.

Victrex also continues to participate in the Carbon Disclosure Project, where our performance ranking improved this year.

“

Our efficiency focus has been enhanced this year with a specific Cost of Manufacture programme.

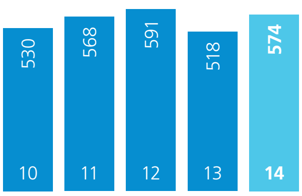
Sustainability report continued

Resource efficiency continued

Energy use (UK operations)

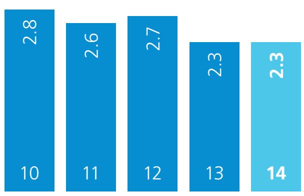
In line with previous reporting, energy use is reported for our UK manufacturing sites. Energy per unit revenue has remained steady this year despite the stronger production performance. This is primarily because of resource efficiencies from the way we have been able to operate our manufacturing plants to meet demand. Energy is a priority sustainability target for us as part of our resource efficiency focus.

Primary energy



Thousands GJ

Primary energy per unit revenue

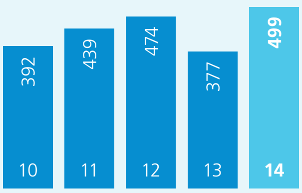


Thousands GJ/£m

Water (UK operations)

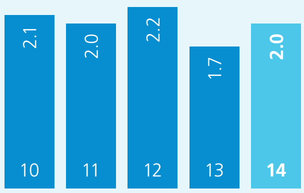
Water use is reported for our UK operations. Our overseas water usage is not material. Our manufacturing operations are not in regions which experience water shortages.

Water usage



Thousands m^3

Water usage per unit revenue



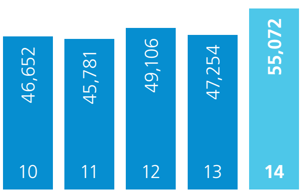
Thousands m^3/£m

Waste (UK operations)

Whilst our manufacturing process generates hazardous waste, we work closely with licensed waste service providers to ensure that it is recovered, recycled or disposed of with minimal environmental impact.

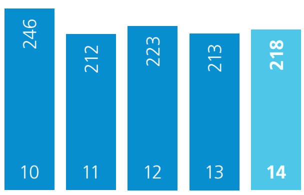
We have invested in improving and optimising the production process to reduce waste, but we are already striving to reduce it further. This is a priority sustainability objective and there is an ongoing programme of work to examine how we can further minimise generation of waste at source and how we can also recover value from waste generated over the medium term. Waste per unit of revenue remained steady this year, following reductions in previous years.

Hazardous waste produced



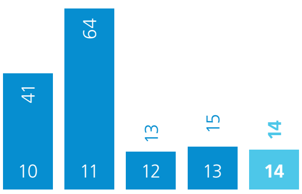
Tonnes

Hazardous waste produced per unit revenue



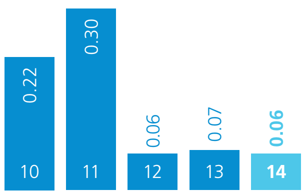
Tonnes/£m

Hazardous waste disposed to landfill (after treatment)



Tonnes

Hazardous waste disposed to landfill (after treatment) per unit revenue



Tonnes/£m

Reportable injuries and cases of reportable ill health during the year

ZERO

Compliance

In line with our focus on resource efficiency, Victrex proactively stays well ahead of environmental standards.

Our manufacturing plants are regulated under Environmental Permitting Regulations and, as such, are subject to close regulatory review by the UK Environment Agency. In 2014, our routine environmental emissions monitoring demonstrated that all our UK manufacturing plants were being operated within agreed consent limits. We work closely with the Agency on new projects to ensure that best available techniques are adopted during new plant design.

During the year there was one notifiable event. At our Hillhouse manufacturing plant in the UK, the contents of a raw material package was accidentally released inside the plant building. No one was injured and there was no harm to the environment.

There were no other notifiable events at any of our other UK manufacturing sites. We are also pleased to have recorded another year with no prosecutions, fines or enforcement action from environmental or health and safety legislation.

During the year we successfully achieved ISO 14001:2004 accreditation for the environmental management system on our compounded pellets production plant, validating our commitment to being a sustainable and environmentally conscious business.

REACH

REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals Regulations) is a well established regime for the chemical industry and Victrex has well established processes in place to ensure adherence to legislation. We monitor and review to ensure that raw materials involved in our manufacturing process are compliant and that REACH will not adversely impact on the security of supply, which is important both for Victrex and for our customers, who are focusing on long term demand. There has not been, and we do not anticipate, any disruption to the supply of products arising from the regulations.

Health and safety

Protecting the occupational safety and health of all our employees along with contractors and visitors to our sites remains the highest priority for Victrex. We continue to have a strong track record and have won several accolades to mark our success in this area.

In 2014 the Group was again recognised for its strong health and safety performance. We received the Royal Society for the Prevention of Accidents ('RoSPA') Order of Distinction award. It is the 17th consecutive year that we have received an award and the third year running that we have received an Order of Distinction award.

Despite our track record, we set targets to drive continual safety, health and environment (SHE) performance improvement. During the year, over 1.1 million employee hours were worked with no employee reportable injuries and no cases of reportable ill health. This has been achieved by establishing and maintaining a strong health and safety culture throughout the business from the Executive team to the shop floor. We have a strong business risk management culture and believe that good health and safety management is just one part of it.

The occupational health and safety of contractors working on our sites is of equal importance as our employees. With our major investment in new PEEK production capacity seeing major construction activity this year, there has been a significant number of contractors on major projects, with over 600,000 contractor hours worked with only one contractor reportable injury, a contractor breaking his ankle when he stumbled on a cable. This result has been achieved by working closely alongside project principal contractors to ensure that robust project health and safety procedures are in place and that they are actively monitored, audited and reviewed.

This year the principal contractor, K-Home, building our new polymer manufacturing plant at our Hillhouse site in the UK, received a RoSPA gold award for its occupational health and safety.

***Technical excellence:** Our global technical centres ensure we retain our market leadership*

Social responsibility

Social responsibility

In line with our proactive vision to inspire the next generation by supporting science, engineering, technology and maths education, our social responsibility focus has been refined this year, whilst maintaining our commitment to employees and to the communities where we operate both in the UK and globally.

Our employees

Our business success is a reflection of the depth of talent in our global workforce. In a competitive global market, ensuring that we attract, motivate and retain our people remains a consistent theme for Victrex. This year we introduced an Organisational Capability Strategy, which supports us to identify and develop the skills and experience we need to deliver our business strategy and shape our people strategy. This was led by the Chief Executive, supported by the Group Human Resources Director and the Managing Directors of each business unit.

Employee breakdown

As a company we continue to invest in skills and talent to support our future growth. This year we recruited 76 new employees to the Victrex team, balancing this with promoting internal talent within the business. Our workforce continues to strengthen and diversify, and our gender breakdown continues to show changes across the business. Approximately 80% of our employees are male (average 2014: 542) and 20% female (average 2014: 139). On our Executive Leadership Team, one quarter of the team is female. 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. We operate an equal opportunities policy and provide a healthy environment which will encourage good and productive working relationships within the organisation.

We have a policy of giving full and fair consideration to applications for employment made by disabled persons, continuing the employment of employees who have become disabled when they were employed by the company and the training, career development and promotion of disabled persons employed by the company.

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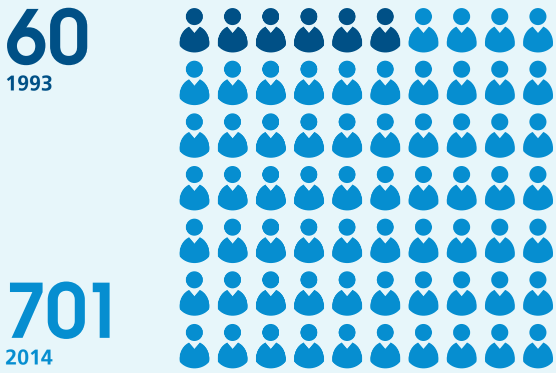
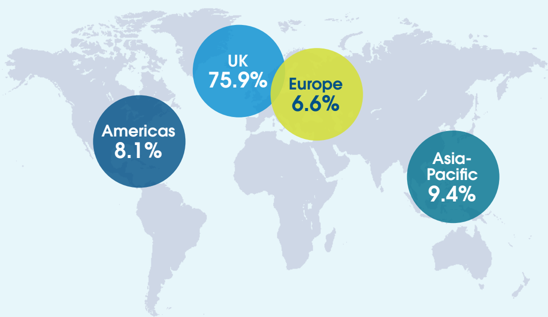
We operate an equal opportunities policy and provide a healthy environment which will encourage good and productive working relationships within the organisation.

Employees



Employees by regional breakdown



Average number of people employed during the year (including Directors), by category

	2013	2014
Administration	94	101
Commercial	129	132
Technical	82	86
Operations	339	362
Total	644	681

Development

We continue to invest in the development of all our employees, through both an informal and formal route. Assessment of individual training needs comprises a key element of the annual appraisal process which is undertaken by all employees. This year has seen us complete a global learning needs analysis and we continue to roll out programmes globally across different employee groups.

We continue to invest in our apprenticeship programme at our Hillhouse manufacturing site in the UK, across a range of disciplines, with eight apprentices currently on the apprenticeship programme. Last year, Adam Moat one of our engineering apprentices based at Hillhouse, our UK headquarters, was awarded Best Engineering Progress award and runner up in the Best Engineering Skills award at Blackpool and Fylde Technical College, whilst studying for a BTEC National Diploma in Engineering. Adam was also awarded the Springfields' Gareth Jobes Endeavour Award 2013, the third time in four years a Victrex apprentice has won this award.

As part of our focus on development and apprenticeships, we annually present the Shaun Thompson Young Person of the Year Award. The award, which commemorates our first Victrex apprentice, is open to young people across the operations discipline. Recipients are nominated by their peers and the winner is selected by a committee made up of the senior Manufacturing and Technical team.

The 2014 recipients are Richard Whiteside, Process Engineer, and Richard Jebb, Finished Product Shift Technical Officer. Both have continued to develop and expand their knowledge and are highly regarded and valued members of the Manufacturing team.

Wellbeing

We continue to place a high priority on the health and wellbeing of employees and promote this in a number of ways. Occupational health and private medical services are available for all employees in all locations. Over the last year we have started to focus on wellbeing services rather than medical treatment programmes, this has included, for the UK sites, on site medical checks, financial education sessions and defensive driving for company car owners and frequent travellers. This approach will be rolled out to the rest of the business in the next financial year.

Apprentices currently on the apprenticeship programme

8

Engineered for success:
Adam Moat, who secured the Best Engineering Progress award

Young Person of the Year:
Richard Whiteside (left) and Richard Jebb are presented with the Shaun Thompson Young Person of the Year Award by Karl Thompson

Sustainability report continued

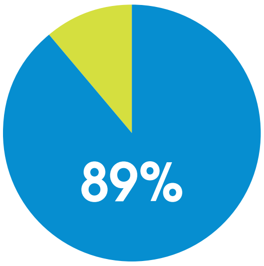
Social responsibility continued

Involvement
The Group places considerable emphasis on two-way communication and involving our employees in the business. We have a number of channels to keep employees informed on business news, these include a newly launched global monthly business briefing to keep employees aware of Company performance, quarterly global staff briefings and more formally through the Staff Committee and union partnership meetings. The Company supports employee share ownership and, offers the opportunity to participate in share schemes. This year we ran a series of briefing sessions to help our employees understand more about the range of share schemes available. As at 30 September 2014, approximately 89% (2013: 86%) 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 across most of our global operations. Details of the Group's principal pension schemes are set out in note 14 to the financial statements.

Largely as a result of the above approaches, Victrex has low voluntary employee turnover. This has risen slightly during the last year as many countries have moved out of recession, increasing the number of opportunities available, although the rate is still low for both the chemical sector and for manufacturing backed businesses. We conduct exit interviews with all employees leaving to understand reasons, so we are able to address any trends.

Participation in employee share schemes



* Excludes recruitment during 2014

2014	2013	2012	2011
89%*	86%	93%	85%

Voluntary employee turnover

5%

2014	2013	2012	2011
5%	2%	3%	3%

Inspiring the next generation: *Pupils from Fleetwood High School learn about the technology behind Victrex polymers*

As a business we continue to:

1. 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;
2. provide appropriate remuneration for work carried out and equal opportunities for development and career advancement;
3. be intolerant of any unacceptable working practices such as any form of discrimination, bullying or harassment;
4. prohibit illegal activities on our sites; and
5. promote fair, ethical and transparent business practices both within our business and in dealings with external stakeholders.

Our communities

We have increased our proactive focus on corporate citizenship to have a clearer vision of how we work with the local communities, ensuring that the Victrex name is synonymous with good business, and helps to establish our employer brand and reputation, in turn helping us to secure the right skills for our future development. With a clear vision and targets in line with our 2023 sustainability goals, we have made good progress in this area and now have a more focused approach.

Last year we outlined in our sustainability strategy that our focus is to get young people interested and excited about science, technology and engineering. This year, we signed up to Business in the Community's Business Class programme, which matches local businesses and schools together in a three year partnership. We are pleased to be working with Fleetwood High School in the UK over the next three years. This year we hosted a visit to our main UK manufacturing operations and work experience for year 10 students.

As a company using technical excellence as part of our more focused strategy, our 20th birthday celebrations last year saw us sponsor a 'Polymer Zone' at the Catalyst Discovery Centre in Runcorn, UK. The Catalyst Centre was launched in September and the 'Polymer Zone' helps young people understand more about polymers and their application in the world and day to day life, whether it be in smartphones, cars, aeroplanes, medical devices or wider industry.

Victrex has also participated in a range of activities within local communities, offering apprenticeships, awareness in schools, advancement of research work at universities and offering work experience to students of all ages at varying stages of their academic careers. We are actively involved in the Science Industry Partnership which was awarded £52m to enable industry to take the lead in investing in the skills they need. Our Manufacturing Director sits on the Board and a number of employees are actively involved in the sub-groups.

Catalyst for the future:
Victrex employees and pupils from Fleetwood High School open the Polymer Zone at the Catalyst Centre

Charitable giving

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 £164,590 (2013: £81,224) during the year. No political donations were made (2013: £nil).

Our employees remain active fundraisers, following the successful opening and launch of our UK head office and UK technical centre in 2012, with quarterly employee events to encourage employee networking and to raise money for charity. All employees based on the UK Hillhouse site were invited to attend informal lunches provided by the company. During the year a total of £588 was donated to charity through employee donations.

Alongside Company led events, our employees proactively support charities through their own wishes. Three Victrex employees, Rob Baylis, Barry Fullard and Adam Briscoe, committed to walk 100km over the UK's Yorkshire Dales in under 30 hours in May 2014. This involved climbing more than 2300m, more than Ben Nevis and Snowdon on top of one another. The PEEK-y-Knees team successfully completed the challenge and raised over £2,000 for Oxfam.

> With a clear vision and targets in line with our 2023 sustainability goals, we have made good progress and now have a more focused approach.

RESPONSIBLE

Introduction from the Chairman

To our shareholders and stakeholders

We as a Board of Directors are committed to the principles of good governance. We believe these principles form the foundations for the long term success of the Company, enabling us to achieve our strategy and growth aims for the future.

Our Corporate Governance Report is set out on pages 35 to 56, including the Directors' Remuneration Report on pages 44 to 56. This section of the Annual Report sets out how we manage the Group and comply with the provisions of the UK Corporate Governance Code. It also outlines any governance initiatives undertaken in the year. Key areas of focus this year included strengthening our succession planning, re-aligning our governance structures with our product leadership strategy and a focus on Board appointments.

We remain cognisant of the strong relationship between ethics and governance and the role the Board plays in demonstrating ethical leadership. In the current year, we embedded our Victrex Global Code of Conduct which was launched in 2013. We remain committed to operating ethically, demonstrating integrity and acting responsibly for both our shareholders and wider stakeholders. Further information on ethics and social responsibility is contained in our Sustainability Report on pages 20 to 31.

We continue to operate a clear line of distinction between management, led by David Hummel, Chief Executive, who is responsible for the day to day running of the business, and the Board, acting under my leadership, which provides constructive challenge to management ensuring an open culture of debate that creates and preserves value for our shareholders.

In the current year, I led the board evaluation process as incoming Chairman. As part of our process this year, we assessed how we work as a board, our skills, our diversity and how we could improve our effectiveness. We will continue to focus on board effectiveness over the coming year.

Finally, our Statement of Compliance with the UK Corporate Governance Code is set out on page 35.

Larry Pentz
Chairman
8 December 2014

1

Larry Pentz
Chairman BS ChE MBA
Larry Pentz was appointed as a non-executive Director in 2008 and as Chairman from October 2014. He has over 30 years' service within multi-national corporations in a variety of operational and general management positions. He has extensive experience in developing strategy for and successfully leading international growth businesses. Larry has been instrumental in the acquisition and integration of multiple catalyst and chemical companies for Johnson Matthey plc, and was formerly the executive director responsible for Emission Control Technologies.

Larry is an executive director of Johnson Matthey Plc, holding board level responsibility for its Process Technologies and Fine Chemicals Divisions.

1 2 3

Pamela Kirby
Non-executive Director BSc PhD
Pamela Kirby joined the Board in 2011 and was appointed Senior Independent Director effective from November 2014. Pamela has detailed knowledge of the international pharmaceutical industry, and was formerly CEO of Quintiles Transnational Corporation based in North Carolina USA. Pamela has also held a number of other senior positions in the international pharmaceutical industry, including AstraZeneca plc, where she was a regional director, and F.Hoffmann-La Roche Ltd., where she was their Director of Strategic Marketing and Business Development. She was previously non-executive chairman of Oxford Immunotec Limited and non-executive director of Novo Nordisk A/S and Smith & Nephew plc.

Pamela is Chairman of Scynexis Inc and a non-executive director of DCC plc and Hikma Pharmaceuticals plc.

Key to committees

1 Nominations Committee
2 Audit Committee
3 Remuneration Committee

David Hummel
Chief Executive BSc

David Hummel assumed responsibility for VICTREX PEEK worldwide in 1992 and has more than 25 years of experience of the global high performance polymer industry. Formerly with Diamond Shamrock, GE Plastics and ICI, David was appointed to the Board in 1993 following the successful MBO of Victrex from ICI. He has served as CEO of Victrex since that time, overseeing strategic decision-making and day to day management and leadership of the business.

Louisa Burdett
Group Finance Director BSc ACA

Louisa Burdett was appointed as Group Finance Director on 1 February 2014. She was previously Chief Financial Officer and an Executive Director at Optos plc. Prior to this, Louisa was Chief Financial Officer at the Financial Times Group. She has also held roles at Chep Europe, a division of Brambles Ltd, the Australian listed pallet distribution company, GE Healthcare (formerly Amersham plc) and GlaxoSmithKline plc. Louisa has also worked as an M&A Consultant at Charterhouse Bank and spent four years at KPMG in London. She has a first class degree in Biochemistry from Imperial College, London and is a member of the Institute of Chartered Accountants in England & Wales.

Tim Cooper
Executive Director BA

Tim Cooper was appointed to the Board in October 2012 and continues in the position of Managing Director of VPS, a position Tim has held since joining Victrex in January 2010. Tim has over 30 years of international business management and commercial experience, having held senior leadership positions in a number of industries. Prior to joining Victrex, Tim was with Umeco Plc, initially as Managing Director of Aerovac Systems Ltd, later as Group Managing Director of Umeco Composites Process Materials. He was also appointed Managing Director of Tellermate Plc and of Avery Berkel Ltd. Tim's international career was developed through a number of roles held with GEC, BP and Land Rover.

1 2 3

Patrick De Smedt
Non-executive Director BSc MSc

Patrick De Smedt was appointed in 2008 and is Chairman of the Remuneration Committee. His career includes over 23 years with Microsoft Corporation, culminating in his appointment as Chairman of Microsoft Europe, Middle East and Africa in 2003. Patrick has previously worked with early stage ventures in addition to large, established multi-nationals. He has an in-depth knowledge of international markets, technology and diverse industry sectors.

Patrick is Senior Independent Director at Morgan Sindall plc and Anite plc. He is also a non-executive director of Kodak Alaris Holdings Limited and Nexinto GmbH.

1 2 3

Giles Kerr
Non-executive Director BA ACA

Giles Kerr was appointed in 2006. Giles is Chairman of the Audit Committee. Giles has a strong financial background and commercial experience within the pharmaceutical industry. He has formerly held the position of Finance Director at Amersham plc and was previously a partner at Arthur Andersen.

Giles is the Finance Director of Oxford University and non-executive Director of BTG plc and Senior plc.

Suzana Koncarevic
General Counsel and Company Secretary BBus LLB MBA

Suzana Koncarevic was appointed to the position of General Counsel and Company Secretary in April 2012. Suzana has a corporate and commercial law background, having previously held the positions of General Counsel and Company Secretary at Speedy Hire plc and Senior Legal Adviser at United Utilities Group plc. Suzana's career also includes previous experience as a corporate lawyer at Herbert Smith in London and DLA Phillips Fox in Sydney, Australia.

Corporate governance

Executive Management

Picture above: *Victrex's Executive Leadership Team (left to right) Tim Cooper, Louisa Burdett, Martin Court, David Hummel*

Our executive team oversees the implementation of the strategy set by the Board. It comprises the Chief Executive, Group Finance Director, Managing Director of VPS and Managing Director of Invibio.

David Hummel
Chief Executive BSc

David Hummel assumed responsibility for VICTREX PEEK worldwide in 1992 and has more than 25 years of experience of the global high performance polymer industry. Formerly with Diamond Shamrock, GE Plastics and ICI, David was appointed to the Board in 1993 following the successful MBO of Victrex from ICI. He has served as CEO of Victrex since that time, overseeing strategic decision-making and day to day management and leadership of the business.

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Group Finance Director BSc ACA

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Martin Court
Managing Director, Invibio BSc (Eng), PhD

Martin joined Victrex in February 2013 from Cytec Industries Inc, where he was the Vice President of the in process separation business unit based in New Jersey. Prior to this, he held the position of Vice President of R&D in Brussels. He has also held a number of senior research and development management roles both at ICI and UCB. Martin is an INSEAD alumni, holds a doctorate in the field of surface chemistry and fracture mechanics and a BSc (Eng) degree in mineral technology from Imperial College of Science and Technology.

The Board of Directors ('the Board') recognises the importance of sound governance and its role in achieving sustainable growth. The Board is committed to high standards of corporate governance and it supports the principles laid down in the UK Corporate Governance Code ('the Code'). Victrex continues to maintain and review its systems, processes and policies to support its sustainability and governance practices.

Statement of compliance

A detailed review has been performed of the Company's compliance with the Code published by the Financial Reporting Council ('FRC') in June 2010 and revised in September 2012. We have been mindful to ensure that we comply not just with the principles of the Code but also the spirit of the Code. In assessing our approach, we have had regard to the FRC guidance on Board Effectiveness (March 2011) and the FRC guidance on audit committees (September 2012). We are also cognisant of the 2014 update to the Code, which is effective for year ends from 1 October 2014.

This report, including the Directors' Remuneration Report on pages 44 to 56, describes how the main principles of good governance have been applied throughout our business.

Except as referred to below, the Company has complied with all relevant provisions of the Code throughout the year ended 30 September 2014 and from that date up to the date of publication of this Annual Report.

- Provision B.6.2 requires the board evaluation of FTSE 350 companies to be externally facilitated at least every three years. The last such evaluation was in 2011 and the intention was that an externally facilitated evaluation would take place in 2014. However, given a new incoming Chairman from October 2014, after careful consideration and discussion, the Board chose to conduct an internally facilitated process, postponing the external facilitation until 2015.
- The Senior Independent Director is aware of the views of the Company's major shareholders and has a balanced understanding through regular feedback from the Chairman and the CEO and Group Finance Director. Code provision E.1.1. envisages that meetings would take place between the Senior Independent Director and major shareholders during year. Both the Chairman and the Senior Independent Directors make themselves available for meetings, however, none were requested in the current year and no such meetings took place. Further information on how we engage with shareholders is set out on page 40.
- The 2012 revised Code included a new provision C.3.7 in relation to audit tendering. The Company has not complied in full with part of this provision which states that 'FTSE 350 companies should put the external audit contract out to tender at least every ten years'. As noted on page 42, KPMG has been our auditor since the MBO in 1993. Consistent with good governance principles, we review independence and objectivity annually as part of our annual review of the effectiveness of the external audit process. In light of the requirement of the Code, EU Regulation and the recommendations of the Competition and Markets Commission, the Audit Committee will keep the timing of an audit tender under review.

Leadership

The Role of the Board

The role of the Board is to provide entrepreneurial leadership and the Directors are collectively responsible for the long-term success of the Company. The Board also acts as custodian of the Company's values and of its long-term vision and provides strategic direction and guidance for the Company. The names, biographical details and significant time commitments of the members of the Board are set out on pages 32 and 33.

In discharging its responsibilities, the Board also seeks to set, promote and demonstrate adherence to our values and ethical standards for the Company. It remains mindful of the need to observe the duties owed by Directors in law, including promoting the sustainable success of the Company, not only for our shareholders, but also for our stakeholders, which includes our employees, suppliers, customers and wider community.

The offices of the Chairman and the Chief Executive Officer ('CEO') are separate and clearly distinct. The division of their responsibilities is set out in writing and has been approved by the Board. There is no Deputy Chairman. The CEO is responsible for the day to day running of the Group, carrying out agreed strategy and implementing specific Board decisions.

p.32-33

The names, biographical details and significant time commitments of the members of the Board

p.44

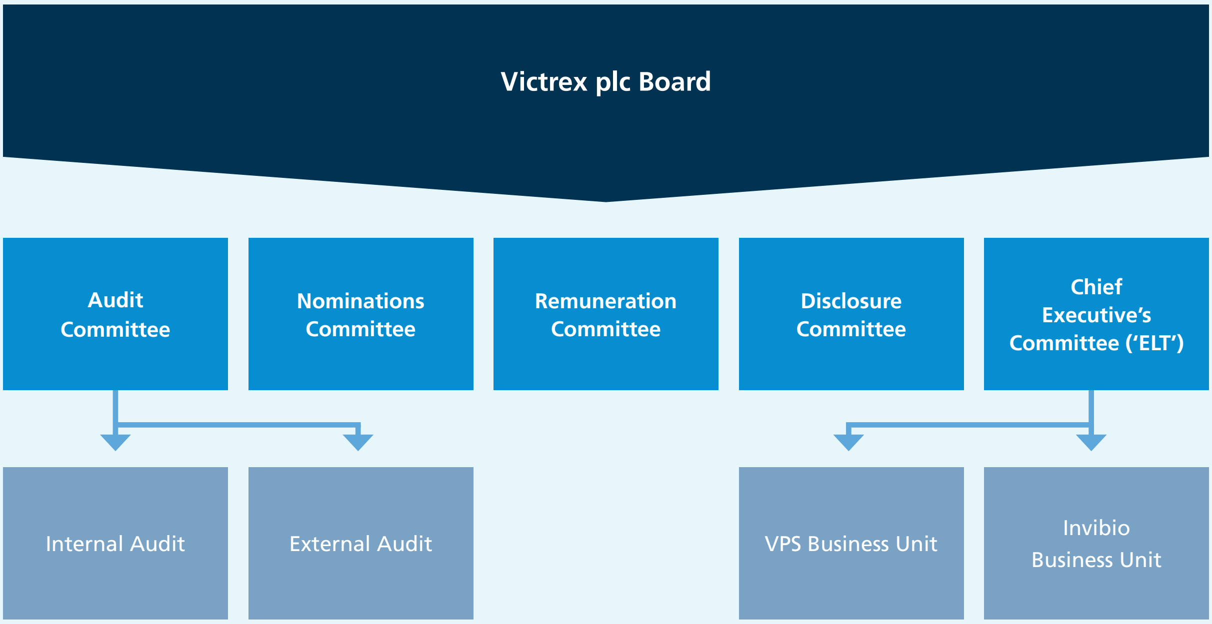
Directors' Remuneration Report

visit us online

Find out more on our website at www.victrexplc.com

Corporate governance continued

Corporate governance framework



Leadership continued

The Role of the Board continued

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman is also responsible for creating the right board dynamic and for promoting a culture of openness and debate, in addition to ensuring constructive and productive relations between executive and non-executive Directors. The Chairman is also an ambassador for the Company to shareholders and wider stakeholders.

The executive Directors are responsible for the running of the business. The non-executive Directors are responsible for exercising independent and objective judgement in respect of Board decisions, developing corporate strategy with senior management and for scrutinising and constructively challenging the actions of senior management.

Our Senior Independent Director ('SID'), Pamela Kirby who took over as SID from Giles Kerr on 1 November 2014, acts as a sounding board to the Chairman and serves as an intermediary for other Directors when necessary. She is also available to shareholders should they have any concerns, where contact through the normal channels is inappropriate. She is also responsible for leading the review of the Chairman's performance, as part of the annual Board evaluation. The Company Secretary reports to the Chairman on governance matters and is responsible for keeping the Board up to date on all legislative, regulatory and governance matters. She is also responsible for supporting the Chairman and other Board members as necessary, including the management of Board and Committee meetings and their evaluation, advising on Directors' duties and facilitating appropriate, high quality and timely information flows between the business and the Board.

Operation of the Board

The Board is responsible for the Group's strategic development, monitoring achievement of its business objectives, oversight of risk and maintaining a system of effective corporate governance, which includes the responsibility for health, safety, environmental, social and ethical matters. The Board discharges these responsibilities through scheduled meetings, which include regular reviews of financial performance and critical business issues and benchmarking performance against our strategic plan and objectives.

The Board's agenda is determined against a pre-planned programme of business to ensure that, in addition to the day to day matters requiring its consideration, all necessary matters are covered and to allow sufficient time for debate and challenge, particularly on areas such as strategy.

During the financial year, the Board considered a wide variety of matters including corporate development opportunities, the Group's strategic plan, financial performance of the Company, risk management and controls within the Company, strategy and performance of the business units and Board effectiveness and evaluation.

Matters reserved for the Board and delegation of authority

There are certain matters that are deemed significant enough to be reserved for Board decision only. A clearly documented schedule of matters reserved for Board decision is reviewed annually by the Board to ensure it continues to be appropriate for the Company. These matters include:

- setting the Group's strategy and approval of the Company's long-term objectives;
- approval of half-yearly reports, interim management statements and any preliminary announcements of the final results;
- changes to the Company's capital structure;

Attendance at meetings

Directors' attendance at the Board and committee meetings convened in the year to 30 September 2014 was as follows:

♦ Attended ◊ Not attended

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings	♦♦♦♦♦♦♦	♦♦♦	♦♦♦♦	♦♦
Chairman				
A M Frew*	♦♦♦♦♦♦♦	n/a	n/a	♦♦
Executive Directors				
D R Hummel	♦♦♦♦♦♦♦	n/a	n/a	n/a
L S Burdett**	♦♦♦♦♦	n/a	n/a	n/a
T J Cooper	♦♦♦♦♦♦♦	n/a	n/a	n/a
A S Barrow**	♦♦	n/a	n/a	n/a
Non-executive Directors				
L C Pentz*	♦♦♦♦♦♦♦	♦♦♦	♦♦♦♦	♦♦
G F B Kerr	♦♦♦♦♦♦♦	♦♦♦	♦♦♦♦	♦♦
P J M De Smedt	♦♦♦♦♦♦♦	♦♦♦	♦♦♦♦	♦♦
P J Kirby	♦♦♦♦♦♦♦	♦♦♦	♦♦♦♦	♦♦

* L C Pentz was appointed Chairman with effect from 1 October 2014, with A M Frew stepping down on 30 September. Following his appointment, L C Pentz ceased to be a member of the Remuneration and Audit Committees and became Chairman of the Nominations Committee.

** A S Barrow resigned from the Board on 31 January 2014 and L S Burdett was appointed effective 1 February 2014.

- approval of the dividend policy;
- major contracts and capital expenditure;
- approval of risk management policy and framework;
- major investments; and
- treasury and cash management policy.

The Board delegates day to day and business management control to the executive Directors, who in turn delegate as appropriate to senior management.

Board committees
The Board has delegated certain responsibilities to Board committees namely:

- the Nominations Committee;
- the Audit Committee;
- the Remuneration Committee; and
- the Disclosure Committee.

Until September 2014, the Board was supported in its responsibilities by the Group Risk Management Committee, which was chaired by the non-executive Director Larry Pentz, and was responsible for ensuring that all significant risks facing the Group were reduced to an acceptable level. During the course of the year, the Group Risk Management Committee met twice. However, due to the strengthening of the risk management process over recent years, and the activities of the Executive Leadership Team in that risk management process, and the Audit Committee's enhanced responsibilities in terms of supporting the Board in its risk responsibilities, the Group Risk Management Committee has been dissolved. Such evolutions in process help further embed and drive the effectiveness and efficiencies of risk management in our business. The sub Risk Management Committees (VPS Risk Management Committee, Invibio Risk Management Committee and Support Services Risk Management Committee) will continue to meet and report to the ELT Risk Management Committee.

The Board has ultimate responsibility for the approval of the treasury and cash management policy and continues to be supported in its work by the Currency Committee. The Currency Committee is chaired by the Group Finance Director, Louisa Burdett and meets on a monthly basis to manage the application of the Group's treasury policy, which has been approved and reviewed annually by the Board. Further details on the policy and the activities of the Currency Committee are included in note 13 to the Financial Statements.

The Nominations, Audit and Remuneration Committee reports are described on pages 41 to 44 and the Risk Management and Disclosure Committees on page 38. These Committees operate under clearly defined terms of reference and report to the Board at each Board meeting via the Committee Chairmen. The terms of reference are reviewed at least annually, with any revisions proposed by the respective Committees and then approved by the Board. The Board has provided its Committees with sufficient resources to undertake their duties, including access to the services of the Company Secretary and external advisors, where appropriate.

Attendance at meetings
Directors' attendance at the Board and committee meetings convened in the year to 30 September 2014 is shown in the table above.

Although not a member of the Committees, Anita Frew, David Hummel and Louisa Burdett attended a number of Audit Committee and Remuneration Committee meetings as invited attendees, when appropriate.

Risk Management Committee

Chairman – Larry Pentz

The Risk Management Committee ('the RMC') was in operation throughout the 2014 financial year. However, effective from 1 October 2014, its responsibilities will be subsumed into the Audit Committee and ELT Risk Management Committee, as appropriate. It was chaired by Larry Pentz and comprised the executive Directors, Managing Director of Invibio, the General Counsel and Company Secretary, Head of Business Assurance, VPS Manufacturing Director and Global SHE Manager. The RMC was responsible for ensuring that all significant risks facing the Group are reduced to an acceptable level.

Full details of the way the risk management framework operates at Victrex are given on pages 16 and 17.

During the course of the year, the RMC met twice and reported to the Board after each meeting.

The Board annually undertakes a formal review of the effectiveness of the risk management framework, policies and the performance of the RMC. Twice a year the Board reviews the key risks in the Group risk register, thereby allowing it the opportunity to review the level of risk the Board is prepared to accept in pursuit of its strategic objectives. This process will continue in 2015.

Disclosure Committee

Chairman – Larry Pentz, David Hummel or Louisa Burdett

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 will take advice, including from the Company's broker, external auditor and legal advisors, on the form and content of any disclosure under consideration.

The Committee comprises all Directors of the Company and the General Counsel and Company Secretary. The Chairman of each Committee meeting will be appointed on an ad hoc basis. 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 Chief Executive's Committee ('ELT')

In discharging his responsibilities, the Chief Executive is assisted by the Executive Leadership Team ('the ELT'). The ELT comprises the Chief Executive, the Group Finance Director, the Managing Director of VPS and Managing Director of Invibio. They are supported by the Group HR Director and the General Counsel and Company Secretary. This team is responsible for making recommendations to the Board on matters that are reserved for their decision such as strategy, corporate development and annual budgets. The ELT usually meets on a monthly basis.

p.41
Nominations Committee Report

p.44
Remuneration Committee Report

p.42
Audit Committee Report

The terms of reference of the Nominations, Audit, Remuneration and Risk Management Committees are available on the Company's website (www.victrexplc.com) and in paper form on request from the Registered Office of the Company.

Board effectiveness

Composition, independence and diversity of the Board

Throughout the year, the Board comprised a non-executive Chairman, four other non-executive Directors and three executive Directors. Following the resignation of Anita Frew on 30 September 2014, the Board will comprise three executive Directors, three non-executive Directors and a Chairman. The Code requirement that at least half the Board should be independent non-executive Directors has continued to be met. The non-executive Directors (including the Chairman, Larry Pentz, upon his appointment) are all considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The composition of the Board is intended to ensure that its membership represents a mix of backgrounds and experience that will enhance the quality of its deliberations and decisions. Diversity in board composition is an important driver of board effectiveness. In looking for prospective Directors, there is regard to the skills of the Board at that time and the need to address longer-term succession and business priorities. The annual formal evaluation of the Board takes Board diversity into account and is instrumental in identifying any new skill requirements, as well as possible shortcomings, gaps or inefficiencies.

Our current female representation on the Board is 29% and therefore exceeds the minimum target representation level to be achieved by 2015 as recommended by the Davies Review. The Board recognises the importance of gender diversity at the level below the Board and is committed to ensuring an appropriate level of gender diversity, in particular at senior management level. There is a commitment in the Company to support women in overcoming barriers they face in rising to the top of the management structure. The female representation on the ELT is 25%. Further information on the total female representation on our workforce is provided in our Sustainability Report on page 20 to 31.

We also recognise the importance of diversity in general at Board level and our Board members comprise a number of different nationalities with a wide range of experience from a variety of business backgrounds. Further information on our Group HR policies, including those on equal opportunities and diversity, is set out on page 28.

In response to the Davies Report, the Board published a statement on Board diversity, which has been published on the investor section of our website.

Re-election of Directors

All Directors retire at each Annual General Meeting ('AGM') and may offer themselves for re-election by shareholders. Accordingly, all the Directors will retire at the AGM in February 2015 and the Notice of AGM on page 87 gives details of those Directors seeking re-election. Further information on both the appointment and replacement of Directors is given in the Directors' Report on page 57.

Conflicts of interest

Under the Companies Act 2006, a director must avoid a situation where a direct or indirect conflict of interest may occur and procedures are in place to deal with any situation where a conflict may be perceived. The Board confirms that it has considered and authorised any conflicts or potential conflicts of interest in accordance with these procedures. The Board has specifically considered the other appointments held by Directors, details of which are contained in their biographies on page 32 and 33, and has confirmed that each is able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

Board evaluation

The Board recognises that a rigorous performance evaluation is important to optimise Board effectiveness. A formal evaluation of the Board, Board committees and individual Directors' performance is carried out annually. Given the appointment of Larry Pentz as the new Chairman, effective from 1 October 2014, after careful consideration by the Board, the externally facilitated board evaluation was postponed until 2015. The 2014 evaluation was therefore conducted internally and led by the incoming Chairman Larry Pentz. The review considered a range of factors including the balance of skills and experience, independence of the Board, board diversity, board agenda and relations between executive and non-executive Directors. The results of the review demonstrated improvements in areas identified in 2013, including devoting more Board time to discussing strategic matters and succession planning. The 2014 evaluation process concluded that the Board is effective in fulfilling its responsibilities appropriately and that each Director continues to demonstrate a valuable contribution.

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 Chairman's performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive.

During the year, pursuant to the Code, the Chairman met with the other non-executive Directors without the executive Directors present, and the Senior Independent Director met with the other non-executive Directors, without the Chairman present.

Future reviews

The 2015 board evaluation will be facilitated externally. The Board intends to undertake an externally facilitated evaluation process at least every three years, in line with the Code. In the intervening years, the review will be facilitated by the Chairman supported by the Senior Independent Director and Company Secretary, as outlined above.

The 2011 evaluation was the last externally facilitated Board evaluation.

Induction and training

All new non-executive Directors receive a personalised induction programme, tailored to their experience, background and particular area of focus. The programme has evolved over time to take into account feedback from Directors. It includes a wide range of meetings with other Directors and senior management, attending results and broker briefings and opportunities to visit the Group's operations outside of the UK. New executive Directors also receive an induction focused on their new role and wider responsibilities and include briefings on areas such as Directors' duties and corporate governance guidelines and best practice. Louisa Burdett received an appropriately tailored induction on joining the Company earlier this year.

Training (including social, environmental and ethical matters) is also provided. It is considered as part of the Board evaluation process and any specific training or development needs are addressed either individually or as part of the annual Director training session. In the current year, Directors' training included recent updates to corporate governance best practice and cyber risk training.

Corporate governance continued

Board effectiveness continued

Information and support

The Board receives sufficient management information and reports on the right strategic and operational matters on a timely basis. This normally includes comprehensive papers on matters where the Board is required to make a decision or give its approval in addition to detailed reports on the current trading of the two business units on a monthly basis. The Chief Executive also updated the Board on progress against the Group's strategic plan. Briefings by operational management also take place regularly to enhance the Board's understanding of the business.

Directors can also take independent professional advice where necessary at the Company's expense and have access to the services of the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are followed and providing advice to the Board on corporate governance. Both the appointment and removal of the Company Secretary are matters for the Board as a whole.

Appropriate levels of insurance cover are obtained for all Directors and Officers of the Company. Further information on Directors' indemnities is given in the Directors' Report on page 57.

Accountability

Financial and business reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. Reporting is at a business unit level with the head of each business unit reporting to the Board through a standardised reporting process. The Group has a comprehensive annual budgeting process and the annual budget is approved by the Board. Reforecasts are presented to the Board four times during the year.

The statement that gives the reasons why the Directors continue to adopt the going concern basis for preparing the financial statements is given in the Directors' Report on page 58.

Risk management and internal control procedures

The Board, supported by the Audit Committee and ELT Risk Management Committee, is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. It is ultimately responsible for maintaining sound risk management systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature). A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In addition, the Board is responsible for establishing formal and transparent arrangements for considering how it should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor. The Board confirms that there is a framework of continuous and on-going processes in place for identifying, evaluating and management significant risks faced by the Company. These processes were reviewed by the Risk committee in the current year (together with its sub-committees) and by the Board. From October 2014, this will be undertaken by the ELT Risk Management Committee, with the Audit Committee taking responsibility for reviewing the risk management systems and the effectiveness of these systems. The Board will continue to review the principal risks faced by the Company at least twice a year.

The Board's view of the key strategic and operational risks including environmental, social and governance ('ESG' risks) and how we seek to manage those risks is set out on pages 16 to 19.

The independent Business Assurance function supports the Board in its review of the effectiveness of the system of internal control. There is a rolling programme of business assurance review carried out across the Group, co-ordinated by the Head of Business Assurance, who independently reports to the Chairman of the Audit Committee in relation to business assurance matters. The Audit Committee reviews the annual business assurance plan, its findings, effectiveness, allocation of appropriate resources and risk management activities and priorities.

The Audit Committee oversees whistleblowing arrangements, by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Company continues to operate its Global Code of Conduct policy and has embedded this throughout the Company, following its launch in 2013. This policy includes important areas such as anti-bribery, data protection and conflicts of interest. It is a fundamental policy to upholding our good reputation as a business and one that can be trusted by all stakeholder groups.

The Board and Audit Committee have reviewed the effectiveness of the internal control system, including financial, operational and compliance controls, and risk management in accordance with the Code. We confirm that the Group has complied with the Code provisions on internal control by operating throughout the year ended 30 September 2014 (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.

Further details of the risk management framework operating at Victrex are given on pages 16 and 17.

Relations with shareholders

The Board as a whole has a responsibility for ensuring that satisfactory engagement with shareholders takes place, based on the mutual understanding of objectives. The Board achieves this through effective dialogue with shareholders and analysts, with the Chief Executive, Group Finance Director and Head of Investor Relations leading these relationships.

The Board believes that appropriate steps have been taken during the year to ensure that the members of the Board, and in particular the non-executive Directors develop an understanding of the views of major shareholders on the Company. Such steps included, for example, analyst and broker briefings, consideration by the Board of monthly brokers' reports and feedback from shareholder meetings on a six monthly basis. The canvassing of major shareholders' views for the Board in a detailed investor survey is conducted twice a year by our brokers, J P Morgan. 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. No such meetings were requested during the year.

Institutional investor relations activity is normally concentrated in the periods following the announcement of the interim and final results. However, in 2014 Victrex increased the regularity of its meetings with investors through a number of conferences and a roadshow for prospective investors in the USA. More broadly based presentations and site visits are arranged when there is a sufficient demand to make them cost effective. The Board is also committed to the regularity of investor days to keep the market updated on our strategy and growth plans, alongside our financial reporting.

All shareholders will have the opportunity to ask questions at the forthcoming AGM. The Chairs of the Audit, Nominations and Remuneration Committees will be available to answer questions at that meeting. Voting at the AGM is conducted by way of a show of hands in order to encourage questions from and interaction with private investors. Proxy votes lodged on each AGM resolution and are announced at the meeting and published on the Company's website and announced via the Regulatory Information Service.

Nominations Committee Report

Chairman – Larry Pentz

Membership

The Nominations Committee comprises all of the non-executive Directors and is chaired by the Company Chairman Larry Pentz, following the resignation of Anita Frew from the Board on 30 September 2014.

The Committee met on two occasions during the year.

Responsibilities

The Committee is responsible for regularly reviewing the structure, size and composition of the Board, including Board diversity, succession planning and identifying and recommending appropriate candidates for membership of the Board when vacancies arise. The Committee has applied the UK Corporate Governance Code provisions in developing the Company's policies on succession planning and appointment.

In considering an appointment, the 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. Internal candidates are considered where appropriate.

The Nominations Committee also reviews the time required from each non-executive Director and any other significant commitments of the Chairman. The 2014 review found the non-executives' time commitments to be sufficient to discharge their responsibilities effectively.

Based on recommendations from the Nominations Committee, the Directors submit themselves for re-election at the AGM following their appointment and annually thereafter.

The Nominations Committee is also responsible for senior management succession planning to ensure the identification and development of senior management with potential for Board and ELT positions.

The main activities of the Nominations Committee during the financial year ended 30 September 2014 included leading the selection process for, and making recommendations to the Board regarding, the appointment to the role of Group Financial Director, an appropriate successor for our former Chairman, Anita Frew, and considering the contribution and commitment of the Directors standing for re-election. The Committee also strengthened and embedded the Company's succession planning process.

A rigorous and transparent process was in place for the two Board appointments. External search consultancies were engaged for both appointments. Egon Zehnder, which has no other connection with the Company, assisted with the process to select a new Group Finance Director. JCA Consultants provided assistance with the selection process for the new Chairman. Anita Frew, the retiring Chairman, was not involved in the selection or appointment of her successor. This process was led by Giles Kerr, our Senior Independent Director at that time. JCA Consultants does not have any other connection with the Company.

Boardroom diversity

The Board's Statement on Diversity, which has been published on our website, is as follows:

'The Board of Victrex plc welcomed the publication in February 2011 of the Davies Review on Women on Boards. Our current female representation on the Board is 29% and is therefore aligned with that minimum representation level by 2015 as recommended by the Davies Review. We also recognise the importance of diversity in general at Board level and our Board members comprise a number of different nationalities with a wide range of experience from a variety of business backgrounds.'

Audit Committee Report

Chairman – Giles Kerr

Membership

The Committee members have been selected with the aim of providing the wide range of financial and commercial expertise required to fulfil the Committee's duties.

The Audit Committee is chaired by Giles Kerr, a qualified Chartered Accountant with significant relevant financial experience, and comprised Larry Pentz, Patrick De Smedt and Pamela Kirby. Following his appointment as Chairman of the Company, Larry Pentz has ceased to be a member of the Audit Committee. The qualifications of the Audit Committee members are outlined in the Directors' biographies on page 32 and 33.

Committee meetings

Only Audit Committee members are entitled to attend a meeting. However, the Chairman, the Group Finance Director, the Group Financial Controller, the Head of Business Assurance and the External Audit Engagement Partner are normally invited to attend meetings. Others are also invited to attend certain meetings to provide training or further insight into specific issues and developments. During the period, the Audit Committee met on three occasions. A section of at least one meeting during the period took place without management present.

Responsibilities

The Audit Committee undertakes its activities in line with an annual predetermined programme of business based on its terms of reference as approved by the Board. The key responsibilities of the Committee are:

- review the financial statements (interim and annual reports) and announcements relating to the financial performance of the Company;
- monitor the financial reporting process;
- review and challenge actions and judgements of management in relation to interim and annual statements;
- review the effectiveness of the internal audit function;
- reviewing the Company's internal financial controls (that is, the systems established to identify, assess, manage and monitor financial risks) and the Company's internal control management systems;
- review the Committee's terms of reference, carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee;
- 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; and
- report to the Board on how it has discharged its responsibilities, including an assessment of whether the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Effective October 2014, the Committee has taken on responsibility, from the Risk Management Committee, for the risk management systems, further details of which are included on pages 16 and 17.

Key objectives

To provide effective governance over the appropriateness of the financial reporting of the Company, including but not limited to the completeness of related disclosures, the performance of the external auditor, the internal audit function and the management of the Company's internal control systems and related compliance operations.

External audit

Non-audit services

To further safeguard the independence and objectivity of the external auditor, non-audit services provided by the external auditor, KPMG, were authorised in accordance with the non-audit services policy. This policy is outlined in an appendix to the Committee terms of reference, which are published on our website. This policy places constraints on the quantum and type of services undertaken by our auditor with the aim of protecting the independence and objectivity of our auditor. Non-audit fees for the year ended 30 September 2014 were £58,000 (2013: £63,000). The non-audit fees related to taxation and pension compliance work. Alternative providers were considered but not deemed practical in the specific circumstances. No approval was given to any non-audit services not in accordance with the APB's Ethical Standards for Auditors.

Appointment, independence and effectiveness

The Committee considers the re-appointment of the external auditor each year, whilst assessing its independence on an on-going basis. The external auditor is required to rotate the audit partner every five years.

KPMG was re-appointed as auditor at the 2014 AGM. KPMG has been our auditor since 1993 (21 years) during which time the audit has not been to tender. There are no contractual obligations that restrict the Committee's choice of external auditor.

The Audit Committee considers the effectiveness of the external audit process on an annual basis, reporting its findings to the board as part of its recommendation. This process is completed through completion of a detailed questionnaire (which includes consideration of the audit partner, the approach, communication, independence, objectivity and reporting). This is completed by members of the Committee and senior members of the finance team who regularly interact with the external auditor. The results of the questionnaire are reported to and discussed by the Committee. It also assessed the cost effectiveness and value for money aspect of the audit.

The Committee considered the length of KPMG's tenure and the results of the detailed questionnaire when assessing their continued effectiveness, independence and re-appointment. The Committee continues to consider KPMG to be independent and effective in its role as auditor. Accordingly, the Committee has provided the Board with its recommendation to the shareholders to re-appoint KPMG as external auditor for the year ending 30 September 2015. When considering the most suitable timing for a future audit tender the Committee has considered FRC guidance concerning the alignment of the tender date with the rotation of the audit partner, the EU Regulation and the recommendations of the Competition and Markets Commission along with the latest views as to how the UK government will implement these. The current expectation of ten year mandatory rotation with transitional rules would result in a change of auditor no later than 30 September 2021. The current audit partner's term finishes after the September 2017 year end accounts are signed. The timing of a competitive tender will continue to be assessed on an annual basis and consider the final position on the EU reforms adopted in the UK once published.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditor, and report to the Board where requested or required, the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

To aid our review, the Committee considers reports from the Group Finance Director and Group Financial Controller and also reports from the external auditor on the outcomes of its half-year review and annual audit. As a Committee we support KPMG in displaying the necessary independence and objectivity its role requires. In addition the Committee reviews and considers the draft Annual Report and Financial Statements in advance of final sign off.

The Committee discussed with management the key sources of estimation and critical accounting judgements outlined in note 19. The significant areas of focus considered by the Committee in relation to the 2014 financial statements and how these have been addressed are listed below. In concluding that the below list represented the primary areas of judgement, the Audit Committee considered a report by management which referenced both quantitative and qualitative judgement factors across each significant account balance, assessing the impact on the user of the financial statements. These are also areas of higher audit risk and accordingly KPMG reported to the Committee on and the Audit Committee discussed these judgements.

- Carrying value of inventory: the Committee reviews the nature of the costs absorbed into inventory and the reasons for movements in value period to period. The basis for and level of provisioning, including those areas which are judgemental, is presented to the Committee by management.
- Defined benefit accounting: the valuation of the defined benefit scheme is dependent on a number of assumptions that are inherently judgemental. The Audit Committee assesses these judgements based on reports received from management and the Group's actuarial advisors.

Internal control and internal audit

The Audit Committee also considers the results of internal control reviews and reviews the effectiveness of the internal audit function. There is a rolling programme of internal control reviews carried out across the Group by the internal audit function, supported by other independent assurance providers. The Head of Business Assurance, as appointed by the Committee, has responsibility for internal audit and independently reports to the Chairman of the Audit Committee in relation to internal control matters. The Audit Committee receives these reviews from the internal audit function, reviews its findings, annual audit plan, effectiveness, allocation of appropriate resources and risk management activities and priorities. The Committee also reviews the Group's Whistleblowing Policy.

Directors' remuneration report

Remuneration Committee Report

Chairman of the Remuneration Committee – Patrick De Smedt

Annual Statement

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2014.

Our strategy

Our return to growth has been shaped by a strategy, which focuses on high volume and high value targets, and utilises our strong technical excellence, marketing know-how and innovation across our five chosen markets of Automotive, Aerospace, Electronics, Energy and Medical. This strategy has been underpinned by a clear and focused product leadership strategy, which keeps us well placed for further success over the longer term.

Paying for performance

In 2013, we focused on re-alignment of reward and strategic goals to ensure that pay at Victrex truly drives optimum performance for all our stakeholders. This included a re-alignment of our bonus structure, which was outlined in our Remuneration Policy last year. This year has been focused on embedding changes made in the previous year and evolving and strengthening our practices and approach to ensure that we continue to reward only for superior and sustained performance.

We believe in rewarding our executives based on their individual performance and on the value created for our shareholders. The variable elements of executive remuneration are focused on simple and transparent measures of profit before tax, EPS growth and key strategic objectives. Our bonus and long-term incentive structures are based on challenging targets, which we believe are in line with market best practice. These are outlined on pages 45 to 47.

Key pay outcomes of 2014

As reported in 2013, salaries for the executive Directors were frozen and the bonus amounts were waived.

The Long-Term Incentive Plan ("the LTIP") vested in December 2013 at 16.56% of the maximum, primarily due to the threshold TSR target not being met. The 2014 outcomes are as follows:

- Basic salaries for executive directors will increase by 2.7% for 2015.
- Annual bonuses are based on stretching targets. An award of 66.41% of salary was approved for D R Hummel, with awards of 53.39% and 63.75% of salary approved for L S Burdett and T J Cooper respectively. This reflects the strong financial results the Company has achieved this year.
- The LTIP, granted in December 2011, is due to vest in December 2014. These awards are based on the results the Company achieved in the year ended 30 September 2014. Despite the strong results this year, the LTIP award has not achieved its TSR and EPS targets for the three year cumulative period and thus will lapse in full.

Despite the continued challenging environment, Victrex has delivered strong results in 2014 and the Remuneration Committee ("the Committee") believes that the current year pay outcomes accurately reflect the current year's performance.

Clarity and openness in disclosure

The Committee strives to operate and demonstrate best practice in the area of executive remuneration and disclosure and trust that our report demonstrates transparency and clarity in our disclosures. Our report has three sections as follows:

- this Annual Statement, which summarises and explains the major decisions in respect of Directors' remuneration;
- our Directors' Remuneration Policy, as approved at the last AGM; and
- the Annual Report on Remuneration, providing details of how the policy will operate in 2015 and the remuneration earned by the Company's Directors in relation to the year ended 30 September 2014.

At the forthcoming AGM on 4 February 2015, the Annual Report on Remuneration will be subject to an advisory shareholder vote. The Directors' Remuneration Policy was approved by our shareholders at the 2014 AGM and will be subject to a binding vote every three years (or sooner if changes are made to the policy).

Remuneration policy for 2015

The Committee continually reviews the senior executive remuneration policy to ensure it promotes the motivation and retention of the high quality executives who are the key to delivering sustainable earnings growth and shareholder return in the future.

The Committee continues to believe that our current remuneration policy, as approved by the shareholders, remains appropriate and should continue to operate for 2015 without changes.

Alignment with shareholders

We are mindful of our shareholders' interests and are keen to ensure a demonstrable link between reward and value creation. Our staggered vesting of our LTIP, operation of a clawback provision and shareholding guidelines all foster an on-going commitment to the business from our executives and continued alignment of shareholder and executive objectives. Our Chief Executive's significant shareholding also demonstrates his on-going commitment to the long-term success of the Company.

We are very proud of the support we have received in the past from our shareholders, with 97.72% approval for our Remuneration Policy last year. We hope that we will continue to receive your support at the forthcoming AGM.

Patrick De Smedt
Chairman of the Remuneration Committee
8 December 2014

Directors' remuneration policy (restated from Annual Report 2013)

In formulating the remuneration policy, full consideration has been given to the principles set out in the Code and the Committee regularly reviews the policy to ensure it takes due account of best practice and the particular circumstances of the Company. Consistent with the legislation, the Directors' Remuneration Policy Report, the policy for which will operate from 1 October 2013, was put to a binding shareholder vote and became formally effective at the 2014 AGM.

Policy overview

The Company aims to provide a remuneration structure that is aligned with shareholder interests and, as such, is competitive in the marketplace to 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.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year at a meeting immediately following the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

Details of votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year are set out in the Annual Report on Remuneration.

Consideration of employment conditions elsewhere in the Group

The Committee considers the general basic salary increase for the broader employee population when determining the annual salary increases and remuneration for the executive Directors. Employees have not been consulted in respect of the design of the Company's senior executive remuneration policy to date, although the Committee will keep this under review.

Summary remuneration policy

The table below summarises the Directors' remuneration policy for 2014 onwards:

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	To provide competitive fixed remuneration To attract and retain executive Directors of superior calibre in order to deliver growth for the business Intended to reflect that paid to senior management of comparable companies	The basic salary for each executive Director is reviewed annually by the Remuneration Committee 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	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role Current salary levels are set out on page 51	Not applicable
Benefits	To provide market consistent benefits, including insured benefits to support the individual and their family during periods of ill health, accidents or death Car or car allowances to facilitate effective travel	Current benefit provision includes a company car or car allowance and private medical insurance. Other benefits may be payable where appropriate	Not applicable	Not applicable
Bonus	Incentivises annual achievement of performance targets Maximum bonus only payable for achieving demanding targets	Not pensionable Paid in cash up to 100% of salary Any bonus in excess of 100% of basic salary (currently the CEO only) deferred into shares Clawback provisions apply in the event of material misstatement of results and/or an error in the calculation of the bonus outcome	Up to 125% of salary	A combination of growth in Group profit before tax and executives' personal performance achievement level The bonus for personal performance is payable only if, in the opinion of the Remuneration Committee, there was an improvement in the underlying financial and operating performance of the Group during that financial year

Directors' remuneration report continued

Directors' remuneration policy continued

Summary remuneration policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Victrex Long-Term Incentive Plan (2009)	Designed to align with both the strategic objectives of delivering sustainable earnings growth and the interests of shareholders	Annual grant of nil cost options/conditional awards which normally vest in equal tranches after 3, 4 and 5 years from grant, subject to performance targets and continued service Participants will normally have a five year period from the date each tranche vests in which to exercise nil 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 vested 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 which vest are reinvested in further shares Clawback provisions apply in the event of the material misstatement of results and/or an error in the calculation of the vesting outcome (introduced in 2013)	**Plan limits:** 150% (normal limit) 200% (exceptional limit – e.g. recruitment or retention)	LTIP performance measured over 3 years based on a combination of EPS and TSR 20% of the EPS element and 25% of the TSR element of an award vests at threshold performance (0% vests below this) increasing pro-rata to 100% vesting for maximum performance
All employee share plans	To encourage employee share ownership and therefore increase alignment with shareholders	**2005 UK Sharesave Plan** HMRC approved plan under which regular monthly savings are made over a 3 or 5 year period and can be used to fund the exercise of an option, where the exercise price is discounted by up to 20%. Provides tax advantages to UK employees **All-Employee Share Ownership Scheme** HMRC approved plan that provides employees with a tax-efficient way of purchasing shares and allows the grant of free shares **US Employee Stock Purchase Plan** Tax favourable plan under which US employees can purchase stock at a discount of up to 15% to the fair market value using payroll deductions	**2005 UK Sharesave Plan** Maximum permitted savings of £250 per month across all ongoing Sharesave contracts **All-Employee Share Ownership Scheme** An employee can agree to purchase shares with a market value up to £1,500 (or 10% of his salary, if lower) in any tax year. The market value of free shares that can be allocated to an employee in any tax year must not exceed £3,000 **US Employee Stock Purchase Plan** Limit of $25,000 on the maximum value of shares that an employee can purchase under the ESPP	Not applicable
Share ownership guidelines	To increase alignment between executives and shareholders	Executive Directors are required to retain 50% of the net of tax vested LTIP shares until the guideline is met	100% of salary for executive Directors	Not applicable

Directors' remuneration policy continued

Summary remuneration policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Pension	To provide retirement benefits	Defined benefit, defined contribution and/or salary supplement arrangements Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group may provide benefits through the provision of salary supplements	Defined benefit contribution 25% of salary when defined contribution arrangement/salary supplements	Not applicable
Non-executive Director fees	Reflects time commitments and responsibilities of each role Reflects fees paid by similarly sized companies	Cash fee paid Fees are reviewed on an annual basis	As per executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase in the non-executive Director market and for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role Current fee levels are set out on page 51	Not applicable Non-executive Directors do not participate in variable pay arrangements

Notes

(1) A description of how the Company intends to implement the policy set out in this table is set out in the Annual Report on Remuneration.

(2) The following differences exist between the Company's policy for the remuneration of executive Directors as set out above and its approach to the payment of employees generally:

- A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive Directors and certain senior executives.
- Benefits offered to other employees generally comprise provision of healthcare and company car benefits where required for the role or to meet market norms.
- The majority of employees participate in local defined contribution pension arrangements. A small number remain in the UK defined benefits section which closed to new entrants in 2002.
- Participation in the LTIP is limited to the executive Directors and certain selected senior managers. Other employees are eligible to participate in the Company's share option schemes.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the executive Directors and senior executives, a greater emphasis tends to be placed on performance related pay.

(3) The choice of the performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of profit growth and specific individual objectives.

(4) The TSR and EPS performance conditions applicable to the LTIP were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is monitored on the Committee's behalf by New Bridge Street whilst the Group's EPS growth is derived from the audited financial statements.

(5) The Committee operates share plans in accordance with their respective rules and in accordance with the Listing Rules and HMRC where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plans.

(6) All employee share plans (SAYE and AESOP) do not operate performance conditions. Executive Directors do not participate in the Victrex 2005 Executive Share Option Plan (ESOP) (which is the primary share incentive arrangement for below Board executives).

(7) As highlighted above, the Company has a share ownership policy which requires the executive Directors to build up and maintain a target holding equal to 100% of base salary.

(8) For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting/exercise of past share awards). Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Directors' remuneration report continued

Directors' remuneration policy continued

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the executive Directors' remuneration packages varies at different levels of performance under the policy, both as a percentage of total remuneration opportunity and as a total value:

Notes

(1) D R Hummel's 2014 salary of $707,250 has been converted at the closing exchange rate of FY 13 of £1:$1.63.

(2) The value of benefits receivable in 2014 is taken to be the value of benefits received in 2013 (as calculated under the Directors' Remuneration table).

(3) The value of pension is as presented under the Directors' Remuneration table.

(4) The on-target level of bonus is taken to be 50% of the maximum bonus opportunity (125% of salary for D R Hummel and 100% of salary for A S Barrow and T J Cooper).

(5) The on-target level of vesting under the LTIP is taken to be 61.25% (being part-way between threshold and maximum vesting) of the face value of the award at grant.

(6) The maximum value of the LTIP is taken to be 100% of the face value of the award at grant.

(7) No share price appreciation has been assumed for the deferred bonus shares and LTIP awards.

Service contracts for executive Directors

The service agreements of the executive Directors are not fixed term and are terminable by either the Company or the Director on twelve months' notice and make provision, at the Board's discretion, for early termination by way of payment of salary in lieu of twelve months' notice. Incidental expenses may also be payable where appropriate. In calculating the amount payable to a Director on termination of employment, the Board would take into account the commercial interests of the Company. The Remuneration Committee reviews the contractual terms for new executive Directors to ensure these reflect best practice.

Provision	Detailed terms
Notice period	12 months
Termination payment	Up to 12 months' salary
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest
Change of control	No executive Director's contract contains additional provisions in respect of change of control

Directors' remuneration policy continued

Approach to recruitment and promotions

The remuneration package for a new executive Director – i.e. basic salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would reflect the experience of the individual. The salary for a new executive may be set below the normal market rate, with phased increases over the first few years, as the executive gains experience in their new role. Annual bonus potential will be limited to 125% of salary and long-term incentives will be limited to 150% of salary (200% of salary in exceptional circumstances). In addition, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would where possible reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For an internal executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Approach to leavers

Annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the 2009 LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on cessation, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that awards vest at a later date and/or to disapply time pro-rating. The default treatment for deferred bonus awards is that any outstanding awards lapse on cessation of employment. However, in certain 'good leaver' circumstances (as described under the 2009 LTIP above), awards will normally vest in full on the date of cessation (unless the Remuneration Committee determines otherwise).

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 are appointed under arrangements that may generally be terminated at will by either party without compensation and their appointment is reviewed annually.

Directors' remuneration report continued

Annual Report on Remuneration

Implementation of the remuneration policy for the year ending 30 September 2015

A summary of how the Directors' Remuneration Policy will be applied during the year ending 30 September 2015 is set out below.

Basic salary

Following a freeze in 2013, the Remuneration Committee agreed to the following increases for executive Director base salary levels for 2015.

	2015	2014	% increase
D R Hummel	**$726,346**	$707,250	2.7
L S Burdett (appointed 1 February 2014)	**£308,100**	£300,000	2.7
T J Cooper	**£267,020**	£260,000	2.7

The Group's employees are, in general, receiving pay rises ranging from 2.7% to 5.0% depending on promotional increases and individual performance.

Pension arrangements

A S Barrow continued to participate in the defined benefit section of the Group's UK pension scheme until 9 February 2014, as detailed on page 55.

T J Cooper withdrew from participation in the defined contribution section of the Group's UK pension scheme with effect from 1 April 2014 as a consequence of the change in Lifetime Allowance effective at that date.

L S Burdett participates in the defined contribution section of the Group's UK pension scheme.

Members of the UK pension scheme are entitled to life assurance cover of four times salary and a retirement pension subject to the scheme rules; if a member dies whilst in pensionable service, a surviving spouse and dependants are entitled to a pension subject to the scheme rules. D R Hummel will continue to participate in a defined contribution scheme and a life assurance plan operated in respect of the Group's US employees. The Group's contribution to his pension scheme and associated salary supplement remain at 25% of salary. Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group will continue to provide benefits through the provision of salary supplements.

Annual bonus

The maximum bonus potential for the year ending 30 September 2015 will remain at 125% of salary for the Chief Executive and 100% of basic salary for the Group Finance Director and VPS Managing Director. Awards are determined based on a combination of both the Group's financial results, being growth in Group profit before tax, and an executive's personal performance achievement level. For the achievement of growth in Group profit before tax at or above the threshold target, a multiplier, based on personal performance, will apply to the outturn, which can either increase the pay-out level or reduce it to nil. Maximum bonus will only be payable when both the financial results of the Group and the Executive's individual performance against objectives have significantly exceeded expectations. Any amount of bonus will only be payable if, in the opinion of the Committee, there is an improvement in the underlying financial and operating performance of the Group during the year ending 30 September 2015. Deferral into shares for any part of the Chief Executive's bonus above 100% of salary and the claw back provisions for all executive Directors will continue to apply.

Long-term incentives

Consistent with past awards, the extent to which LTIP awards which will be granted in 2015 will vest will be dependent on two independent performance conditions – 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 20% 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.

As set out in the 2013 Directors' Remuneration Policy Report, awards granted from December 2013 onwards are subject to a clawback provision.

Non-executive Directors

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.

Fee increases are detailed below for the 2014/2015 financial year.

Provision	2015	2014	% increase
Chairman	**£157,900**	£153,750	2.7
Base fee	**£45,300**	£44,075	2.8
Additional fees:			
Senior Independent Director	**£5,000**	£4,000	25
Audit Committee Chair	**£9,000**	£6,000	50
Remuneration Committee Chair	**£8,000**	£6,000	33

The Committee Chair fees were reviewed with a view to adjusting them from being below lower quartile as benchmarked against other FTSE 250 companies, to below middle range but above lower quartile.

Annual Report on Remuneration continued

Remuneration received by Directors for the year ended 30 September 2014 (audited)

Directors' remuneration for the year ended 30 September 2014 was as follows:

	Salary and fees[1] £	Taxable benefits[2] £	Pension[3] £	Annual bonus[4] £	Long-term incentives[5] £	Total £
D R Hummel						
2014	427,145	6,314	115,021	283,667	—	832,147
2013	463,020	5,447	134,957	—	105,864	709,288
L S Burdett*						
2014	223,846	20,972	42,037	119,520	—	406,375
2013	—	—	—	—	—	—
T J Cooper						
2014	260,000	14,980	46,358	165,750	—	487,088
2013	256,905	14,328	46,343	—	23,961	341,537
A S Barrow*						
2014	164,000	7,750	48,313	—	—	220,063
2013	246,000	10,319	88,700	—	22,486	367,505
L C Pentz						
2014	50,075	—	—	—	—	50,075
2013	50,075	—	—	—	—	50,075
A M Frew						
2014	153,750	—	—	—	—	153,750
2013	153,750	—	—	—	—	153,750
G F B Kerr						
2014	54,075	—	—	—	—	54,075
2013	54,075	—	—	—	—	54,075
P J M De Smedt						
2014	50,075	—	—	—	—	50,075
2013	50,075	—	—	—	—	50,075
P J Kirby						
2014	44,075	—	—	—	—	44,075
2013	44,075	—	—	—	—	44,075

* Board changes are as follows: A S Barrow resigned 31 January 2014 and L S Burdett was appointed 1 February 2014. Remuneration for L S Burdett is included from 2 January 2014 when she joined as Group Finance Director designate.

Notes

1. Salary and fees

D R Hummel receives a salary of $707,250, converted at an average exchange rate of £1/$1.66 (2013: £1/$1.52).

2. Taxable benefits

The taxable benefits for A S Barrow, L S Burdett and T J Cooper comprise eligibility for a company car and membership of a private medical scheme, covering themselves and their immediate families. L S Burdett also received relocation expenses in connection with the start of her employment.

3. Pensions

The pension contribution for A S Barrow was based on the value of his salary supplement plus the value of his defined benefit provision, as calculated in line with the relevant legislation and in line with his exit remuneration arrangements.

Directors' remuneration report continued

Annual Report on Remuneration continued

Notes continued

4. Annual bonus payments

The annual bonus outturn presented in the table below was based on performance against growth in Group profit before tax and an element of achievement against both shared and individual personal performance measured over the 2014 financial year.

	Maximum (% of salary)	PBT required for threshold bonus £m	Growth in PBT required for maximum bonus %	Actual PBT £m	Actual (% of salary)
D R Hummel	125	94.6	15	102.7	66.41
L S Burdett[(1)]	100	94.6	15	102.7	53.39
T J Cooper	100	94.6	15	102.7	63.75

(1) The bonus for L S Burdett has been pro-rated for 2014.

Final bonus outcome is determined by calculating the pay-out based on achievement of PBT growth targets and personal performance based on the Committee's assessment of achievement of personal objectives set at the beginning of the year. Personal objectives are set for each individual and relate to organisational development of the Group, acceleration of overall growth strategy, and development/strengthening of the management team. The bonus is not payable unless the underlying PBT growth targets are met, maximum bonus is only paid where both PBT growth and personal performance are at maximum. The Committee believes that this combination of financial and personal objectives strongly aligns with the organisation's strategic goals and the determination of bonus outcomes elsewhere in the Group.

5. Vesting of LTIP awards

The LTIP award granted on 12 December 2011 was based on performance to the year ended 30 September 2014. The performance targets for this award and actual performance against those targets were as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% vesting
Earnings per share	Normalised EPS growth of RPI + 5% p.a. (10% vesting) to RPI + 12% p.a. (50% vesting) over three financial years	106.5p EPS	128.7p EPS	94.6p EPS	0%
Total shareholder return	TSR against the constituents of the FTSE 250 index (excluding investment trusts). 12.5% vesting for median performance and 50% vesting for upper quartile performance or above. TSR measured over three financial years with a three month average at the start and end of the performance period	65.7% TSR	107.6% TSR	35.0% TSR	0%
				Total vesting	0%

The award details for the executive Directors are therefore as follows:

Executive	Number of shares at grant	Number of shares to vest[(1)]	Number of shares to lapse	Dividend[(2)] equivalent on shares to vest £	Estimated value £
D R Hummel	48,301	—	48,301	—	—
L S Burdett	—	—	—	—	—
T J Cooper	11,459	—	11,459	—	—
A S Barrow[(3)]	21,622	—	21,622	—	—

Notes

(1) The number of shares to vest represents 100% of what is capable of vesting based on testing as at 30 September 2014. However, each award would normally vest in three equal tranches on the third, fourth and fifth anniversary of grant date.

(2) Final amounts relating to dividend equivalents payable on LTIP awards over the three year period ended 12 December 2014. Further dividend equivalents would normally accrue on the second and third tranches of the awards which will vest on the fourth and fifth anniversary of grant respectively.

(3) A S Barrow resigned on 31 January 2014. The 21,622 unvested options from the award in December 2011 lapsed.

Annual Report on Remuneration continued

Long-term incentives granted during the year (audited)

On 16 December 2013 (on 13 January 2014 in the case of L S Burdett), the following LTIP awards were granted to executive Directors:

Executive	Type of award	Basis of award granted	Share price at date of grant	Number of shares over which award was granted	Face value of award £000	% of face value that would vest at threshold performance	Vesting determined by performance over
D R Hummel	Conditional	125% of salary	£16.42	33,076	£543,107	22.5%	Three financial years to 30 September 2016
T J Cooper	Nil cost option	100% of salary	£16.42	15,834	£259,994	22.5%	
L S Burdett	Nil cost option	100% of salary	£18.20	16,484	£300,008	22.5%	

Outstanding share awards

The table below sets out details of outstanding share awards held by executive Directors.

Plan	Grant date	Exercise price	No. of share awards at 1 October 2013	Granted during the year	Vested/ exercised during the year[1]	Lapsed during the year	**No. of share awards at 30 September 2014**	End of performance period	Date from which exercisable[2]	Expiry date
D R Hummel										
LTIP	16/02/2009	Nil	30,940	—	30,940	—	—	30/09/2011	16/02/2012	16/02/2019
	14/12/2009	Nil	33,161	—	16,580	—	**16,581**	30/09/2012	14/12/2012	14/12/2019
	13/12/2010	Nil	36,826	—	2,032	30,729	**4,065**	30/09/2013	13/12/2013	13/12/2020
	12/12/2011	Nil	48,301	—	—	—	**48,301**	30/09/2014	12/12/2014	12/12/2021
	12/12/2012	Nil	35,349	—	—	—	**35,349**	30/09/2015	12/12/2015	12/12/2022
	16/12/2013	Nil	—	33,076	—	—	**33,076**	30/09/2016	n/a	n/a
T J Cooper										
LTIP	15/02/2010	Nil	8,992	—	4,496	—	**4,496**	30/09/2012	15/02/2013	15/02/2020
	13/12/2010	Nil	8,333	—	460	6,953	**920**	30/09/2013	13/12/2013	13/12/2020
	12/12/2011	Nil	11,459	—	—	—	**11,459**	30/09/2014	12/12/2014	12/12/2021
	12/12/2012	Nil	16,742	—	—	—	**16,742**	30/09/2015	12/12/2015	12/12/2022
	16/12/2013	Nil	—	15,834	—	—	**15,834**	30/09/2016	16/12/2016	16/12/2023
SAYE	27/01/2011	£11.78	1,292	—	—	—	**1,292**	n/a	01/03/2016	31/08/2016
L S Burdett (appointed to the Board 1 February 2014)										
LTIP	13/01/2014	Nil	—	16,484	—	—	**16,484**	30/09/2016	13/01/2017	13/01/2024
SAYE	30/01/2014	£14.51	—	620	—	—	**620**	n/a	01/03/2017	31/08/2017
A S Barrow (resigned 31 January 2014)[3]										
LTIP	16/02/2009	Nil	15,121	—	15,121	—	—	30/09/2011	16/02/2012	16/02/2019
	14/12/2009	Nil	9,192	—	4,596	—	**4,596**	30/09/2012	14/12/2012	14/12/2019
	13/12/2010	Nil	7,823	—	432	6,528	**863**	30/09/2013	13/12/2013	13/12/2020
	12/12/2011	Nil	21,622	—	—	21,622	—	30/09/2014	12/12/2014	12/12/2021
	12/12/2012	Nil	15,840	—	—	15,840	—	30/09/2015	12/12/2015	12/12/2022
SAYE	09/01/2009	£3.48	4,655	—	4,655	—	—	n/a	01/03/2014	31/08/2014

(1) The vested amount during the year represents one third of the options capable of vesting following the application of the performance condition as each award will normally vest in three equal tranches on the third, fourth and fifth anniversary of grant date.

(2) The 2013 award to D R Hummel was a conditional award and no exercise period applies.

(3) The unvested options for A S Barrow relating to awards in December 2011 and December 2012, lapsed following resignation from the Company.

All LTIP awards are subject to the EPS and TSR conditions set out in the 'Vesting of LTIP awards' section, set out on page 52.

Directors' remuneration report continued

Annual Report on Remuneration continued

Payments to past Directors (audited)

No payments were made to past Directors. However, for completeness and as previously disclosed, P E Bream (resigned 6 October 2011) received 50% of his 2010 LTIP award with vesting at the normal vesting dates subject to scheme performance conditions. Following the end of the performance period (30 September 2013) and the assessment of the performance conditions, 575 shares vested on 13 December 2013, 575 shares will vest on 13 December 2014 and 574 shares will vest on 13 December 2015 together with the relevant dividend equivalent shares.

Payments for loss of office (audited)

A payment of salary in lieu of notice was paid to A S Barrow to reflect the unexpired portion of the 12 month notice period, which commenced on 7 November 2013. Based on a cessation date of 31 May 2014 the payment, which was subject to mitigation in the event of alternative employment, was £107,862.

Statement of Directors' shareholdings and share interests (audited)

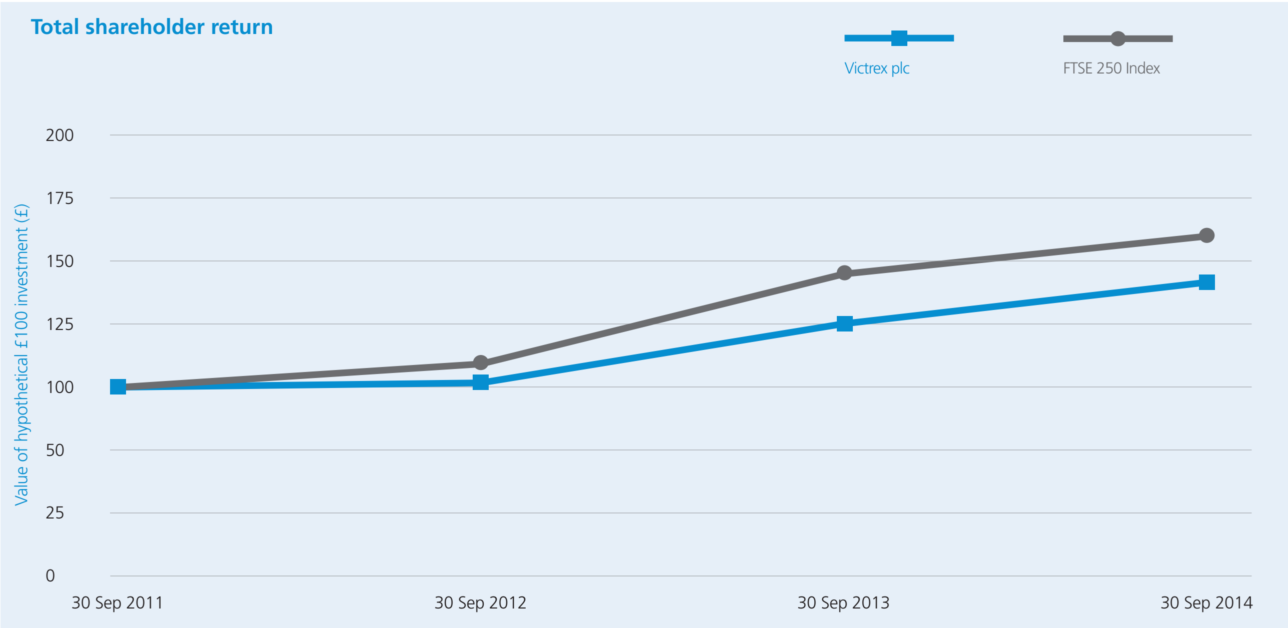
Director	Beneficially owned at 1 October 2013	Beneficially owned at 30 September 2014	Outstanding LTIP awards at 30 September 2014	Outstanding deferred share awards	Outstanding share awards under all employee share plans	Shareholding as a % of salary at 30 September 2014
D R Hummel	3,082,548	3,089,895	137,372	—	—	12,073%
L S Burdett	—	—	16,484	—	620	n/a
T J Cooper	1,482	2,877	49,451	—	1,292	19%
L C Pentz	2,000	2,000	—	—	—	n/a
A M Frew	14,184	14,184	—	—	—	n/a
G F B Kerr	2,500	2,500	—	—	—	n/a
P J M De Smedt	2,000	2,000	—	—	—	n/a
P J Kirby	3,000	3,000	—	—	—	n/a

T J Cooper acquired an additional 15 shares during the period from 1 October 2014 to the date of this report through his participation in the All Employee Share Ownership Scheme.

Executive Directors are required to hold shares in the Company worth 100% of salary and must retain 50% of the net of tax value of any vested LTIP shares until the guideline is met. The shareholding as a percentage is based on the average share price during September 2014 of £16.949.

Performance graph and table

The following graph shows the cumulative total shareholder return of the Company over the last three 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. TSR is a measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends. Data is averaged over three months at the end of each financial year.



Source: DataStream Return Index

Annual Report on Remuneration continued

Performance graph and table continued

The total remuneration figures for the Chief Executive during each of the last five financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year's performance and LTIP awards based on three year performance periods ending in the relevant year. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

Year ended 30 September	2010	2011	2012	2013	2014
Total remuneration	£1,357,393	£2,382,086	£1,532,239	£709,288	**£832,147**
Annual bonus (%)	81.3%	71.5%	17.3%	0%*	**53.1%**
LTIP vesting (%)	91.23%	100%	100%	16.56%	**0%**

* There were no bonus payments made to Directors in 2013 as they waived their entitlement to receive bonus payments.

Percentage change in Chief Executive's remuneration (audited)

The table below shows the percentage change in the Chief Executive's salary, benefits and annual bonus between the financial year ended 30 September 2013 and 30 September 2014, compared to that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2013	2014	% change
Salary			
Chief Executive ($000)	707	**707**	—
UK employee average (£000)	44	**47**	7
Benefits			
Chief Executive ($000)	9	**9**	—
UK employee average (£000)	1	**1**	—
Annual bonus			
Chief Executive ($000)	—	**470**	—*
UK employee average (£000)	2	**4**	100
Average number of UK employees	475	**529**	11

* There were no bonus payments made to Directors in 2013 as they waived their entitlement to receive bonus payments.

UK employees have been selected as the most appropriate comparator pool, given our headquarters are located in the UK.

Relative importance of spend on pay (audited)

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and retained profits:

	2013	2014	% change
Staff costs (£m)	43.7	**50.5**	16
Dividends (£m)*	36.4	**38.5**	6
Tax (£m)	21.7	**22.5**	4
Retained profits (£m)	72.9	**80.2**	10

* 2014 includes a proposed final dividend of 33.76p. The proposed special dividend of 50.0p has not been included to allow comparison of regular dividends.

£2.0m (2013: £1.3m) of the staff costs figures relate to pay for the Directors, of which £0.7m relates to the highest paid Director (2013: £0.5m). Total pension contributions were £0.3m (2013: £0.3m) and for the highest paid Director were £0.1m (2013: £0.1m).

Gains made by Directors on the exercise of share options totalled £1.4m (2013: £1.7m), of which £0.9m relates to the highest paid Director (2013: £1.3m).

The dividends figures relate to amounts payable in respect of the relevant financial year.

Pensions (audited)

During the year under review D R Hummel received pension contributions of 25% of basic salary into his defined contribution arrangement operated in respect of the Group's USA employees.

T J Cooper received pension contributions of 12% of basic salary into the Group's UK defined contribution arrangements, until he withdrew from the scheme. With effect from the 1st April 2014, he received a cash supplement of 12% of salary, subject to statutory deductions. L S Burdett received pension contributions of 12% of basic salary into the Group's UK defined contribution arrangements with effect from her appointment. The aforementioned contributions of 12% applied up to the Notional Earnings Limit (NEL), for basic salary above the NEL participants received a cash supplement of 25% of basic salary.

A S Barrow received contributions into the Group's defined benefit arrangements. He ceased to be a member of the defined benefit pension scheme with effect from 9 February 2014 at which time he became a deferred member of the scheme. Under the defined benefit plan, A S Barrow would have received a pension at the normal retirement age (62 years) of 58.3% of final pensionable salary. During the period from 10 February to 31 May 2014 A S Barrow was paid in lieu of the employer's pension contributions which would otherwise have been paid into his pension.

Directors' remuneration report continued

Annual Report on Remuneration continued

Pensions (audited) continued

A supplemental pension, representing the value of the state pension, is payable between the age of 62 and the state retirement age.

	Accrued pension as at 30 September 2013	Increase in accrued pension during the year (including inflation)	Increase in accrued pension during the year (excluding inflation)	Accrued benefit as at 9 February 2014	Transfer value of increase in accrued pension during the year	Date benefit receivable (based on normal retirement age)
A S Barrow	£46,070	£1,487	£243	**£47,557**	£24,069	28/03/2030

The transfer value as at 30 September 2014 was £773,938 (2013: £808,449).

Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group provides benefits through the provision of salary supplements.

Details of the value of pension contributions received by the executive Directors in the year under review are provided in the 'Pensions' column of the 'Remuneration received by Directors' table and the footnotes to the table.

	Number of Directors	
	2014[(1)]	2013
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**3**	2
Defined benefit schemes	**1**	1

(1) The number of Directors in 2014 includes both the outgoing and incoming Group Finance Directors.

Consideration by the Directors of matters relating to Directors' remuneration

The Company's approach to the Chairman's and executive Directors' remuneration is determined by the Board on the advice of the Committee. The members of the Committee (all of whom were independent non-executive Directors) during the year under review were as follows:

- Patrick De Smedt (Remuneration Committee Chairman)
- Pamela Kirby
- Giles Kerr
- Larry Pentz

Larry Pentz is no longer a member of the Committee following his appointment as Chairman of the Company on 1 October 2014. Biographical information on the Committee members and details of attendance at the Committee's meetings during the year are set out on pages 32, 33 and 37.

The Committee has access to independent advice where it considers it appropriate. For the 2014 financial year, the Committee sought advice relating to executive remuneration from New Bridge Street ('NBS'), part of Aon plc, whom the Committee appointed. NBS provides no other services to the Company, although another part of the Aon plc group provides insurance broking and consultancy services. The Committee is entirely comfortable that the provision of these services does not in any way prejudice NBS's position as independent advisors to the Committee. From 1 October 2014, Towers Watson has been appointed to advise the Committee. Towers Watson is a member of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial.

The fees paid to NBS for providing advice in relation to executive remuneration over the financial year under review was £34,243.

Statement of voting at general meeting

At last year's AGM, the following votes were received from shareholders:

	Remuneration Report		Remuneration Policy	
Votes cast in favour*	63,851,133	98.06%	63,642,412	97.72%
Votes cast against	1,259,895	1.94%	1,483,393	2.28%
Total votes cast	65,112,086	100%	65,126,863	100%
Abstentions	98,616		83,839	

* Does not include Chairman's discretionary votes.

Approved by the Board on 8 December 2014.

Patrick De Smedt
Chairman of Remuneration Committee

Directors' report

Company Secretary
Suzana Koncarevic

The Directors present their Annual Report and Accounts to shareholders for the year ended 30 September 2014.

Principal activity
The Company is a public limited company, incorporated in England, registration number 2793780. The principal activity of the Company is that of a holding company. The principal activity of the Group is the manufacture and sale of high performance polymers.

Strategic report
Pursuant to sections 414A–D Companies Act 2006, the Strategic Report can be found on pages 6 and 31. This report sets out the development and performance of the Group's business during the financial year, the position of the Company at the end of the year and a description of the principal risks and uncertainties facing the Company.

Research and development
The Group's spend on research and development is disclosed in note 8.

Results and dividends
Group profit after tax for the year was £80.2m (2013: £72.9m).

The Directors recommend the payment of a final dividend of 33.76p, and a special dividend of 50.0p, per ordinary share on 20 February 2015 to all shareholders on the register on 6 February 2015. This makes a total regular dividend of 45.15p per ordinary share for the year (2013: 43.0p per ordinary share).

Post balance sheet events
There have been no such balance sheet events that either require adjustment to the financial statements or are important in the understanding of the Company's current position.

Related party transactions
The Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to related parties in which any Director has or had a material interest in.

Share capital
Details of the Company's share capital and reserve for own shares are given in note 17. During the year 411,926 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 16.

Rights and obligations attaching to shares
The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's Annual Report, 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 17 to the financial statements.

At the 2014 Annual General Meeting ('AGM'), shareholders renewed the Company's authority to make market purchases of up to 8,478,583 of its own ordinary shares (representing 10% of the issued share capital of the Company as at 6 December 2013). No market purchases of the Company's own shares were made during the year, with the exception of those purchased by employee trusts as detailed in note 17. 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 2015 AGM of the Company and explanatory notes are given on pages 87 to 96.

Directors
Details of the Directors of the Company are given on pages 32 and 33. Details of Directors' interests in shares are provided in the Directors' Remuneration Report on page 54.

At the forthcoming AGM, resolutions will be proposed for the election or re-election of all members of the Board in compliance with the UK Corporate Governance Code.

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 fewer 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

Directors' report continued

Major interests in shares

The Company has been notified of the following interests in 3% or more of its issued share capital as at Thursday 20 November 2014:

	Number of ordinary shares held	Percentage
BlackRock Inc	10,284,594	12.07
Mondrian Investment Partners Ltd (UK)	5,568,467	6.54
T. Rowe Price International Inc (UK)	4,894,928	5.75
Schroders Plc	3,400,522	3.99
Kames Capital (SC)	3,260,843	3.83
Baillie Gifford & Co Ltd (SC)	3,205,832	3.76
Legal & General Investment Mgmt Ltd (UK)	3,164,688	3.71
Aberdeen Asset Managers Group	3,107,822	3.65
Montanaro Asset Management Ltd (UK)	2,647,052	3.11
Royal London Asset Management	2,642,546	3.10

Directors of the Company control 3.8% of the voting shares of the Company, details of which are given on page 54.

Powers of the Directors continued

referred to shareholders at the AGM for renewal. Any shares purchased may be cancelled or held as treasury shares.

Conflict of interest duties

Procedures are in place to ensure compliance with the Directors' conflict of interest duties set out in the Companies Act 2006. The Company has complied with these procedures during the year and the Board believes that these procedures operate effectively. During the year, details of any new conflicts or potential conflict matters were submitted to the Board for consideration and, where appropriate, these were approved. Authorised conflict or potential conflict matters will continue to be reviewed by the Board on an annual basis.

Environmental matters

Information on our greenhouse gas emissions is disclosed in the Sustainability Report on pages 20 to 31.

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 2014 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 are set out on pages 28 to 31.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 35 to 43. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Financial instruments

Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk can be found in note 13.

Branches

The Company and its subsidiaries have established branches in a number of different countries in which they operate.

Donations

No political donations were made (2013: £nil) during the year.

Management report

The Directors' Report and Strategic Report comprises the 'management report' for the purposes of the Financial Services Authority's Disclosure and Transparency Rules (DTR 4.1.8R).

Going concern

The Directors have performed a robust assessment, including review of the budget for the year ended 30 September 2015 and longer term strategic forecasts and plans, including consideration of the principal risks faced by the company, as detailed on pages 18 and 19. Following this review the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of signing these financial statements. For this reason they continue to adopt the going concern basis for preparing the financial statements. Details of the Group's policy on liquidity risk and capital management are included in note 13 to 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 they ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Board has decided to recommend KPMG LLP be appointed as external auditor to the Company and a resolution concerning its appointment will be proposed at the Annual General Meeting.

By order of the Board

Suzana Koncarevic
Company Secretary
8 December 2014

Directors' responsibilities statement

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

Directors' responsibilities for the preparation of the Annual Report

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 Strategic Report, 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 financial statements may differ from legislation in other jurisdictions.

The Board considers that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Directors' responsibilities statement in respect of the Annual Report

We confirm that to the best of our knowledge:

» the financial statements, prepared in accordance with the applicable set of accounting standards, 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 Strategic Report, includes a fair review of the development and performance of the business and position of the issuer and the undertakings included in the consolidation as a whole, together with a description of the principal risks and the uncertainties that they face.

The Directors of Victrex plc are detailed on pages 32 and 33.

By order of the Board

Louisa Burdett
Group Finance Director
8 December 2014

Independent auditor's report to the members of Victrex plc

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Victrex plc for the year ended 30 September 2014 set out on pages 62 to 85. 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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on the audit were as set out below.

Valuation of inventories (£44.2 million)
Refer to page 43 of Audit Committee Report and note 11 on page 74 for accounting policy and financial disclosures

- The risk – The Group has £44.2m of inventory and a number of estimates are involved in arriving at the valuation of inventories relating to fully absorbed manufacturing costs and the assessment of provisions against cost in respect of slow moving and obsolete inventories. Given the level of judgements and estimates involved this is considered to be a key audit risk.
- Our response – In respect of adjustments relating to fully absorbed manufacturing costs our audit procedures included, among others: challenging the Group's assessment of the normal levels of production for absorption costing purposes by comparison to actual and budgeted levels of production over the past two years; understanding and corroborating the impact of manufacturing variances in relation to production output and comparing actual production output levels to standard and historical levels; and recalculating purchase price variances by reference to actual purchase invoice costs.

  In assessing provisions for slow moving and obsolete inventories our audit procedures included: testing the Group's controls designed to identify slow moving and obsolete inventories; comparison, by product grade, of inventory levels to sales data to assess whether slow moving and obsolete inventories had been appropriately identified by the Group and provided for based on expected recoveries; and attending the year-end stock take to consider the extent of slow moving and obsolete inventories. We considered realisations of slow moving inventories during the year and post year end and compared these to the Group's expected recoveries for slow moving inventories at the year-end date. We also considered the adequacy of the Group's disclosures in respect of inventory.

Retirement benefit obligations (£7.8 million, net obligations)
Refer to page 43 of Audit Committee Report and note 14 of pages 78 to 80 for accounting policy and financial disclosures

- The risk – A valuation of the scheme liabilities is provided by an external actuary on behalf of the Group based on various assumptions as set out in financial statements. Significant estimates are made in valuing the Group's post-retirement defined benefit schemes. Small changes in assumptions and estimates used to value the Group's net pension deficit would have a significant effect on the results and financial position of the Group and therefore this is considered to be a key audit risk.
- Our response – In this area our audit procedures included, testing of the controls over the maintenance of each scheme's membership data as well as sample testing from those data to the source documentation establishing the obligation to members and vice versa. With the support of our own actuarial specialists, we then challenged the key assumptions applied to those data to determine the Group's net deficit, being the discount rate, inflation rate, rate of future salary increases, and mortality/life expectancy. This included a comparison of these key assumptions against externally derived data. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficits to these assumptions.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £7.5m, determined with reference to a benchmark of Group profit before taxation (of which it represents 7.3%).

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £370,000, in addition to other audit misstatements that warranted reporting on qualitative grounds.

We performed audits for Group reporting purposes at 7 of the Group's 14 reporting components, and a review of financial information at a further one component in Japan. The latter was not individually significant enough to require an audit for group reporting purposes, but we performed a review due to its comparatively remote geographical location and its operational significance to the Group's operations in the Asia Pacific region.

The audits for Group reporting purposes covered 89% of Group revenue, 97% of profit before tax and 99% of total assets. In total, the audits for Group reporting purposes and further review of one component covered 95% of revenue, 97% of profit before tax and 100% of total assets.

For the remaining components, we performed analytical procedures to re-examine our assessment that there were no significant risks of material misstatement within these.

The audits of components for group reporting purposes were performed by the Group audit team and the review was performed by component auditors. The Group team instructed the component auditors as to the significant areas to be covered (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. The Group audit team approved the component materiality, which ranged from £1.0m to £2.0m, having regard to the mix of size and risk profile of the businesses within the Group.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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 58, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 35 to 43 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement, set out on page 59, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
8 December 2014

Consolidated income statement for the year ended 30 September

	Note	2014 £m	2013 £m
Revenue	2	252.6	221.9
Cost of sales	3	(89.4)	(74.1)
Gross profit		163.2	147.8
Sales, marketing and administrative expenses	3	(61.0)	(53.8)
Operating profit	2	102.2	94.0
Financial income		0.6	0.8
Financial expenses		(0.1)	(0.2)
Profit before tax		102.7	94.6
Income tax expense	5	(22.5)	(21.7)
Profit for the year attributable to owners of the Parent		80.2	72.9
Earnings per share			
Basic	6	94.6p	86.5p
Diluted	6	94.3p	86.0p
Dividend per ordinary share			
Interim	17	11.39p	10.35p
Final	17	33.76p	32.65p
Special	17	50.00p	—
	17	95.15p	43.0p

A final dividend in respect of 2014 of 33.76p 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 2015.

Consolidated statement of comprehensive income for the year ended 30 September

	Note	2014 £m	2013 £m
Profit for the year		80.2	72.9
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial losses	14	(5.2)	(0.7)
Income tax on items that will not be reclassified to profit or loss	5	1.0	0.1
		(4.2)	(0.6)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences for foreign operations		(0.7)	(0.5)
Effective portion of changes in fair value of cash flow hedges		5.1	1.1
Net change in fair value of cash flow hedges transferred to profit or loss		(8.2)	0.4
Income tax on items that may be reclassified to profit or loss	5	0.5	(0.6)
		(3.3)	0.4
Total other comprehensive expense for the year		(7.5)	(0.2)
Total comprehensive income for the year attributable to owners of the Parent		72.7	72.7

Balance sheets as at 30 September

		Group		Company	
	Note	2014 £m	2013 £m	2014 £m	2013 £m
Assets					
Non-current assets					
Property, plant and equipment	7	**227.6**	175.7	**—**	—
Intangible assets	8	**10.1**	10.1	**—**	—
Investments	9	**—**	—	**48.2**	48.2
Deferred tax assets	10	**7.1**	6.3	**—**	—
Other receivables	13	**—**	—	**19.9**	19.9
		244.8	192.1	**68.1**	68.1
Current assets					
Inventories	11	**44.2**	51.1	**—**	—
Current income tax assets		**0.7**	1.2	**—**	—
Trade and other receivables	12	**33.0**	26.5	**79.8**	9.4
Derivative financial instruments	13	**4.0**	5.1	**—**	—
Cash and cash equivalents		**89.6**	91.6	**—**	—
		171.5	175.5	**79.8**	9.4
Total assets		**416.3**	367.6	**147.9**	77.5
Liabilities					
Non-current liabilities					
Deferred tax liabilities	10	**(17.8)**	(15.6)	**—**	—
Retirement benefit obligations	14	**(7.8)**	(3.6)	**—**	—
		(25.6)	(19.2)	**—**	—
Current liabilities					
Derivative financial instruments	13	**(2.3)**	(0.4)	**—**	—
Current income tax liabilities		**(7.9)**	(10.7)	**(0.2)**	(0.2)
Trade and other payables	15	**(27.1)**	(23.6)	**(8.5)**	(8.5)
		(37.3)	(34.7)	**(8.7)**	(8.7)
Total liabilities		**(62.9)**	(53.9)	**(8.7)**	(8.7)
Net assets		**353.4**	313.7	**139.2**	68.8
Equity					
Share capital	17	**0.9**	0.8	**0.9**	0.8
Share premium		**34.4**	31.3	**34.4**	31.3
Translation reserve		**0.8**	1.5	**—**	—
Hedging reserve		**0.9**	3.3	**—**	—
Retained earnings		**316.4**	276.8	**103.9**	36.7
Total equity attributable to owners of the Parent		**353.4**	313.7	**139.2**	68.8

These financial statements of Victrex plc, registered number 2793780, were approved by the Board of Directors on 8 December 2014 and were signed on its behalf by:

D R Hummel
Chief Executive

L S Burdett
Group Finance Director

Financial statements

Cash flow statements for the year ended 30 September

	Note	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Profit after tax for the year		80.2	72.9	103.4	4.7
Income tax expense	5	22.5	21.7	0.3	0.2
Net financing income		(0.5)	(0.6)	(1.4)	(1.5)
Dividends received from subsidiaries		—	—	(102.2)	(3.3)
Operating profit		102.2	94.0	0.1	0.1
Adjustments for:					
Depreciation	7	10.0	9.5	—	—
Loss on disposal of non-current assets		1.3	0.3	—	—
Decrease/(increase) in inventories		6.7	(3.6)	—	—
(Increase)/decrease in receivables		(6.5)	1.3	(69.2)	25.8
Increase/(decrease) in payables		4.5	(1.3)	(0.1)	1.0
Equity-settled share-based payment transactions	16	1.1	1.3	—	—
Changes in fair value of derivative financial instruments	13	(0.1)	0.5	—	—
Retirement benefit obligations charge less contributions		(0.9)	(1.1)	—	—
Cash generated from operations		118.3	100.9	(69.2)	26.9
Net financing income received		0.6	0.8	1.4	1.4
Tax paid		(21.1)	(21.7)	(0.3)	(0.2)
Net cash flow from operating activities		97.8	80.0	(68.1)	28.1
Cash flows from investing activities					
Acquisition of property, plant and equipment		(65.6)	(40.7)	—	—
Dividends received		—	—	102.2	3.3
Net cash flow from investing activities		(65.6)	(40.7)	102.2	3.3
Cash flows from financing activities					
Proceeds from issue of ordinary shares exercised under option	17	3.2	2.2	3.2	2.2
Purchase of own shares held		—	(0.9)	—	(0.9)
Dividends paid	17	(37.3)	(32.7)	(37.3)	(32.7)
Net cash flow from financing activities		(34.1)	(31.4)	(34.1)	(31.4)
Net (decrease)/increase in cash and cash equivalents		(1.9)	7.9	—	—
Effect of exchange rate fluctuations on cash held		(0.1)	(0.2)	—	—
Cash and cash equivalents at beginning of year		91.6	83.9	—	—
Cash and cash equivalents at end of year		89.6	91.6	—	—

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Equity at 1 October 2012		0.8	29.1	2.0	2.1	237.1	271.1
Total comprehensive income for the year							
Profit		—	—	—	—	72.9	72.9
Other comprehensive income							
Currency translation differences for foreign operations		—	—	(0.5)	—	—	(0.5)
Effective portion of changes in fair value of cash flow hedges		—	—	—	1.1	—	1.1
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	0.4	—	0.4
Defined benefit pension schemes actuarial losses	14	—	—	—	—	(0.7)	(0.7)
Tax on other comprehensive income	5	—	—	—	(0.3)	(0.2)	(0.5)
Total other comprehensive (expense)/income for the year		—	—	(0.5)	1.2	(0.9)	(0.2)
Total comprehensive (expense)/income for the year		—	—	(0.5)	1.2	72.0	72.7
Contributions by and distributions to owners of the Company							
Share options exercised	17	—	2.2	—	—	—	2.2
Equity-settled share-based payment transactions	16	—	—	—	—	1.3	1.3
Purchase of own shares held		—	—	—	—	(0.9)	(0.9)
Dividends to shareholders	17	—	—	—	—	(32.7)	(32.7)
Equity at 30 September 2013		0.8	31.3	1.5	3.3	276.8	313.7
Total comprehensive income for the year							
Profit		—	—	—	—	80.2	80.2
Other comprehensive (expense)/income							
Currency translation differences for foreign operations		—	—	(0.7)	—	—	(0.7)
Effective portion of changes in fair value of cash flow hedges		—	—	—	5.1	—	5.1
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	(8.2)	—	(8.2)
Defined benefit pension schemes actuarial losses	14	—	—	—	—	(5.2)	(5.2)
Tax on other comprehensive income	5	—	—	—	0.7	0.8	1.5
Total other comprehensive expense for the year		—	—	(0.7)	(2.4)	(4.4)	(7.5)
Total comprehensive (expense)/income for the year		—	—	(0.7)	(2.4)	75.8	72.7
Contributions by and distributions to owners of the Company							
Share options exercised	17	0.1	3.1	—	—	—	3.2
Equity-settled share-based payment transactions	16	—	—	—	—	1.1	1.1
Dividends to shareholders	17	—	—	—	—	(37.3)	(37.3)
Equity at 30 September 2014		0.9	34.4	0.8	0.9	316.4	353.4

Company statement of changes in equity

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Equity at 1 October 2012		0.8	29.1	64.3	94.2
Total comprehensive income for the year					
Profit (includes dividends from subsidiaries of £3.3m)		—	—	4.7	4.7
Contributions by and distributions to owners of the Company					
Share options exercised	17	—	2.2	—	2.2
Equity-settled share-based payment transactions	16	—	—	1.3	1.3
Purchase of own shares held		—	—	(0.9)	(0.9)
Dividends to shareholders	17	—	—	(32.7)	(32.7)
Equity at 30 September 2013		0.8	31.3	36.7	68.8
Total comprehensive income for the year					
Profit (includes dividends from subsidiaries of £102.2m)		—	—	103.4	103.4
Contributions by and distributions to owners of the Company					
Share options exercised	17	0.1	3.1	—	3.2
Equity-settled share-based payment transactions	16	—	—	1.1	1.1
Dividends to shareholders	17	—	—	(37.3)	(37.3)
Equity at 30 September 2014		0.9	34.4	103.9	139.2

Notes to the financial statements

1. Basis of preparation

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 2014 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 8 December 2014.

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 Strategic Report on pages 6 to 31. In addition, note 13 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 2017. This facility was undrawn at 30 September 2014 and remained undrawn at 8 December 2014 when these consolidated financial statements were approved for issue by the Board of Directors.

The Directors have performed a robust assessment, including review of the budget for the year ended 30 September 2015 and longer term strategic forecasts and plans including consideration of the principal risks faced by the company, as detailed on pages 18 and 19. Following this review the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of signing these financial statements. For this reason they continue to adopt the going concern basis for preparing the financial statements. Details of the Group's policy on liquidity risk and capital management are included in note 13 to the financial statements.

On publishing the Company financial statements here together with the consolidated financial statements, the Company is taking advantage of section 408 of the 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 19.

The accounting policies set out in these notes 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 are effective for the financial year ending 30 September 2014, including IAS 19 Revised. None of these have had a material impact and accordingly the 30 September 2013 comparatives have not been restated.

A number of standards, amendments and interpretations have been issued and endorsed by the EU but 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 2015:

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IAS 27 – Separate Financial Statements;
- IAS 28 – Investments in Associates and Joint Ventures; and
- Improvements to IFRSs:
  - IFRS 2 – Share-based Payment;
  - IFRS 8 – Operating Segments;
  - IFRS13 – Fair Value Measurement;
  - IAS 1 – Presentation of Financial Statements;
  - IAS 16 – Property, Plant and Equipment;
  - IAS 32 – Financial Instruments: Presentations; and
  - IAS 34 – Interim Financial Reporting.

Notes to the financial statements continued

2. Segment reporting

The Group complies with IFRS 8 – Operating Segments which 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. Information on the business units is the primary basis of information reported to the Victrex plc Board. The performance of the business units is assessed based on segmental operating profit.

The Group's business is strategically organised as two business units (operating segments): Victrex Polymer Solutions, which focuses on our automotive, aerospace, electronics and energy markets, and Invibio Biomaterial Solutions, which focuses on providing specialist solutions for medical device manufacturers.

	Victrex Polymer Solutions 2014 £m	Invibio Biomaterial Solutions 2014 £m	Group 2014 £m	Victrex Polymer Solutions 2013 £m	Invibio Biomaterial Solutions 2013 £m	Group 2013 £m
Revenue from external sales	199.2	53.4	252.6	171.1	50.8	221.9
Segment gross profit	116.1	47.1	163.2	103.1	44.7	147.8
Segment operating profit	77.2	29.6	106.8	68.6	29.3	97.9
Unallocated central costs			(4.6)			(3.9)
Operating profit			102.2			94.0
Net financing income			0.5			0.6
Profit before tax			102.7			94.6
Income tax			(22.5)			(21.7)
Profit for the year attributable to owners of the Parent			80.2			72.9
Other information						
Depreciation	9.5	0.5	10.0	9.1	0.4	9.5

From 1 October 2014 the management of sales, marketing and administration functions servicing both business units were consolidated. Accordingly the information received by the chief operating decision maker presents segmental performance to the gross profit level with overheads reported at a Group level. Future segmental disclosures will therefore be to a gross profit level.

Entity wide disclosures

Revenue recognition

Revenue comprises the amounts receivable for the sale of goods, 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 or associated costs.

Volume rebates are recognised as a deduction from gross sales as qualifying sales are made throughout the period. These rebates are accrued based on the maximum amount due to customers based on annualised sales, unless it is clear that maximum rebate conditions will not be met in a particular period.

Information about products

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.

	Revenue from external sales 2014 £m	Revenue from external sales 2013 £m
United Kingdom	6.7	5.9
Europe, Middle East and Africa ('EMEA')	108.9	99.1
Americas	81.1	75.7
Asia-Pacific	55.9	41.2
	252.6	221.9

Information about major customers

In the current year no one customer contributed more than 10% to Group revenue (2013: same).

3. Expenses by nature

	Note	2014 £m	2013 £m
Staff costs	4	50.5	43.7
Depreciation of property, plant and equipment	7	10.0	9.5
Loss on disposal of property, plant and equipment	7	1.3	0.3
Operating lease rentals	7	1.5	1.6
Other costs of manufacture		63.3	51.2
Other sales, marketing and administrative expenses		23.8	21.6
		150.4	127.9

Auditor's remuneration was as follows:

	2014 £000	2013 £000
Audit services relating to:		
– Victrex plc Annual Report	47	50
– The Company's subsidiaries, pursuant to legislation	94	94
	141	144
Pension advisory services	26	25
Taxation advisory services	11	20
Other services	21	18
	58	63
	199	207

4. Staff costs

	Note	2014 £m	2013 £m
Wages and salaries		40.1	34.6
Social security costs		4.6	3.7
Defined contribution pension schemes		3.0	2.7
Defined benefit pension schemes	14	1.7	1.4
Equity-settled share-based payment transactions	16	1.1	1.3
		50.5	43.7

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

	2014	2013
Operations	362	339
Technical	86	82
Commercial	132	129
Administration	101	94
	681	644

5. Income tax expense

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.

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.

Notes to the financial statements continued

5. Income tax expense continued

	Note	2014 £m	2013 £m
Current tax			
UK corporation tax on profits for the year		19.3	20.1
Overseas tax on profits for the year		3.1	1.6
Tax adjustments relating to prior years		(2.1)	(2.2)
		20.3	19.5
Deferred tax			
Origination and reversal of temporary differences	10	0.8	0.4
Deferred tax adjustments relating to prior years	10	1.4	2.7
Reduction in tax rate	10	—	(0.9)
Total tax expense in income statement		22.5	21.7

Reconciliation of effective tax rate

	2014		2013	
	%	£m	%	£m
Profit before tax		102.7		94.6
Tax expense at UK corporation tax rate	22.0	22.6	23.5	22.2
Effects of:				
– Expenses not deductible for tax purposes		0.9		0.5
– Higher rates of tax on overseas earnings		0.8		0.4
– UK research and development tax credits and other allowances		(1.1)		(1.0)
– Corporation tax adjustments relating to prior years		(2.1)		(2.2)
– Reduction in tax rate		—		(0.9)
– Deferred tax adjustments relating to prior years		1.4		2.7
Effective tax rate	21.9	22.5	22.9	21.7

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly and reduce the deferred tax assets/liabilities at 30 September 2014 which have been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Tax recognised in other comprehensive income

	2014 £m	2013 £m
Cash flow hedges	0.7	(0.3)
Defined benefit pension schemes	1.0	0.1
Equity-settled transactions	(0.2)	(0.3)
	1.5	(0.5)

6. 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 17).

		2014	2013
Earnings per share	– basic	94.6p	86.5p
	– diluted	94.3p	86.0p
Profit for the financial year		£80.2m	£72.9m
Weighted average number of shares used:			
– Issued ordinary shares at beginning of year		84,780,543	84,481,476
– Effect of own shares held		(276,139)	(366,222)
– Effect of shares issued during the year		254,223	179,127
Basic weighted average number of shares		84,758,627	84,294,381
Effect of share options		304,220	432,600
Diluted weighted average number of shares		85,062,847	84,726,981

7. 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.

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

Buildings	30–50 years
Plant and machinery	10–30 years
Fixtures, fittings, tools and equipment	5–10 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.

Depreciation on assets classified as in the course of construction commences when the assets are ready for their intended use, the point of which they are reclassified from assets under construction, on the same basis as other assets of that class.

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

	Land and buildings £m	Plant and machinery £m	Computers and motor vehicles £m	Fixtures, fittings, tools and equipment £m	Assets in course of construction £m	Total £m
Cost						
At 1 October 2012	29.9	162.9	6.9	3.1	13.1	215.9
Exchange differences	0.1	(0.1)	—	(0.3)	—	(0.3)
Additions	0.5	2.9	1.1	0.3	37.4	42.2
Disposals	—	(4.0)	(1.3)	(0.7)	—	(6.0)
Reclassification	0.4	6.1	—	—	(6.5)	—
At 30 September 2013	30.9	167.8	6.7	2.4	44.0	251.8
Exchange differences	(0.1)	(0.1)	—	(0.1)	—	(0.3)
Additions	—	2.3	0.9	0.2	60.1	63.5
Disposals	—	(2.3)	(0.1)	(0.1)	—	(2.5)
Reclassification	(0.8)	6.6	—	—	(5.8)	—
At 30 September 2014	**30.0**	**174.3**	**7.5**	**2.4**	**98.3**	**312.5**
Depreciation						
At 1 October 2012	4.2	62.8	3.9	1.4	—	72.3
Disposals	—	(3.7)	(1.3)	(0.7)	—	(5.7)
Depreciation charge	0.6	7.4	1.2	0.3	—	9.5
At 30 September 2013	4.8	66.5	3.8	1.0	—	76.1
Disposals	—	(1.0)	(0.1)	(0.1)	—	(1.2)
Depreciation charge	0.7	7.8	1.2	0.3	—	10.0
At 30 September 2014	**5.5**	**73.3**	**4.9**	**1.2**	**—**	**84.9**
Carrying amounts						
At 30 September 2014	**24.5**	**101.0**	**2.6**	**1.2**	**98.3**	**227.6**
At 30 September 2013	26.1	101.3	2.9	1.4	44.0	175.7
At 1 October 2012	25.7	100.1	3.0	1.7	13.1	143.6

The Company has no property, plant or equipment.

Notes to the financial statements continued

7. Property, plant and equipment continued

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

Non-cancellable operating lease rentals are payables as follows:

As at 30 September	2014 £m	2013 £m
Not later than one year	1.0	0.9
Later than one year but not later than five years	2.4	2.9
Later than five years	2.7	2.8
	6.1	6.6

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

Operating lease rentals of £1.5m (2013: £1.6m) relating to the lease of property, plant and equipment are included in the income statement (see note 3).

8. Intangible assets

	Goodwill £m
Cost and carrying amount	
At 1 October 2012, 30 September 2013 and 30 September 2014	10.1

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 net amount recorded previously under UK GAAP. In prior years the amortisation element of the deemed cost at 30 September 2004 was shown separately; in the current year this has been deducted from gross cost. 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.

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.

Goodwill comprises £10.1m in Victrex Polymer Solutions relating to acquisitions associated with the supply of our key raw material BDF in 1999 and 2005 (£7.4m) and the residual balance of our Japanese joint venture in 2007 (£2.7m). The goodwill is measured against the discounted future cash flow projections of our Victrex Polymer Solutions business unit. The long-term average growth rate used was 2.0% (2013: 2.5%) and the risk adjusted pre-tax discount rate was 8.0% (2013: 8.0%). 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.

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised within 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.

Research and development expenditure of £15.7m (2013: £14.6m) was expensed to the income statement in the year within administrative expenses.

9. Investments

Investments
In the Company's financial statements, 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.

9. Investments continued

Basis of consolidation continued
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.

Company

	Shares in Group undertakings £m
Cost and carrying value	
At 1 October 2012, 30 September 2013 and 30 September 2014	48.2

A full list of subsidiaries can be found in the company's Annual Return. The principal subsidiaries affecting the figures in these financial statements, all of which are wholly owned, are listed below:

	Country of registration and operation	Principal activity	Class of share held
Subsidiary undertakings			
Victrex Manufacturing Limited*	Great Britain	Manufacture and sale of polymers	Ordinary
Victrex Europa GmbH*	Germany	Sale of polymers	Ordinary
Invibio Limited*	Great Britain	Manufacture and sale of polymers	Ordinary
Victrex Japan, Inc.*	Japan	Sale of polymers	Ordinary
Victrex High Performance Materials (Shanghai) Co., Ltd	China	Sale of polymers	Ordinary
Victrex USA, Inc.	USA	Sale of polymers	Ordinary
Invibio USA, Inc.	USA	Sale of polymers	Ordinary
Invibio GmbH	Germany	Sale of polymers	Ordinary

* Directly held by Victrex plc.

In the opinion of the Directors the investments in and amounts due from the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the Statement of Financial Position.

10. Deferred tax assets and liabilities

	As at 30 September 2014					As at 30 September 2013				
	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Other £m	Total £m	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Other £m	Total £m
Deferred tax assets	—	2.7	3.6	0.8	7.1	—	1.9	3.6	0.8	6.3
Deferred tax liabilities	(17.8)	—	—	—	(17.8)	(15.6)	—	—	—	(15.6)
Net deferred tax (liabilities)/assets	(17.8)	2.7	3.6	0.8	(10.7)	(15.6)	1.9	3.6	0.8	(9.3)

	Note	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Other £m	Total £m
Movement in net provision						
At 1 October 2012		(14.0)	2.3	3.9	0.9	(6.9)
Prior period adjustment	5	(2.7)	—	—	—	(2.7)
Reduction in tax rate	5	1.8	(0.3)	(0.5)	(0.1)	0.9
Recognised in income statement	5	(0.7)	0.1	0.2	—	(0.4)
Recognised in other comprehensive income	5	—	(0.2)	—	—	(0.2)
At 30 September 2013		(15.6)	1.9	3.6	0.8	(9.3)
Prior period adjustment	5	(1.4)	—	—	—	(1.4)
Recognised in income statement	5	(0.8)	—	—	—	(0.8)
Recognised in other comprehensive income	5	—	0.8	—	—	0.8
At 30 September 2014		**(17.8)**	**2.7**	**3.6**	**0.8**	**(10.7)**

Notes to the financial statements continued

11. 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. Further details on inventory valuation and provisions are included in note 19.

As at 30 September	2014 £m	2013 £m
Raw materials and consumables	14.2	14.1
Work in progress	4.4	3.5
Finished goods	25.6	33.5
	44.2	51.1

The amount of inventory expensed in the period is equal to the value of cost of sales.

12. Trade and other receivables

	Group		Company	
As at 30 September	2014 £m	2013 £m	2014 £m	2013 £m
Trade receivables	26.4	21.5	—	—
Amounts owed by subsidiary undertakings	—	—	79.8	9.4
Prepayments	3.7	3.3	—	—
Other	2.9	1.7	—	—
	33.0	26.5	79.8	9.4

The fair value of trade and other receivables approximates to their carrying value.

13. Financial risk management

Group

Currency risk

Currently, the Group exports 97% of sales from the UK and also makes raw material purchases overseas.

Currency risk is managed by the Currency Committee, which is chaired by the Group Finance Director and comprises the Chief Executive and senior finance executives. It meets monthly to review and manage the Group's currency hedging activities, in line with the hedging policy approved by the Board.

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 vary due to the impact of fluctuating exchange rates on the unhedged portion of the transaction exposures and from revised forecasts of future trading, which can lead to an adjustment of currency cover in place.

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 2014 is £5.5m, £4.2m and £0.7m respectively (2013: £4.2m, £3.8m and £0.7m). The impact of a 5% movement in the average Sterling/US Dollar, Sterling/Euro and Sterling/Yen rates on equity for 2014 is £2.4m, £0.6m and £0.4m (2013: £1.8m, £0.6m and £0.4m) respectively.

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.

13. Financial risk management continued

Cash flow hedges

The Group hedges a proportion of forecast sales, purchases and capital expenditure, denominated in a foreign currency. The Board is responsible for setting the hedging policy which is detailed on page 74. 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 as cash flow hedges and states them at fair value.

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.

Any cumulative gain or loss existing in equity at the time when the forecast transaction occurs, or when a hedge no longer meets the criteria for hedge accounting, is recognised in the income statement. The timing of the gain or loss impacting the income statement is aligned to the timing of the hedged transaction impacting 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.

The notional contract amount, carrying amount and fair value of the Group's forward exchange contracts and swaps are as follows:

	As at 30 September 2014		As at 30 September 2013	
	Notional contract amount £m	Carrying amount and fair value £m	Notional contract amount £m	Carrying amount and fair value £m
Current assets	106.9	4.0	134.9	5.1
Current liabilities	65.6	(2.3)	12.3	(0.4)
	172.5	1.7	147.2	4.7

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 2 within the fair value hierarchy under IFRS 7.

The following table indicates 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:

	As at 30 September 2014				As at 30 September 2013			
	Expected cash flows £m	6 months or less £m	6 to 12 months £m	12 to 18 months £m	Expected cash flows £m	6 months or less £m	6 to 12 months £m	12 to 18 months £m
Forward exchange contracts:								
– Assets	106.9	62.6	43.5	0.8	134.9	64.2	64.4	6.3
– Liabilities	65.6	27.1	31.6	6.9	12.3	8.3	4.0	—
	172.5	89.7	75.1	7.7	147.2	72.5	68.4	6.3

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2014 will be recognised in the income statement during the period in which the hedged forecast transaction affects the income statement which is typically 1–2 months prior to the cash flow occurring. At 30 September 2014, 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, gains of £0.6m (2013: £0.5m) relating to forward exchange contracts on the balance sheet at 30 September 2014 were released to the income statement.

Gains and losses recognised in the income statement on contracts which are yet to settle are adjusted as a non cash movement on the cash flow statements. This equated to a gain of £0.1m in the year (2013: £0.5m loss).

Notes to the financial statements continued

13. Financial risk management continued

Credit risk

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. All customers are assigned a credit limit which is subject to annual review.

Trade receivables can be analysed as follows:

As at 30 September	2014 £m	2013 £m
Amounts neither past due nor impaired	23.4	17.9
Amounts past due but not impaired:		
– Less than 30 days	2.5	3.0
– 30–60 days	0.4	0.4
– More than 60 days	0.1	0.2
Total past due but not impaired	3.0	3.6
Amounts impaired	0.5	0.6
Impairment allowances	(0.5)	(0.6)
Carrying amount of impaired receivables	—	—
Trade receivables net of allowances	26.4	21.5

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:

	2014 £m	2013 £m
At beginning of year	0.6	0.7
Charge in the year	—	—
Release of allowance	(0.1)	(0.1)
At end of year	0.5	0.6

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 whose credit ratings are monitored on an ongoing basis.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and other short-term deposits with original maturities typically of three months or less.

As at 30 September 2014, the maximum exposure with a single bank for deposits was £24.8m (2013: £26.1m) for the Group. As at 30 September 2014, the largest mark to market exposure for gains on forward foreign exchange contracts to a single bank was £2.0m (2013: £2.7m). 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 expires in September 2017.

As at 30 September 2014 the Group had a cash and cash equivalents balance of £89.6m.

13. Financial risk management continued

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 does not expect to make significant share repurchases in 2015, 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:

As at 30 September	2014 £m	2013 £m
Total equity	**353.4**	313.7
Total assets	**416.3**	367.6
Equity ratio	**85%**	85%

Summary of categories of financial assets and liabilities

As at 30 September	Note	Carrying amount and fair value 2014 £m	Carrying amount and fair value 2013 £m
Financial assets			
Derivative instruments in designated hedge accounting relationships		**4.0**	5.1
Receivables	12	**29.3**	23.2
Cash and cash equivalents		**89.6**	91.6
Financial liabilities			
Derivative instruments in designated hedge accounting relationships		**(2.3)**	(0.4)
Trade and other payables	15	**(7.3)**	(8.3)

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 75 and 76.

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

Company

As a result of US Dollar denominated intragroup loans with subsidiary undertakings, the Company is exposed to currency fluctuations. The Company does not actively manage the risk of exchange rate movements given that the counterparty to the loans is a subsidiary of the Company and therefore any gains or losses would be eliminated at Group level. The impact of a 5% movement in the average Sterling/US Dollar rate on these loans is £1.0m.

These intragroup loans are financial assets designated as loans and receivables. As at 30 September 2014 the Company has intragroup loans outstanding totalling £19.9m (2013: £19.9m). These loans are over terms of 7–8 years at interest rates of 7.15–7.40%.

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

Notes to the financial statements continued

14. Retirement benefit obligations

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 (Revised) – 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.

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 employees of UK 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	2014	2013
Discount rate	**4.00%**	4.60%
Expected return on schemes' assets(1)	**4.00%**	4.60%
Future salary increases	**3.50%**	3.60%
Future pension increases	**3.40%**	3.50%
Mortality tables	**S1NA CMI 2013 (1.25%)**	S1NA CMI 2012 (1%)
Life expectancy from age 62 of current pensioners:		
– Male	**25.0 yrs(2)**	24.9 yrs(3)
– Female	**27.6 yrs(2)**	27.4 yrs(3)
Life expectancy from age 62 of active and deferred members:		
– Male	**26.7 yrs(4)**	26.1 yrs(5)
– Female	**29.3 yrs(4)**	28.8 yrs(5)

(1) The future expected return on assets is equal to the discount rate as required by the amendments to IAS 19.

(2) Life expectancy from age 62 for members aged 62 in 2014.

(3) Life expectancy from age 62 for members aged 62 in 2013.

(4) Life expectancy from age 62 for members aged 45 in 2014.

(5) Life expectancy from age 62 for members aged 45 in 2013.

The average duration of the benefit obligation at the end of the reporting period is 23 years (2013: 23 years).

14. Retirement benefit obligations continued

Principal actuarial assumptions continued

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and expected salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Change in assumption	Increase in fund deficit as at 30 September 2014	Increase in fund deficit as at 30 September 2013
Reduce discount rate by 1% p.a.	**£15.5m**	£12.4m
Increase inflation expectations by 1% p.a.	**£13.9m**	£10.3m
Increase salary inflation by 1% p.a.	**£3.2m**	£2.8m

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases that both depend to a certain extent on expected inflation rates. The above analysis does not take the effect of these interrelationships into account.

Amounts recognised in the balance sheet

As at 30 September	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of funded obligations	**(60.2)**	(51.4)	(45.5)	(41.0)	(40.5)
Fair value of schemes' assets	**52.4**	47.8	41.5	34.8	31.0
Net liability before deferred taxation	**(7.8)**	(3.6)	(4.0)	(6.2)	(9.5)
Related deferred taxation asset	**1.6**	0.7	0.9	1.6	2.6
Net liability after deferred taxation	**(6.2)**	(2.9)	(3.1)	(4.6)	(6.9)
Change in assumptions and experience adjustments arising on schemes' liabilities	**(6.3)**	(2.7)	(2.0)	2.8	(2.9)
Experience adjustments arising on schemes' assets	**1.1**	2.0	3.3	(1.7)	2.0

Changes in the present value of the funded obligation

	2014 £m	2013 £m
Defined benefit obligation at beginning of year	**(51.4)**	(45.5)
Exchange difference	**0.2**	(0.1)
Service cost	**(1.6)**	(1.6)
Interest cost	**(2.4)**	(2.3)
Actuarial losses	**(6.3)**	(2.7)
Benefits paid	**1.3**	0.8
Defined benefit obligation at end of year	**(60.2)**	(51.4)

During the year ending 30 September 2015 the Group expects to contribute £2.5m to its defined benefit pension schemes, which includes normal contributions together with the first of four deficit funding contributions of £0.9m.

Contribution rates are based on the triennial valuation as at 31 March 2013.

Changes in the fair value of the schemes' assets

	2014 £m	2013 £m
Fair value of schemes' assets at beginning of year	**47.8**	41.5
Exchange difference	**(0.1)**	0.1
Expected return	**2.2**	2.4
Actuarial gains	**1.1**	2.0
Contributions by employer	**2.6**	2.5
Contributions by employee	**0.1**	0.1
Benefits paid	**(1.3)**	(0.8)
Fair value of schemes' assets at end of year	**52.4**	47.8
Actual return on schemes' assets	**3.3**	4.4

Notes to the financial statements continued

14. Retirement benefit obligations continued

Major categories of schemes' assets

As at 30 September	2014 £m	2013 £m
UK equities	9.1	8.8
Non-UK equities	12.7	11.9
Bonds	14.4	13.4
Gilts	6.3	5.6
Cash	2.3	1.8
Diversified growth	6.3	5.0
Insurance policies	1.3	1.3
Fair value of schemes' assets at end of year	52.4	47.8

Amounts recognised in the income statement

	Note	2014 £m	2013 £m
Current service cost		(1.6)	(1.6)
Contributions by employee		0.1	0.1
Interest on obligations		(2.4)	(2.3)
Other finance income and expenditure		2.2	2.4
Total included in 'staff costs'	4	(1.7)	(1.4)

Of the total included in staff costs, £1.0m is included within cost of sales (2013: £0.8m) and £0.7m is included within sales, marketing and administrative expenses (2013: £0.6m).

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

	2014 £m	2013 £m
Cumulative amount at beginning of year	(11.2)	(10.5)
Movement in year	(5.2)	(0.7)
Cumulative amount at end of year	(16.4)	(11.2)

15. Trade and other payables

	Group		Company	
As at 30 September	2014 £m	2013 £m	2014 £m	2013 £m
Trade payables	5.7	6.8	—	—
Amounts owed to Group undertakings	—	—	8.5	8.5
Accruals	19.8	15.3	—	—
Other	1.6	1.5	—	—
	27.1	23.6	8.5	8.5

The fair value of trade and other payables approximates to their carrying value.

16. Share-based payments

All options are settled by the physical delivery of shares. The terms and conditions of all the grants are as follows:

Victrex 2005 Executive Share Option Plan ('ESOP')

All employees are eligible to participate. 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 in each financial year. 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) and achieving the performance condition. The level of awards vesting will vary depending on EPS growth. In order for awards to reach the threshold level of vest, the EPS growth of the Group must exceed the Retail Prices Index by 2% per annum. For awards over 33% of salary, the threshold increases to 3%, and then to 4% for awards over 66%. Straight line vesting will occur to the extent that EPS growth falls between these annual EPS growth targets. These options are exercisable from the date of vest to the seven year anniversary of the grant date.

Victrex 2005 Sharesave Plan

UK resident employees and full-time Directors of the Company or any designated participating subsidiary are 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.

Victrex 2005 Employee Stock Purchase Plan

US based employees (including executive Directors) are eligible to participate. 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.

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, and senior executives by invitation, 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 basic salary.

Details of the 2009 LTIP can be found within the Directors' Remuneration Report on page 46.

Number and weighted average exercise prices of share options

	ESOP		Sharesave 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 1 October 2012	939p	926,022	613p	450,899	—	—	nil p	370,359
Granted during the year	1,569p	226,779	1,312p	48,486	1,139p	11,683	nil p	97,092
Forfeited during the year	1,144p	(40,388)	778p	(17,609)	—	—	nil p	(13,819)
Exercised during the year	741p	(250,243)	588p	(35,566)	1,139p	(11,683)	nil p	(107,462)
Outstanding at 30 September 2013	1,263p	862,170	684p	446,210	—	—	nil p	346,170
Granted during the year	1,659p	267,082	1,451p	88,336	1,379p	8,859	nil p	100,054
Forfeited during the year	1,361p	(32,746)	1,185p	(10,465)	—	—	nil p	(90,364)
Exercised during the year	1,233p	(163,164)	406p	(239,903)	1,379p	(8,859)	nil p	(75,232)
Outstanding at 30 September 2014	**1,378p**	**933,342**	**1,122p**	**284,178**	—	—	**nil p**	**280,628**
Range of exercise prices								
2014		**434.3p-1,805p**		**637p-1,415p**		—		**nil p**
2013		434p–1,702p		348p–1,312p		—		nil p
Weighted average contractual life (years)								
2014		**7.6**		**2.1**		**0.4**		**8.1**
2013		7.8		1.7		0.4		7.7
Exercisable at end of year								
2014	**1,086p**	**220,978**	**n/a**	—		—		—
2013	758p	133,357	n/a	—		—		—

Financial statements

Notes to the financial statements continued

16. Share-based payments continued

Fair value of share options and assumptions

Share-based payment transactions and employee share ownership trusts ('ESOT')
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 benefiting 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 Company'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.

The Group and Company provide finance to the ESOT to purchase Company shares in the open market. Costs of running the ESOT are charged to the income statement. The cost of shares held by the ESOT are deducted in arriving at equity until they are exercised by employees.

All share-based payment costs are recharged to the trading entities.

Fair value of share options and weighted average assumptions

	As at 30 September 2014				As at 30 September 2013			
	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP
Fair value at measurement date	379p	466p	347p	1,043p	365p	298p	341p	884p
Share price at grant	1,383p	1,508p	1,608p	1,452p	1,291p	941p	1,340p	1,177p
Exercise price	1,368p	1,122p	n/a	nil p	1,263p	684p	n/a	nil p
Expected volatility	35%	32%	23%	31%	35%	35%	35%	36%
Option life	10 yrs	3 yrs	1 yrs	10 yrs	10 yrs	4 yrs	1 yr	10 yrs
Expected dividends	2.4%	2.4%	2.3%	1.6%	2.3%	3.1%	2.4%	0.7%
Risk-free interest rate	1.8%	0.9%	0.2%	0.9%	1.9%	1.6%	0.4%	1.0%

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 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 is taken into account in the grant date measurement of fair value.

Staff costs – equity-settled share-based payment transactions

	Note	2014 £m	2013 £m
ESOP		0.6	0.5
Sharesave Plan		0.4	0.3
LTIP		0.1	0.5
	4	1.1	1.3

17. Share capital and reserves

Share capital

	2014		2013	
	Number	£m	Number	£m
Allotted, called up and fully paid shares of 1p each				
At beginning of year	**84,780,543**	**0.8**	84,481,476	0.8
Issued for cash	**411,926**	**0.1**	299,067	—
At end of year	**85,192,469**	**0.9**	84,780,543	0.8

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.

Share premium
During the year 411,926 (2013: 299,067) shares were issued for cash, resulting in an increase in share premium of £3.1m (2013: £2.2m).

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 2014 was 255,126 (2013: 330,358). 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

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.

	2014 £m	2013 £m
Year ended 30 September 2012		
– Final dividend paid February 2013 at 28.4p per ordinary share	—	23.9
Year ended 30 September 2013		
– Interim dividend paid July 2013 at 10.35p per ordinary share	—	8.8
– Final dividend paid February 2014 at 32.65p per ordinary share	**27.6**	—
Year ended 30 September 2014		
– Interim dividend paid July 2014 at 11.39p per ordinary share	**9.7**	—
	37.3	32.7

A final dividend in respect of 2014 of £28.8m (33.76p per ordinary share) and a special dividend of £42.7m (50.0p per ordinary share) have been recommended by the Directors for approval at the Annual General Meeting in February 2015. These financial statements do not reflect this dividend.

Notes to the financial statements continued

18. 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 financial statements.

	Company	
	2014 £m	2013 £m
Trading transactions with subsidiaries		
Administrative expenses paid on Company's behalf by subsidiaries	0.5	0.5
Management charge to subsidiaries	1.6	2.0
Amounts receivable from subsidiaries	79.8	9.4
Financing transactions with subsidiaries		
Dividends received from subsidiaries	102.2	3.3
Interest received from subsidiaries	—	1.4
Cash transfers received from subsidiaries	37.9	34.0
Cash transfers made to subsidiaries	7.4	8.1
Non-current amounts receivable from subsidiaries	19.9	19.9

The Group's retirement benefit plans are related parties and the Group's and Company's transactions with them are disclosed in note 14.

Details of transactions during the year relating to the Company's investments in subsidiaries can be found in note 9.

Details of loan balances between the Company and its subsidiaries can be found in note 13.

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 Directors' Remuneration Report on pages 44 to 56.

Directors of the Company control 3.8% of the voting shares of the Company, details of which are given on page 54.

Details of Directors' indemnities are given on page 58.

19. Critical judgements and key sources of estimation uncertainty

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.

The following are the critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Management has discussed these with the Audit Committee. These should be read in conjunction with the significant accounting policies provided in the notes to the financial statements.

Inventory valuation

The valuation of inventory includes the absorption of directly attributable costs over a normal level of production. Judgement is used both in identification of directly attributable costs and normal production. The assessment of normal production considers actual, prior period and budgeted production when concluding on the appropriate level. Management use their detailed experience in this process. Inventory provisions are put in place where cost is considered to be higher than net realisable value, the latter being a judgement based on ageing, customer order profiles, scrap values and the option to re-process.

19. Critical judgements and key sources of estimation uncertainty continued

Pension scheme

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 14 contains information about the assumptions relating to retirement benefit obligations.

Property, plant and equipment

In relation to 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 change in the useful economic life or a potential impairment of the carrying value of such assets. Historically, changes in carrying value, useful lives or residual values have not resulted in material changes to either the carrying value of the Group's assets or the annual depreciated expense.

Tax provisioning

The Group operates in a number of geographies and different tax jurisdictions. There is an inherent uncertainty in some of these jurisdictions requiring judgement at period ends over the amount of taxation payable. Management use their experience of each geography along with that of their advisors in estimating the tax charge for the period.

Research and development expenditure

The Group incurs significant expenditure on research and development, both in respect of internal process improvement and product and application development. IAS 38 – Intangible Assets sets out strict criteria in respect of capitalising development costs which require an element of judgement to assess if these have been made. The nature of our business is such that new products and applications often need to go through lengthy client testing and regulatory approval, the success of which is inherently uncertain and therefore predicting the outcome requires a significant level of judgement. As such until these phases are complete the expenditure is not considered to meet the IAS 38 criteria, by which point the significant majority of development expenditure has been incurred. Accordingly no development expenditure has been capitalised in the current or prior years.

20. Exchange rates

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. In addition where an exchange difference arises on an intragroup monetary item that, in substance, forms part of the entity's net investment in a foreign operation, these differences are recognised in other comprehensive income in the consolidated financial statements and accumulated in equity until the disposal of the foreign operation.

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.

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

	2014		2013	
	Average	Closing	Average	Closing
US Dollar	**1.60**	**1.62**	1.57	1.62
Euro	**1.19**	**1.28**	1.21	1.20
Yen	**155**	**178**	128	159

Financial statements

Five year financial summary for the year ended 30 September

	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m
Results					
Revenue	189.5	215.8	219.8	221.9	**252.6**
Profit before tax	74.9	94.2	94.5	94.6	**102.7**
Balance sheet					
Property, plant, equipment and intangible assets	135.4	135.6	153.7	185.8	**237.7**
Inventories	34.5	45.0	48.6	51.1	**44.2**
Net cash	77.3	72.3	83.9	91.6	**89.6**
Trade receivables and other assets	31.8	34.9	39.5	39.1	**44.8**
Retirement benefit obligations	(9.5)	(6.2)	(4.0)	(3.6)	**(7.8)**
Trade payables and other liabilities	(58.2)	(60.0)	(50.6)	(50.3)	**(55.1)**
Equity shareholders' funds	211.3	221.6	271.1	313.7	**353.4**
Cash flow					
Net cash flow from operating activities	77.2	65.9	66.0	80.0	**97.8**
Capital expenditure	(4.5)	(9.0)	(27.0)	(40.7)	**(65.6)**
Dividends and other items	(14.3)	(62.0)	(26.8)	(31.4)	**(34.1)**
Net increase/(decrease) in cash and cash equivalents	58.4	(5.1)	12.2	7.9	**(1.9)**
Ratios					
Earnings per ordinary share – basic	65.1p	85.3p	85.7p	86.5p	**94.6p**
Full year dividend per ordinary share	25.0p	32.5p	37.4p	43.0p	**45.15p**
Special dividend per ordinary share	50.0p	—	—	—	**50.0p**
Sales volume					
Tonnes	2,535	2,860	2,904	2,920	**3,551**

Notice of Annual General Meeting

Notice is hereby given that the twenty second Annual General Meeting ('AGM') of Victrex plc ('the Company') will be held at 11am on 4 February 2015, at the Andaz Hotel, Liverpool Street, London, EC2M 7QN, to transact the business set out below. Resolution 1 to 17 will be proposed as Ordinary Resolutions and resolutions 18 to 20 will be proposed as Special Resolutions.

1. To receive the audited financial statements and the auditor's and Directors' reports for the year ended 30 September 2014.
2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 30 September 2014.
3. To declare a final dividend of 33.76p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2014.
4. To declare a special dividend of 50.0p per share on the Company's ordinary shares of 1p.
5. To re-elect Mr L C Pentz as a Director of the Company.
6. To re-elect Dr P J Kirby as a Director of the Company.
7. To re-elect Mr G F B Kerr as a Director of the Company.
8. To re-elect Mr P J M De Smedt as a Director of the Company.
9. To re-elect Mr D R Hummel as a Director of the Company.
10. To re-elect Mr T J Cooper as a Director of the Company.
11. To re-elect Ms L S Burdett as a Director of the Company.
12. To re-appoint KPMG LLP as auditor of the Company.
13. To authorise the Directors to determine the auditor's remuneration.
14. That the Board be and is hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the '2006 Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

    a) up to a maximum aggregate nominal amount of £283,992; and

    b) up to a further maximum aggregate nominal amount of £283,992 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 31 March 2016) 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.
15. That the rules of the Victrex plc 2015 Executive Share Option Plan in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification (the "Option Plan"), the principal terms of which are summarised in the Appendix to this Notice of Meeting be and are hereby approved and the Directors of the Company be and are hereby authorised to:

    a) adopt the Option Plan and do all acts and things which they may, in their absolute discretion, consider necessary or expedient to give effect to the Option Plan; and

    b) adopt further plans based on the Option Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the Option Plan.
16. That the rules of the Victrex plc 2015 UK Sharesave Plan in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification (the "Sharesave Plan"), the principal terms of which are summarised in the Appendix to this Notice of Meeting, be and are hereby approved and the Directors of the Company be and are hereby authorised to:

    a) adopt the Sharesave Plan and do all acts and things which they may, in their absolute discretion, consider necessary or expedient to give effect to the Sharesave Plan; and

    b) adopt further plans based on the Sharesave Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the Sharesave Plan.

Notice of Annual General Meeting continued

17. That the rules of the Victrex plc 2015 Employee Stock Purchase Plan in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification (the "ESPP"), the principal terms of which are summarised in the Appendix to this Notice of Meeting, be and are hereby approved and the Directors of the Company be and are hereby authorised to:

    a) adopt the ESPP and do all acts and things which they may, in their absolute discretion, consider necessary or expedient to give effect to the ESPP; and

    b) adopt further plans based on the ESPP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the ESPP.

18. That, conditional upon resolution 14 in this notice of general meeting being passed, the Board be and hereby is given power to allot equity securities (as defined in section 560 of the 2006 Act) for cash under the authority given by that resolution (or by way of a sale of treasury shares), as if section 561(1) of the 2006 Act did not apply to such allotment, 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 14, by way of a rights issue only):

        (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        (ii) to holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary,

        and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

    b) to the allotment (otherwise than under paragraph (a) above) of equity securities up to a maximum aggregate nominal amount of £42,598.

    Such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 31 March 2016) 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.

19. That the Company be and is hereby authorised generally and unconditionally pursuant to section 701 of the 2006 Act to make one or more market purchases (as defined in section 693(4) of the 2006 Act) of its ordinary shares of 1p each in the capital of the Company ('Ordinary Shares'), such power to be limited:

    a) to a maximum aggregate number of 8,519,758 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 31 March 2016) 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.

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

By order of the Board

S Koncarevic
Company Secretary
8 December 2014

Notes

1. Shareholders who are entitled to attend and vote at the meeting 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.
2. 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 2 February 2015 (or, in the event of any adjournment 6pm on the day two days prior to 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.
3. A hard copy form of proxy ('Form of Proxy') which may be used to appoint a proxy and give instructions accompanies this Annual Report. To be valid, a Form of Proxy must be delivered to the Company's Registrars, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6GT, so as to be received by no later than 11am on 2 February 2015. Alternatively, shareholders may appoint a proxy online by following the instructions in note 4 below. Shareholders who hold their shares in uncertificated form may also use 'the CREST voting service' to appoint a proxy electronically as explained in notes 5 to 7 below. The return of a completed Form of Proxy, electronic proxy appointment instruction or any CREST Proxy Instruction will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
4. Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk. Full details of the procedure are given on the website. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic proxy appointment system. Alternatively, members who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging onto their portfolio at www.shareview.co.uk and clicking on the 'Vote Online' link. The on-screen instructions give details of how to complete the proxy appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 11am on 2 February 2015.
5. 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 available via www.euroclear.com/crest. 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.
6. 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. 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 2 February 2015. 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.
7. 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. 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.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act 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.

   The statement of the rights of shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. Such rights can only be exercised by shareholders of the Company.
9. As at 5 December 2014 (being the last business day prior to the publication of this document) the Company's issued share capital consisted of 85,197,589 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 5 December 2014 were 85,197,589. There were no shares in treasury as at that date.

Notice of Annual General Meeting continued

Notes continued

10. Under section 527 of the 2006 Act shareholders 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 financial statements (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 reports were laid in accordance with section 437 of the 2006 Act.

    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 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, 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 2006 Act to publish on a website.

11. Any member attending the meeting has the right to ask questions relating to the business of the meeting. In accordance with section 319A of the 2006 Act and subject to some exceptions, the Company must cause any such questions to be answered.

    A copy of this notice, and other information required by section 311A of the 2006 Act, can be found at www.victrexplc.com.

12. Under section 338 and section 338A of the 2006 Act, shareholders meeting the threshold requirements in those sections have the right to require the Company:

    a) to give, to shareholders 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 24 December 2014, 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.

13. 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.

14. You may not use any electronic address provided in either this Notice of AGM or any related documents (including the proxy form) to communicate with the Company for any purpose other than those expressly stated.

15. Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (excluding bank holidays) at the Registered Office of the Company from the date of this Notice of AGM until the close of the AGM and at the meeting location from at least 15 minutes before the meeting until it ends:

    - the executive Directors' service contracts;
    - the letters of appointment of the non-executive Directors;
    - the rules of the Victrex plc 2015 Executive Share Option Plan;
    - the rules of the Victrex plc 2015 UK Sharesave Plan; and
    - the rules of the Victrex plc 2015 Employee Stock Purchase Plan.

16. The rules of each of the Executive Share Option Plan, UK Sharesave Plan and Employee Stock Purchase Plan will additionally be available for inspection during normal business hours on Monday to Friday (excluding bank holidays) at the office of Deloitte LLP (Company Secretarial Department), 2 New Street Square, London EC4A 3BZ from the date of this Notice of AGM until the close of the AGM.

Explanatory notes

Resolution 1 – Annual Report
The Companies Act 2006 requires the directors of a public company to lay its annual report before the company in general meeting, giving shareholders the opportunity to ask questions on the contents. The Annual Report comprises the Audited Financial Statements, the Auditor's Report, the Strategic Report, the Directors' Report and the Directors' Remuneration Report. In accordance with the 2012 UK Corporate Governance Code, the Company proposes, as an Ordinary Resolution, a resolution on its Annual Report.

Resolution 2 – Approval of the Directors' Remuneration Report
In accordance with the Companies Act 2006, the Company proposes an Ordinary Resolution to approve the Directors' Remuneration Report for the financial year ended 30 September 2014. The Directors' Remuneration Report is set out on pages 44 to 56 of the Annual Report and, for the purposes of this resolution, does not include the parts of the Directors' Remuneration Report containing the Directors' Remuneration Policy which is set out on pages 45 to 49 and which is included in the Directors' Remuneration Report this year for information purposes only. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on its being passed.

Resolution 3 – Declaration of final dividend
A final dividend of 33.76p per ordinary share has been recommended by the Directors for the year ended 30 September 2014. In accordance with the requirements of HM Revenue & Customs, all dividends are declared and paid net of income tax at the standard rate. If approved, the dividend will be paid on 20 February 2015 to shareholders on the register at 6.00pm on 6 February 2015.

Resolution 4 – Declaration of a special dividend
A special dividend of 50.0p per ordinary share 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. If approved, the dividend will be paid on 20 February 2015 to shareholders on the register at 6.00pm on 6 February 2015.

Resolutions 5 to 11 – Re-election and election of Directors
In accordance with the 2012 UK Corporate Governance Code all Directors shall retire from office at the AGM and offer themselves for re-election at the AGM. Each of Resolutions 5 to 11 shall be proposed as an Ordinary Resolution.

The Board considers each non-executive Director to be independent and the Chairman confirms that, following formal evaluation (as referred to on page 39), each Director standing for re-election continues to contribute effectively to the Board and to demonstrate commitment to the role (including commitment of time for Board and Board Committee meetings).

The biographical details, skills, and experience of each Director standing for re-election are set out below and on pages 32 and 33 of the Annual Report.

Mr Larry Pentz, Chairman
Mr Larry Pentz was appointed to the Board in 2008 and as Chairman in October 2014. Larry brings extensive and wide ranging experience in developing strategy for and successfully leading international growth businesses in the chemical sector. He has been instrumental in the acquisition and integration of multiple catalyst and chemical companies for Johnson Matthey plc, a UK listed FTSE 100 company, where he currently holds board level responsibility for the Process Technologies and Fine Chemical Divisions. Larry brings a wealth of directly relevant skills and experience to Victrex, including detailed knowledge of the chemicals industry, boardroom experience and leadership skills in a major UK listed chemical peer.

Dr Pamela Kirby, Senior Independent Director
Dr Pamela Kirby brings over 30 years of wide ranging experience in the pharmaceutical and biotechnology industries and has specific insight and experience in growing and developing medical and pharma based businesses. She was appointed to the Victrex Board in 2011 and as Senior Independent Director in November 2014. In addition to detailed knowledge of the international healthcare sector, Pamela has in-depth experience of strategic planning and marketing and extensive boardroom experience. She was previously non-executive chairman of Oxford Immunotec Limited and non-executive director of Novo Nordisk A/S and Smith & Nephew plc. She is currently Chairman of Scynexis Inc (listed on the NASDAQ stock exchange), non-executive director of DCC plc and non-executive director of Hikma Pharmaceuticals plc.

Mr Giles Kerr, Non-executive Director
Mr Giles Kerr was appointed to the Board in 2006 and is Chairman of the Audit Committee. He brings a wealth of relevant finance, business and accounting experience at a time when Victrex is at the higher end of listed FTSE 250 companies with strong growth aspirations. Giles is a qualified Chartered Accountant, was formerly a partner with Arthur Andersen & Co and was Group Finance Director of Amersham Plc. He is currently Director of Finance of Oxford University and non-executive director of BTG plc and Senior plc.

Mr Patrick De Smedt, Non-executive Director
Mr Patrick De Smedt is Chairman of the Remuneration Committee and was appointed to the Board in 2008. His breadth of international experience and knowledge of market and geographical development is a key strength which he brings to the Board of Victrex, which has exposure to over 40 geographies. He has over 23 years of experience with Microsoft, culminating in his appointment as Chairman of Microsoft Europe, Middle East and Africa. Patrick has extensive boardroom experience being the Senior Independent Director of Morgan Sindall Group plc and Anite plc. He is also a non-executive director at NextInto GmbH and Kodak Alaris Holdings Limited.

Mr David Hummel, Chief Executive Officer
Mr David Hummel has led Victrex as Chief Executive Officer since the MBO of Victrex from ICI in 1993. He has extensive experience of the high performance polymers market, having worked for GE Plastics and Diamond Shamrock, and led the US sales operation for ICI Advanced Materials prior to Victrex's formation in 1993. David has strong experience of strategy and market development, having led Victrex on its journey from a small niche polymers company to its position today as a focused world leader in high performance polymer solutions across five core markets.

Mr Tim Cooper, Executive Director
Mr Tim Cooper was appointed to the Board in October 2012 and is the Managing Director of Victrex Polymer Solutions, a position he has held since joining Victrex in 2010. Tim has over 30 years of international business management, commercial and manufacturing experience. His prior experience includes leadership positions such as Group Managing Director of Umeco Composites Process Materials, Managing Director of Tellermate plc and of the Avery Berkel group. Previously Tim held a number of sales and marketing positions at BP and Land Rover.

Explanatory notes continued

Resolutions 5 to 11 – Re-election and election of Directors continued

Ms Louisa Burdett, Group Finance Director

Ms Louisa Burdett was appointed to the Board in 2014 as Group Finance Director. Louisa, who is a qualified Chartered Accountant, brings a wealth of financial experience from her career to date and also has significant pharmaceutical experience, relevant for Victrex's medical business (Invibio), including in emerging geographies. She was formerly Chief Financial Officer at Optos plc and The Financial Times Group. She has also held roles at Chep Europe, a division of Brambles Ltd, the Australian listed pallet distribution company, GE Healthcare and GlaxoSmithKline plc. Louisa also has in-depth corporate finance experience, having worked as an M&A Consultant at Charterhouse Bank.

Resolutions 12 and 13 – Appointment of auditor/auditor's remuneration

At each meeting at which the Annual Report is laid, the Company is required to appoint an auditor to serve until the next such meeting. KPMG LLP have indicated their willingness to continue as the Company's auditor. It is, therefore, proposed that KPMG LLP be re-appointed auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company. Resolution 13 is an Ordinary Resolution giving the Directors discretion to determine KPMG's remuneration.

Resolution 14 – 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 Ordinary Resolution seeks authority for the Directors to issue shares until the conclusion of next year's AGM of the Company or 31 March 2016, if sooner.

In accordance with guidance issued by the Investment Management Association, the proposed authority will allow the Directors to allot Ordinary Shares up to an amount of less than one third of the existing share capital as at 5 December 2014, 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. The Company held no treasury shares as at 5 December 2014.

Resolutions 15 to 17 – Renewal of employee share schemes

Three of the Company's existing share schemes will soon expire following the ten year anniversary of their approval by shareholders. It is proposed that these schemes be renewed and that replacement schemes be approved by shareholders. Executive Directors will participate only in the Victrex plc 2015 UK Sharesave Plan and not in either the Victrex plc 2015 Employee Stock Purchase Plan or the Victrex plc 2015 Executive Share Option Plan. The main terms of each scheme are summarised in the Appendix to the Notice.

Resolution 18 – 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. Otherwise than in connection with a rights issue, open offer or other pre-emptive offer, this special resolution will enable the Directors to allot shares for cash up to a nominal amount of £42,598, representing approximately 5% of the issued ordinary share capital as at 5 December 2014, other than to existing shareholders in order to take advantage of opportunities as and when they arise. The Directors have no current intention of exercising this authority and confirm their intention that not more than 7.5% of the issued ordinary share capital will be allotted on a non pre-emptive basis in any rolling three year period.

The authority will lapse at the earlier of the next AGM of the Company or 31 March 2016, if sooner.

Resolution 19 – Authority to purchase own shares

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 20 specifies the maximum number of shares which may be acquired (less than 10% of the Company's issued ordinary share capital as at 5 December 2014) 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 would result in an increase in earnings per share and would 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 5 December 2014, options over a total of 1,206,233 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represents 1.42% of the Company's issued Ordinary Share capital at 5 December 2014. It would represent 1.57% of the issued Ordinary Share capital if the authority to buy the Company's own shares had been used in full that date. The authority will lapse at the earlier of the next AGM of the Company or 31 March 2016, if sooner.

Resolution 20 – Authority to hold general meetings (other than annual AGMs) on 14 clear days' notice

This special resolution renews an authority given at last year's AGM and is required as a result of section 307A of the 2006 Act. The Company is currently able to call general meetings (other than an AGM) on not less than 14 clear days' notice and would like to maintain this ability. In order to do so, the Company's shareholders must approve the calling of such meetings on not less than 14 clear days' notice. Resolution 20 seeks such approval. If given, the approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Recommendation

The Directors consider that all the proposed resolutions set out in the 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.

Appendix

Summaries of the Victrex plc 2015 Executive Share Option Plan, the Victrex plc 2015 UK Sharesave Plan and the Victrex plc 2015 Employee Stock Purchase Plan Summaries of the principal terms of the Victrex plc 2015 Executive Share Option Plan (the "Option Plan"), the Victrex plc 2015 UK Sharesave Plan (the "Sharesave Plan" and, together with the Option Plan, the "UK Plans") and the Victrex plc 2015 Employee Stock Purchase Plan (the "ESPP" and together with the UK Plans, the "Plans"), are set out below. Certain provisions which apply to both the UK Plans and all the Plans are summarised at the end of the specific summaries below.

The Option Plan

1. Eligibility

Any employee (including an executive director) of the Company or any of its subsidiaries will be eligible to participate in the Option Plan at the discretion of the Board.

2. Form of awards

Awards under the Option Plan will be granted in the form of options to acquire ordinary shares in the Company ("Shares") with an exercise price per Share equal to the market value of a Share shortly before the option is granted. The Option Plan includes an appendix under which it is proposed that options which satisfy the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 ("Qualifying Options") can be granted. Qualifying Options offer beneficial tax treatment to the participant and the member ("Group Member") of the Company's group ("Group") employing the participant.

3. Performance conditions

Unless the Board determines otherwise, options will be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the option which will vest following the end of a performance period. Unless the Board determines otherwise, the performance period will be at least three years long. The Board may amend a performance condition if an event has occurred which causes the Board reasonably to consider that the performance condition would not, without the amendment, achieve its original purpose and the amended performance condition would not be materially less difficult to satisfy then the unamended performance condition but for the event in question.

4. Individual limits

Options will not be granted to a participant under the Option Plan over shares with a market value (as determined by the Board) in excess of 100% of his salary in respect of any financial year of the Company. In addition, employees may not be granted Qualifying Options in excess of the limit set by HMRC from time to time (currently £30,000).

5. Grant of options

Options may only be granted within the six week period following approval of the Option Plan by shareholders, the announcement of the Company's results for any period, or, in relation to any person, the day on which that person first joins the Group or on any day on which the Board determines that exceptional circumstances exist. However, if the Company is restricted from granting options during any such period, options may be granted in the period of six weeks following the relevant restriction being lifted.

6. Reduction for malus

The Board may, in its absolute discretion, determine at any time prior to the delivery of Shares or cash under an option (other than a Qualifying Option) to:

(a) reduce the number of Shares or cash to which an option relates;

(b) cancel an option; or

(c) impose further conditions on an option,

in the following circumstances or in circumstances which the Board considers to be similar in their nature or effect. These circumstances are:

(a) a material failure of risk management by a Group Member or a relevant business unit;

(b) serious reputational damage to a Group Member or a relevant business unit;

(c) a material misstatement of a Group Member's audited financial results;

(d) an error in assessing a performance condition applicable to an option or the information or assumptions on which the option was granted or vests; or

(e) the individual's misconduct.

In the circumstances referred to in (c), (d) or (e) above (or circumstances the Board considers to be similar in their nature or effect) the Board may also prior to the later of (i) the second anniversary of the vesting of an option and (ii) the publication of the Company's second set of annual results following that vesting require the participant to make a cash repayment in respect of some or all of the shares or cash he received or return some or all of the shares under the option (which is not a Qualifying Option).

These provisions will, however, not apply following a change of control of the Company (which is not an internal reorganisation).

Appendix continued

The option plan continued

7. Vesting and exercise

Options that are subject to a performance condition will normally vest following the end of the relevant performance period (or if later on the third anniversary of the grant date) and then only to the extent that any performance condition has been satisfied. Where options are granted without a performance condition, they will usually vest on the third anniversary of the grant date (or on such other date as the Board determines). Options will then normally be exercisable until the tenth anniversary of the grant date (or such earlier date as the Board may determine prior to grant).

At any time before or after the point at which an option (other than a Qualifying Option) has been exercised, the Board may decide:

(a) to transfer a number of Shares to the participant which are equal in value to the difference between the aggregate value of the Shares over which the option is exercised and the aggregate exercise price of the option that would have been payable for those Shares; or

(b) to pay a participant a cash amount which is equal in value to the difference between the aggregate value of the Shares over which the option is exercised and the aggregate exercise price that would have been payable for those Shares.

8. Cessation of employment

If a participant dies, any unvested option he holds will vest as soon as reasonably practicable after the participant's death to the extent that the Board determines, taking into account the extent to which any performance condition has been satisfied and, unless the Board determines otherwise, the period of time that has elapsed from the date the option was granted to the date of death. Options (to the extent vested) will normally be exercisable for 12 months from the date of death.

If a participant ceases to be an officer or employee of a Group Member by reason of ill health, injury, disability, redundancy, retirement or the sale of the entity that employs him out of the Group or for any other reason at the Board's discretion (except where a participant is summarily dismissed), any unvested options he holds will vest as soon as reasonably practicable following the date on which the participant ceases to hold office or employment with the Group.

The Board will decide the extent to which an unvested option vests in these circumstances, taking into account the extent to which any performance condition is satisfied and, unless the Board determines otherwise, the period of time that has elapsed from the date the option was granted to the date on which the participant ceases to be an officer or employee of a Group Member.

Options (to the extent vested) will normally be exercisable for six months from the date of cessation (or such longer period as the Board may determine).

If a participant ceases to be an officer or employee with the Group in any other circumstances, any option he holds will lapse on the date on which he ceases to be an officer or employee of a Group Member.

9. Corporate events

In the event of a change of control of the Company, the Board will determine the extent to which options will vest taking into account the extent to which any performance condition has been satisfied, and, unless the Board determines otherwise, the period of time which has elapsed from the date the option was granted to the relevant event. Options (to the extent vested) are then normally exercisable for a period of up to six months following vesting. Alternatively, the Board may permit or, in the case of an internal reorganisation or (except in the case of Qualifying Options) where the Board considers it appropriate, require options to be exchanged for equivalent options which relate to shares in another company.

If other corporate events occur such as a winding-up of the Company, or a demerger, delisting or other event which, in the opinion of the Board may affect the current or future value of Shares, the Board may determine that options will vest taking into account the satisfaction of any relevant performance condition and, unless the Board determines otherwise, the period of time that has elapsed from the date on which the option has granted to the date of the relevant event. The Board will determine in these circumstances the length of time during which options can then be exercised.

The Sharesave Plan

1. General

The Sharesave Plan will give participating employees the opportunity to save up to £500 per month (or such other amount permitted under the relevant legislation from time to time) in accordance with a HMRC-approved savings contract for three or five years (a "Sharesave Contract"). The proceeds of the Sharesave Contract can be used to exercise an option to acquire Shares at an exercise price per Share which may not be less than 80% (or such other percentage as may be permitted by the relevant legislation) of the market value of a Share on the invitation date or such other date specified by the Board falling between the invitation date and the grant date of the option.

The Sharesave Plan is proposed to satisfy the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 such that options granted under it will offer beneficial tax treatment to the participant and the Group Member employing the participant.

2. Eligibility

All UK tax-resident employees (including a full-time executive Director) of the Company, or any of its subsidiaries which participates in the Sharesave Plan, who have been in employment for a minimum period determined by the Board (not exceeding five years), and any other employees nominated by the Board may apply for an option on any occasion on which invitations are issued.

3. Exercise of options

Ordinarily, an option may be exercised within six months of maturity of the Sharesave Contract. Options may only be exercised using the proceeds of the Sharesave Contract.

The Sharesave Plan continued

4. Cessation of employment

Options may be exercised (for a period of six months following the individual's cessation of employment) if a participant leaves employment by reason of injury, disability, redundancy, retirement or the sale of the entity that employs him out of the Group or, provided the option has been held for at least three years, any other reason apart from summary dismissal.

If an individual dies, his option may be exercised for a period of 12 months from the maturity date of the Sharesave Contract if he dies within six months after the maturity date or 12 months from his death, if he dies before the maturity date.

If a participant ceases employment with the Group or an associated company of a Group Member in any other circumstances, any option he holds will lapse on the date on which the participant ceases employment.

In all cases, options may only be exercised using monies saved under the Sharesave Contract at the date of exercise.

5. Corporate events

Options may be exercised early in the event of a change of control or voluntary winding-up of the Company to the extent they are exercisable using monies saved under the Sharesave Contract at the date of exercise. Alternatively, options may be exchanged (with the agreement of the acquiring company and the participant) for equivalent options in the new holding company.

THE ESPP

The ESPP is an all-employee stock purchase plan designed to qualify under section 423 of the US Internal Revenue Code of 1986 (as amended) (the "Code") giving employees based in the US and the Group Member that employs them tax and social security benefits on any gains made under the ESPP.

1. Eligibility

Any employee of any subsidiary of the Company nominated by the Board who works more than 20 hours a week at least 5 months a year and who has been employed for not less than 90 days is eligible to participate in the ESPP.

2. Offering periods

Under the ESPP participants make contributions to a savings account over a period not exceeding 27 months (normally a year, unless the Board determines otherwise). The total contributions a participant can make under the ESPP are limited to $875 per month or such other amount as the Board may determine. In any event, no rights to acquire Shares may be granted to an individual in a given calendar year over Shares worth in excess of $25,000 (at the time of grant). An individual's participation will also be restricted if it would mean he would hold or be entitled to acquire 5% of the capital of the Company or any subsidiary. The maximum number of Shares that an individual may acquire in respect of each offering period is 5,000. An employee may decide to withdraw from participating in the ESPP during an offering period.

3. Plan limit

The maximum number of Shares which may be used in connection with the ESPP will be 1,000,000.

4. Acquisition price

The exact number of Shares to be acquired can be determined either at the start of the offering period based on the projected savings proceeds or at the end of the specified offering period based on the total contributions that an employee has made over that period. In either case, at the end of the offering period, Shares can be purchased using the savings that had been made.

The price payable for each Share will be determined by the Board, provided that it is not less than the lower of 85% of the fair market value of a Share at the start and end of the relevant offering period.

5. Acquisition of shares

Provided that the individual is still an employee of the Group who satisfies the eligibility conditions referred to above at the end of the relevant offering period, he can generally acquire Shares at that time. If an individual ceases to be an eligible employee at least 30 days before the proposed purchase date, he will be automatically withdrawn from the ESPP and his savings contributions will be returned to him. If cessation of employment occurs within 30 days of the proposed purchase date, the individual's contributions will be used to acquire Shares in the normal way.

An early acquisition of Shares is permitted in the event of a corporate transaction (within the meaning of the Code) affecting the Company, if the acquiring company does not exchange the existing rights to acquire Shares for equivalent new rights in the new holding company. Unless the Board determines otherwise, in the event the Company is wound up, any offering period then running would end and Shares may be purchased at that time.

6. Adjustment of awards

If the Company pays a dividend or other distribution or if there is a merger, variation in the Company's share capital or other transaction involving any securities in the Company or any other change in the Company's structure then the Board may make such adjustment as it considers appropriate to the number or class of Shares that may be acquired, the acquisition price, and the maximum number of Shares that may be acquired in connection with the ESPP.

Appendix continued

Provisions which are common to the UK Plans

1. Overall limits

The UK Plans are subject to the following overall limit. In any 10 year period, the number of Shares which may be issued under the relevant plan and under any other employee share plan adopted by the Company may not exceed 10% of the issued ordinary share capital of the Company from time to time.

The Option Plan is subject to the additional following limit. In any 10 year period, the number of Shares which may be issued under the relevant plan and under any other discretionary share plan adopted by the Company (including the ESPP) may not exceed 5% of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise.

2. Termination

The UK Plans will usually terminate on the tenth anniversary of their approval by shareholders but the existing rights of participants will not be affected by any such termination.

3. Adjustments

In the event of a variation of the Company's share capital and (in the case of options granted under the Option Plan which are not Qualifying Options) a demerger, delisting, special dividend or other event, which may, in the Board's opinion, affect the current or future value of Shares, the number of Shares subject to an option and/or any performance condition attached to options granted under the Option Plan and/or the exercise price applying to an option may be adjusted, provided that any adjustment to a Qualifying Option or an option under the Sharesave Plan may only be made in accordance with the requirements of the applicable tax legislation.

Provisions which are common to the plans

1. Terms of awards and options

Awards and options may be granted over newly issued Shares, treasury Shares or Shares purchased in the market. Awards and options are not transferable (other than on death). No payment will be required for the grant of an award or option. Awards and options will not form part of pensionable earnings.

2. Operation

The operation of the Plans will be supervised by the Board or a duly authorised committee appointed by the Board.

3. Amendment

The Board may amend the Plans at any time, provided that prior approval of the Company's shareholders will be required for amendments to the advantage of eligible employees or participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash comprised in an option or award and the impact of any variation of capital.

However, any minor amendment to benefit the administration of the Plans, to take account of legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.

4. Rights attaching to shares

Options will not confer any shareholder rights until the options have been exercised and the participants have received their Shares. Any Shares allotted when an option is exercised under the Plans will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Financial calendar and advisers

Annual General Meeting	4 February 2015
Ex dividend date	5 February 2015
Record date*	6 February 2015
Payment of final and special dividends	20 February 2015
Announcement of 2015 half-yearly results	May 2015
Payment of interim dividend	July 2015

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

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