



An **innovative world**  
**leader** in high performance  
polymer solutions

# 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 & 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 delivering leading edge solutions to shape our future performance for our customers and our markets, and to drive value for our shareholders.

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## HIGHLIGHTS

### Balanced portfolio driving growth

- Revenue up 4%, PBT up 4%, fully overcoming £7m FX, Oil & Gas and Medical headwinds
- Double-digit growth in constant currency (8% revenue growth and 10% PBT growth)
- Good performance in VPS; Invibio impacted by US Spine market consolidation

### Strong pipeline; growth programmes on track

- Continued opportunities in Consumer Electronics
- HA-ENHANCED (Spine) adoption on plan
- Magma Oil & Gas mega-programme approaching meaningful revenue in 2016
- Kleiss Gears acquisition to support Automotive growth

### New capacity fully on stream; further downstream investment

- 7,000 tonne PEEK manufacturing capacity underpins future growth
- New downstream investments in FY16 to support mega-programmes:
  - PEEK tape (Magma and Aerospace) and Trauma (Medical) manufacturing
  - Investments fall within capex guidance (c£25m-£35m pa)

### New capital allocation framework; opportunity for enhanced returns

- Growth investment remains top priority
- Approximately 50% of net cash returned in future as a special dividend, (subject to investment requirements):
  - 50p/share de minimis
  - Retain medium-term net cash position
- Progressive regular dividend: retain cover around 2x
- FY15 total dividend growth of 4%, with final dividend of 35.09p (FY14: 33.76p)

#### Group revenue £m

263.5 +4%

15	263.5
14	252.6
13	221.9
12	219.8
11	215.8

#### Group sales volume tonnes

4,217 +19%

15	4,217
14	3,551
13	2,920
12	2,904
11	2,860

#### Group profit before tax £m

106.4 +4%

15	106.4
14	102.7
13	94.6
12	94.5
11	94.2

#### Earnings per share p

98.1 +4%

15	98.1
14	94.6
13	86.5
12	85.7
11	85.3

#### Cash £m

53.8 -40%

15	53.8
14	89.6
13	91.6
12	83.9
11	72.3

#### Dividend per share\* p

46.82 +4%

15	46.82
14	45.15
13	43.0
12	37.4
11	32.5

\* Regular dividends only.

# SHAPING FUTURE PERFORMANCE

Victrex solutions are found across a range of applications in our five major markets

Braking systems

**200**  
MILLION

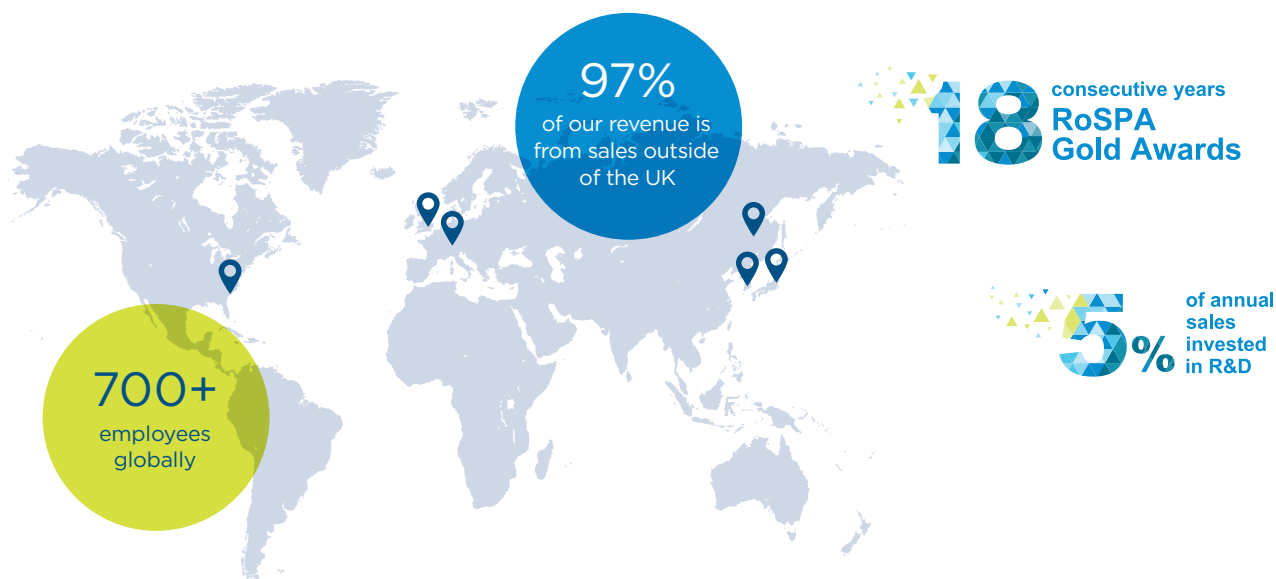
**75** MILLION  
seal rings in use today

**700+**  
employees in 16 countries

## GLOBAL PRESENCE

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

**7,150** tonnes  
of PEEK and PAEK capacity  
(excludes downstream manufacturing)

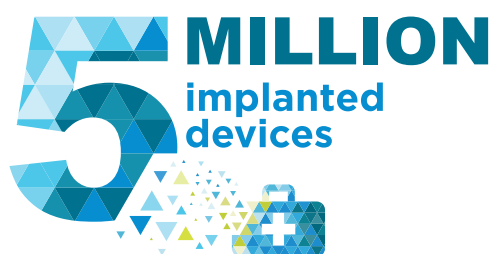


APTIV acoustic film technology in

**1 BILLION**  
mobile devices



**5 MILLION**  
implanted devices



Victrex solutions flying on

**15,000**  
aircraft today



**40+**  
countries  
served



**35+**  
years  
of shaping  
future performance

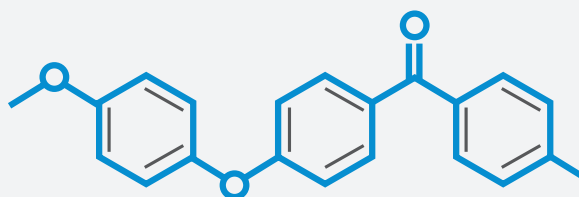


**No.1**  
PAEK  
capacity



## DID YOU KNOW?

PEEK (Polyetheretherketone) was developed by ICI in the late 1970s and is part of the PAEK (polyaryletherketone) family of polymers. Today, PEEK retains its unique combination of properties to make it the highest performing melt-processable polymer in the world. Victrex continues to focus on PEEK and other enabling high performance polymers.



# GROWING OPPORTUNITIES

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

## MARKETS AND MEGATRENDS

Victrex Polymer Solutions

### AUTOMOTIVE



### AEROSPACE



### ENERGY



### ELECTRONICS



Invibio

### MEDICAL





## INVESTMENT FOR GROWTH

PPP3, our third polymer manufacturing plant, was commissioned this year.



## MEGATRENDS

### Fuel efficiency and durability

Fuel efficiency, safety and reliability improvements resulting from consumer and regulatory trends.

### Fly lighter

Lighter weight and more efficient manufacturing means fuel saving – a strategic imperative for the aerospace industry.

### Natural resource depletion

Increasing demand for and depletion of existing resources drive exploration into uncharted territory.

### Thinner, smaller, smarter

The need for instant access to communication and information on the move is driving trends for mobile devices.

### Ageing global population

People are living longer and have a strong desire to maintain their quality of life in their elderly years.

## CONSEQUENCES

### Emissions reduction design challenges

Energy efficiency and durability are primary strategic imperatives for the automotive industry.

### Weight, cost reduction and fuel efficiency

Weight, cost reduction and improved fuel efficiency are primary strategic drivers for the aerospace industry.

### Extreme environments

Deeper, hotter, higher pressure and chemically aggressive wells must be tapped to reach new reserves, requiring more durable materials.

### Energy and thermal management challenges

Increased functionality and miniaturisation create challenges for mobile device performance as well as energy and thermal management.

### 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 and Dental, remains strong.

## 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.

ABS braking systems, gears and clutches are key application areas.

### Light weight metal replacement

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

### Recover more

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

### High durability, thin film technology

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

### High performance solutions which enable device innovation

Invio provides solutions for the Medical market that can be used in a minimally disruptive manner, enhancing clinical benefit. Our solutions are also being developed for Dental, Trauma and Knee.

# SOLUTIONS PROVIDER

**Victrex continues to build on its clear and focused product leadership strategy, a strategy that is more than selling materials.**



**LARRY PENTZ**  
Chairman

## Strategy

We have refined our focus on larger and more impactful high volume and high value opportunities that require strong and protectable technical excellence, marketing know-how and innovation. This means that Victrex is continuing to differentiate and create genuine barriers to entry, with our vision to be more than a materials manufacturer for our customers.

Victrex is the world leader in high-performance polymer solutions. Our historic manufacturing and polymer sales roots provide a strong platform to support our transition into an integrated global solutions provider, supporting and working with customers and original equipment manufacturers (OEMs) on short, medium and long-term development programmes. Examples of our progress include a more focused pipeline programme, our first downstream acquisition and an enhanced capability through our people, our know-how and over £100m of recent investment in new polymer and downstream manufacturing assets to support delivery of our product leadership strategy. Our strategy KPIs are shown on page 11.

## Results

Victrex delivered a solid financial performance this year and benefited from a diverse and balanced portfolio of business. The majority of our markets performed well and helped to offset the challenges in the Oil & Gas market, a weaker performance from our Invivio medical business and a significant currency impact. Group revenue of £263.5m was 4% ahead of the prior year (2014: £252.6m).

Our profitability and ability to invest, alongside delivering appropriate returns to our shareholders, remained robust this year. On a reported basis, including the approximately £7m adverse impact on profits from foreign currency this year, Group profit before tax of £106.4m was 4% ahead of the prior year (2014: £102.7m), as was earnings per share of 98.1p (2014: 94.6p). Our continued focus on manufacturing efficiency helped support our gross margins of 63.8%, which were broadly in line with the prior year (2014: 64.6%). Our medium-term aspirations are to retain strong margins and focus on quality of earnings, although we believe that absolute gross profit is a better indicator, reflecting our downstream focus, capturing more share of each opportunity.

## Investment for growth

The strong investment in our products, our 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 £13.7m was slightly below the prior year (2014: £15.7m), but still represents 5% of Group revenue, which reflects some of our growth programmes moving past the technical qualification

stage to market adoption and early commercialisation. We expect to further invest in technical and marketing going forward to drive our growth programmes.

Following our record year of capital expenditure in 2014, Victrex has concluded a number of major investment projects. Capital expenditure during the year was £41.2m (2014: £65.6m), which includes the completion of our new PEEK and Aptiv film manufacturing capability. Capacity remains only one of our three pillars, with our downstream focus and technical excellence supporting our strong market position. Going forward, we anticipate a step down in our major project capital expenditure, whilst retaining smaller scale project investment to support our move downstream, for example, in machining or manufacturing capability to drive our pipeline programmes. We will continue to look at acquisition opportunities if they can accelerate our growth or bring capability in house. This follows our first downstream acquisition, of Kleiss Gears, which completed in June this year.

These investments continue to be underpinned by strong cash generation, with the Group's closing cash balance reaching £53.8m this year (2014: £89.6m) and no debt. Overall, our balance sheet remains robust, underpinning investment, providing reassurance to customers and enabling us to deliver appropriate returns for shareholders. We have also set out a clear capital allocation framework, which gives greater clarity on investment in the business and shareholder returns. A summary is provided opposite, with further detail in the Financial Review on pages 12 to 15.

## Dividends

The Board's approval of a new capital allocation framework seeks to prioritise investment in our growth programmes, whilst supporting a progressive dividend and appropriate returns for shareholders.



Read about our governance on pages 38 to 48



Read about our sustainability report on pages 24 to 35





After investment in our growth programmes, and based on having no other immediate investment plans, either organically or through acquisition, Victrex will seek to return around 50% of the net cash balance each year to shareholders, via a special dividend, subject to a 50p/share de minimis level.

This framework prioritises growth investment, offers the opportunity for enhanced returns, as well as retaining a flexible balance sheet. Retaining an appropriate net cash position is also highly valued by customers in providing investment flexibility.

Our framework for the regular dividend remains unchanged, in seeking to maintain cover at or around 2x and growing the regular dividend in line with earnings. For the current year, the Group is proposing to pay an ordinary dividend of 46.82p per share. Dividend cover is at 2.1x (2014: 2.1x).

#### **Board composition**

Victrex recognises the importance of diversity at Board level and our Board members comprise different nationalities with a wide range of skills and experience from different business backgrounds, including international and industrial expertise. Our current female representation on the Board is 33%, already consistent with the recommended minimum representation by 2015.

During the year we moved to further strengthen the Board. Andrew Dougal joined the Board as a non-executive Director in March, bringing a wealth of experience from manufacturing and service companies, including as chief executive of Hanson plc. We also appointed Dr Martin Court, Managing Director of our Invibio division, to the Board in April as an executive Director, whilst in September Jane Toogood was appointed as a non-executive Director. Jane is currently senior vice president of marketing and new business development, polyolefins, for Borealis and has held senior marketing and commercial roles with ICI.

#### **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 38.

#### **Governance**

Effective governance is critical to Victrex 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, Nominations, Remuneration and Disclosure Committees.

For details of our compliance with the UK Corporate Governance Code throughout the year ended 30 September 2015, see our Corporate Governance Statement on page 38.

#### **Sustainability**

Victrex's 2023 Vision (timed to celebrate the 30th anniversary of Victrex's formation) has set out clear and measurable sustainability targets. Sustainability for Victrex is now firmly embedded in our business, whether that is around our environmental approach and maximising our resource efficiency, or in delivering products and applications which support sustainability and help reduce CO<sub>2</sub> for many of our customers – for example, in weight reduction within Aerospace or Automotive. Despite some of our sustainability performance measures being weaker this year, our commitment towards these targets remains unrelenting. Further detail can be found in the Sustainability Report on pages 24 to 35.

#### **Safety**

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 that reflects our 18th year of achieving Gold Standard. We also recorded no lost time accidents, a measure of our safety practices.

With new assets, new people and new capability brought into the business this year, Victrex continues to set the highest standards of safety for the operation of its assets and with the highest regard for the environment. Away from our manufacturing operations, we have an unwavering safety focus across our global teams, who continue to drive the market opportunities for our polymers, whether at commercial, marketing, technical or support services level.

#### **People**

As a testament to our strategy and capability, Victrex was a finalist in the Royal Academy of Engineering's MacRobert Award, which recognises UK-based manufacturing excellence.

On behalf of the Board, I would like to thank each and every one of Victrex's employees for their contribution this year. Whilst 2015 was not without its challenges, the ability of Victrex employees to shape our future performance remains a key asset for Victrex and its success in the future.

#### **Outlook**

Looking forward, Victrex continues to differentiate itself through technical excellence, application development know-how and our significant upstream and downstream manufacturing capacity. At this early stage, we are mindful that industry challenges in Oil & Gas and Invibio may continue during the first half. For 2016 as a whole however, we remain well positioned for year on year progress.

**Larry Pentz**  
**Chairman**

8 December 2015

# FOCUSED STRATEGY

**Victrex's strategy is to be the world leader in value creation through PEEK and other enabling high performance polymer solutions.**

Becoming an effective solutions provider will help to enhance the value that we deliver to both our customers and shareholders. Our market-led innovation means that we focus on the 'unmet needs' of our customers and our markets. As future thinkers, we are not content to simply sell materials for today.

## Application development

We are focused on the opportunities of tomorrow to 'shape future performance' for our customers and our markets. Developing the market for our polymers, whether through new forms, new grades or new applications, which are protectable through know-how or IP, will help to deliver on our product leadership strategy.

## How we differentiate

Our strategy is supported by our significant investment in new production capacity, which came online in 2015, at a time when the diversity and breadth of new business opportunities remained attractive. Whilst capacity gives us the ability to meet large-scale future opportunities, it is only one piece of the jigsaw. It needs to be aligned with superior technical, marketing and innovation strengths. Blending these together, our capacity of more than 7,000 tonnes – which excludes our downstream manufacturing capability in film, pipe, coatings and medical components – 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.

## Moving downstream

Rather than simply manufacturing a product, Victrex stands out as the company which will pioneer the development of the market for PEEK and our polymers. Our analysis suggests the market in the future (based on metal or polymer replacement in our current addressable markets) could total over 80,000 tonnes, compared to current market capacity of around 10,000 tonnes. The market opportunities therefore remain significant. We are also more closely linking our risks

## *Selling a solution, not just materials*

**VICTREX HISTORIC**  
Materials manufacturer



**VICTREX TODAY**  
Solutions provider



with our strategy as we assess how we capture these opportunities. Victrex will focus on the areas where we can create value, and where R&D, innovation, IP and know-how are essential to create genuine barriers to entry (see diagram, right). At a technical level, it is important to note that not all PEEK is the same and the characteristics, quality and repeatability of our product, which has been specified by OEMs over many years in critical applications, can provide a genuine barrier to entry in certain markets. Being able to modify the chemistry and manufacture different grades and different forms through our know-how puts Victrex in a strong position to keep developing the PEEK market through new applications.

With over 700 people waking up every day focusing on how we can further develop the markets for PEEK, we believe our focused approach, our materials knowledge and

know-how, and our ability to shape future performance offers another barrier to entry in its own right.

We believe that our differentiation can help to maintain our margin strength over the medium term and, more importantly, enhance our overall profitability as we work to fill our new capacity with a diverse mix of more impactful and large-scale business.

By helping our customers and our markets to shape their future performance, we will continue to provide a clear point of difference for Victrex.

**The Strategic Report on pages 8 to 35 signed on behalf of the Board**

**David Hummel**  
Chief Executive  
8 December 2015

 Read about our key performance indicators [on page 11](#)

**Victrex continues to transform into an integrated and focused solutions partner.**

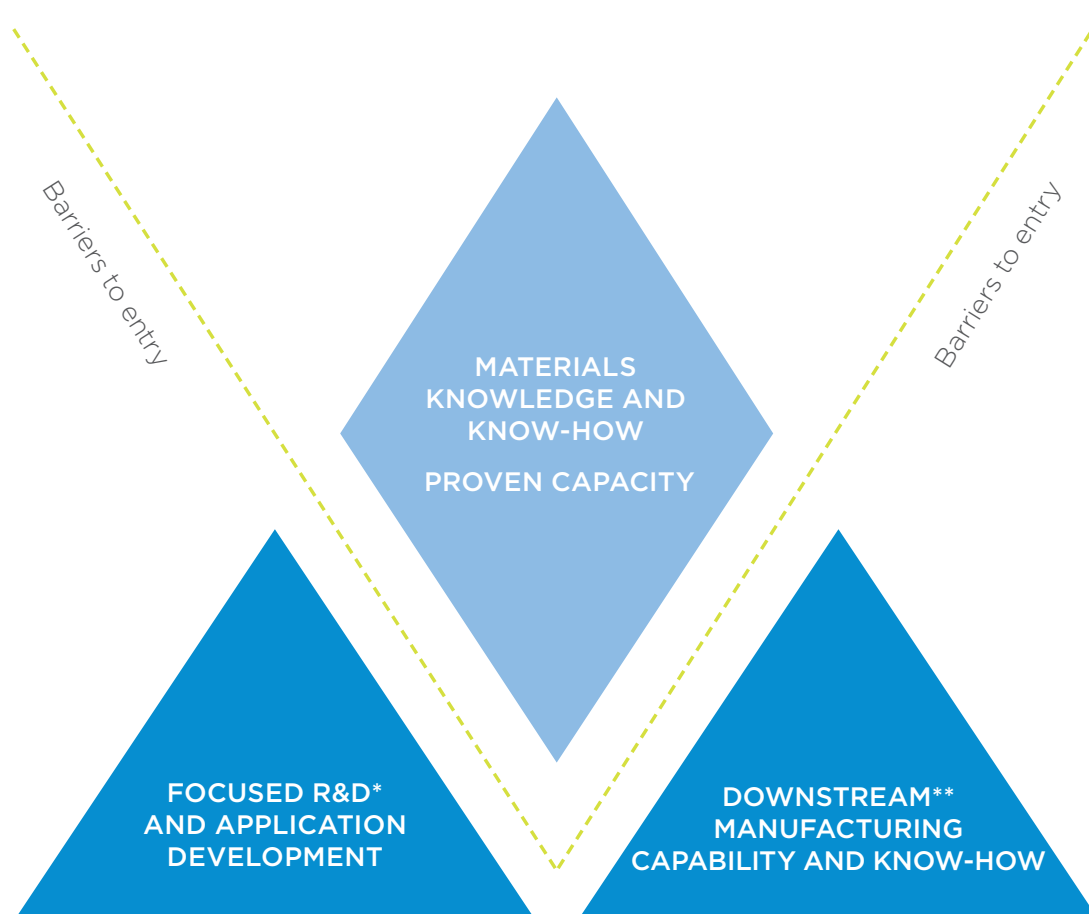
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**OUR DIFFERENTIATION**

→ **MARKET-LED  
INNOVATION**

→ **TECHNICAL  
EXCELLENCE**

→ **APPLICATION  
DEVELOPMENT**



\* Protectable IP.

\*\* Protectable downstream components, devices and semi-finished products, e.g. Knee, Dental, tape, pipe and film.

# FURTHER DIFFERENTIATION

Victrex will drive growth and capture value by moving further downstream, closer to our customers.

## *Our plan for growth:*

### Industrial



Focus on polyaryletherketones ('PAEK') in Automotive, Aerospace, Electronics and Energy, exploiting new technologies, downstream integration opportunities and extending into other proven markets.

### Medical



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

### Reputation and employee care



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

*Moving downstream requires greater focus, capability, IP, investment, more intensive R&D, more innovation, and commercial scale with OEMs.*

PROVEN CAPACITY

PRODUCT FORM OR GRADE

SEMI-FINISHED PRODUCT  
COMPONENT

FINISHED PRODUCT  
MEDICAL DEVICE

Measuring our performance against our growth strategy is key to Victrex's future.

## STRATEGIC PROGRESS AND PROGRESS MADE

**DRIVE** core business**What we're doing**

- Strategic marketing: focus on highest growth opportunities
- Execute on key growth programmes in five strategic markets
- Drive growth in emerging geographies

**Revenue growth (reported)**  
%

4%

(2014: 14%)

**Return on sales\***  
%

40%

(2014: 41%)

\* Return on sales: PBT/revenue

**DIFFERENTIATE** through innovation**What we're doing**

- Market-led innovation
- Invest in emerging businesses
- Move further downstream: new applications, new forms, new materials and new product launches

**R&D spend\*\***  
£m

£13.7m

(2014: £15.7m)

\*\* 5% of Group revenue

**Sales from new products\*\*\***  
£m

£5.7m

(2014: £3.1m)

\*\*\* Sales from new grades sold from FY14 onwards

**CREATE** future value**What we're doing**

- Strong pipeline
- Portfolio management
- M&A/partnerships

**Pipeline mega-programmes**

6

(2014: 5)

(Number of pipeline projects &gt;£50m annual revenue potential)

**Earnings per share**  
p

98.1p

(2014: 94.6p)

**UNDERPIN** through safety, sustainability and capability**What we're doing**

- Safe and sustainable business
- Future capacity/solutions
- Talent strategy



Find out how we are delivering on our sustainability goals  
[on page 25](#)



# BALANCED PORTFOLIO DRIVING GROWTH



**LOUISA BURDETT**  
Finance Director

**Our world-leading position in high performance polymer solutions reflects not only our capacity, but our technical excellence, materials know-how and IP, application development expertise and downstream focus.**

## Group financial results

Victrex delivered a good overall performance in 2015, with our balanced portfolio allowing us to fully overcome the significant headwinds we faced from foreign currency, the weaker Oil & Gas market and US medical industry consolidation. Our focused product leadership strategy, which is transitioning us from our historic position of materials manufacturer to solutions provider, continues to deliver. Our world-leading position in high performance polymer solutions reflects not only our capacity, but our technical excellence, materials know-how and IP, application development expertise and increased downstream focus.

## Revenue 4% ahead

Group revenue for the period on a reported basis was £263.5m, 4% ahead of the prior year (2014: £252.6m). Whilst pricing in the core business remains broadly stable, the impact of currency, lower sales in our higher priced Invibio medical business and higher year on year sales from our Consumer Electronics opportunity meant a lower reported average selling price of £62.5/kg (2014: £71.1/kg). Excluding Consumer Electronics volumes and the impact of foreign currency, our average selling price remained broadly stable year on year at £72/kg, which also reflects a lower proportion of our higher priced Invibio business.

Group sales volumes remained strong, 19% ahead of last year at 4,217 tonnes (2014: 3,551 tonnes). Our stronger first half year performance was balanced by a flat second half year, with tougher year on year comparatives, new plant costs coming through and the impact of Oil & Gas weakness during the second half.

## Broadly stable margins

Group gross margins of 63.8% (2014: 64.6%) were broadly stable, with continued manufacturing efficiency during the year. Currency and a weaker mix impacted gross margin for the second half (H2 2015: 62.8%; H2 2014: 65.1%). We also saw additional costs from our third PEEK manufacturing plant come through in the second half year, and will continue to do so in 2016 as these costs fully annualise. Our medium-term aspirations are unchanged, seeking to retain strong margins and deliver quality earnings. We believe that absolute gross profit is also a good indicator of our future performance, rather than solely the gross margin percentage. This reflects our mega-programmes potentially offering a larger share of the overall economic transaction.

## Currency impact fully overcome

Victrex faced a foreign currency impact of approximately £7m at PBT level this year as the strength of Sterling moved against our major trading currencies during 2014. Our hedging policy deferred most of the impact to our 2015 financial year. We were able to fully overcome these currency headwinds, which reflect all of our manufacturing being in the UK and 97% of our sales being global. Looking forward, we continue to monitor the potential impact of currency, which is slightly adverse to our profits for FY 2016, based on current rates and hedging in place.

	2015	2014
Group revenue	<b>£263.5m</b>	£252.6m
Group profit before tax	<b>£106.4m</b>	£102.7m
Cash	<b>£53.8m</b>	£89.6m
Earnings per share	<b>98.1p</b>	94.6p
Dividend per share	<b>46.82p</b>	45.15p



Read our financial statements  
on pages 72 to 96



## TECHNICAL EXCELLENCE

Our technical excellence and application development know-how helps differentiate Victrex.



### Profit before tax and EPS 4% ahead

Group profit before tax at a reported level of £106.4m was 4% ahead of the prior year (2014: £102.7m). Recognising the currency impact, profit grew 10% in constant currency. Basic earnings per share of 98.1p per share (2014: 94.6p per share) also reflects the lower effective tax rate of 21.5% (2014: 21.9%) resulting from the lower UK corporation tax rate.

### Operating performance

#### Good performance in VPS

VPS saw another year of good growth, reflecting broad-based performance across Automotive, Aerospace, Electronics and General Industrial, offsetting the impact of weaker Oil & Gas sales. VPS revenue of £213.0m (2014: £199.2m) was 7% ahead of the prior year. Long-term megatrends across all of our markets remain strong. In Automotive and Aerospace fuel efficiency, cost efficiency, durability and the ability to deliver faster manufacturing, thanks to PEEK's processability, remain key; yield and reliability is a priority in Oil & Gas, with a demand for higher performance materials in Electronics.

Oil & Gas volumes were down 22% during the year, although we were able to offset the impact through the rest of our portfolio. Our sales into this market comprise traditionally more stable chemical processing and operational applications, together with exploration applications. Whilst we remain cautious on this market looking forward, the opportunity of cost reduction by Oil & Gas majors means that our Magma flexible pipe mega-programme, which offers a more efficient solution compared to metal, sold a number of test orders into the market during 2015. With further orders of flexible pipes, including a Joint Development Agreement announced by Magma Global and BP, we anticipate the Magma programme could move close to meaningful revenue by the end of 2016.

In Consumer Electronics, this market remains attractive over the medium term, although there will be sales volatility based on year-to-year market acceptance and the success of end product launches. We continued to enjoy strong volumes through 2015 and anticipate a continuation of this PEEK resin opportunity through 2016. Although this remains a good-sized opportunity, at this early stage we anticipate slightly lower volumes in 2016, compared to 2015. However, we will update the market after the important Christmas selling period, once visibility improves. Beyond 2016 and for the medium term, we continue to work hard to deliver differentiated opportunities in this market and use the current opportunity as a platform to future business.

#### Weaker Invivio; medium and long-term opportunities intact

In our Invivio business, sales declined by 5% to £50.5m (2014: £53.4m), reflecting the impact of industry consolidation in the US spine market – Spine is around three quarters of our medical business – during the year, although Europe remained steady and Asia remained in positive growth.

PEEK continues to have a large share of spinal interbody fusion devices; however, this part of the market has now remained flat since 2011. With typically two thirds of Invivio sales in the mature US market and around three quarters of our medical business in Spine, our challenge is to drive medium-term growth from incremental innovation, emerging markets and our new product platforms. We continue to make progress in all of these areas, with our PEEK-OPTIMA® HA-ENHANCED Spine product having twelve regulatory submissions in FY15 (18 in total, which includes those submissions made in FY14), strong emerging market growth (including 8% growth in Asia) and our new product platforms progressing well. Progress includes a doubling of early stage sales to the Dental market, although sales remain below a meaningful level, committed

collaborations signed in our Trauma programme and a clinical trial on Knee approaching.

Although short-term growth challenges remain and we are mindful of other potential short-term consolidation within the US Spine market, for the medium term, Invivio continues to be well placed with four mega-programmes (three outside of Spine) aligning with the need for enhanced clinical benefit. An ageing global population is also a supportive megatrend for our medical business. Clinical benefit compared to metal solutions will become increasingly important to the US healthcare system, and other geographic markets, as we seek to deliver proven value from medical solutions.

#### New capacity fully on stream; further downstream investment in FY16

We successfully commissioned both production streams of our third PEEK plant and our second Aptiv® film facility during the year. Our three PEEK manufacturing plants, which can operate independently, enable us to manufacture a range of grades and reduce downtime. Investment ahead of demand remains key to our market-leading position and our ability to underpin application development with global OEMs and customers. Our PEEK powder manufacturing capacity utilisation at year end was 87% (2014: 78%), based on our nameplate capacity of 5,000 tonnes in the year. Commissioning of the second stream of our third PEEK plant was completed at the end of our financial year, providing us with our current total nameplate capacity of 7,150 tonnes. Whilst incremental capacity adds some moderate operating cost, as volumes fill up we anticipate being able to improve operating efficiency further. Capacity is only one part of our solutions capability, alongside our technical excellence and application development know-how. The manufacturing process for VICTREX PEEK also remains technically different, enabling us to differentiate our polymers versus competitors.

# DELIVERING OUR STRATEGY

## Continued investment to drive future growth

In FY16 we will invest in further downstream manufacturing to support our mega-programmes. These investments, which will fall within current capex guidance of c£25m-£35m per annum, comprise a new PEEK composite tape facility, with UD tape being used in the Magma Oil & Gas mega-programme and also in Aerospace. In Medical, we will invest in downstream machining capability for Trauma plates now we have partners signed up to instigate deployment.

Delivering new solutions to our customers means continued investment to drive our future growth programmes. This includes the technical, marketing, quality and regulatory functions. Overheads are managed at a Group level to enhance our focus on efficiency and reflect some of the complementary marketing or technical support for our growth programmes.

We continued to invest in R&D, of which approximately 85% relates to market and customer-related product and application development. Our R&D expenditure this year was £13.7m (2014: £15.7m), representing 5% of revenue (2014: 6%). The slight year on year reduction reflects some of our growth programmes moving past the technical qualification stage to market adoption and early commercialisation. Going forward, we expect to further invest in technical and marketing, as well as specialist talent as we seek to accelerate adoption and drive our growth programmes.

## Development pipeline

Our strategy of product leadership in PEEK, and other enabling polymers in the polyaryletherketone ('PAEK') family, keeps us focused on larger and more impactful targets. Whilst the scale of market opportunities remains significant, Victrex has chosen to focus on the deliverability and quality of our development pipeline, rather than just the volume of opportunities. The pipeline is now managed at a Group level under Martin Court, Managing Director of Invibio, ensuring that we can maximise resources and focus across our 'mega -programmes' and 'major programmes'.

Our six mega-programmes of PEEK-OPTIMA® HA-ENHANCED (Spine), Juvora (Dental), Victrex Pipe/Magma, Trauma, Knee and Aerospace Loaded Brackets each offer revenue potential of at least £50m in their peak year, alongside more typical 'Horizon 1' (0-2 year) opportunities. Mobile Devices has moved to become a major programme, which offers peak revenue potential up to £50m, but reflects some of this Electronics business being commercialised in 2015, the opportunity for 2016 and potential possibilities beyond. Medium to longer term opportunities in this market remain attractive, although we are mindful of the historic short product lifecycles. Whilst we increasingly focus on revenue potential as part of our pipeline, our Mature Annualised Volume ('MAV') of 1,986 tonnes (30 September 2014: 2,141 tonnes) this year remained strong.

## Balance sheet strength

Our strong balance sheet remains a key competitive advantage, supporting our ability to invest for future growth and to provide security of supply to our customers.

Total dividends paid during the period increased to £81.2m (2014: £37.3m), reflecting the increase in the FY14 final dividend and a special dividend of 50p per share. As a result, the closing Group cash balance as at 30 September 2015 was £53.8m with no debt (2014: £89.6m with no debt).

Net assets at 30 September 2015 totalled £358.6m (2014: £353.4m). Our working capital reflects how we choose to differentiate ourselves through security of supply for both existing and future customers and end users. Regarding our retirement benefit obligations, we announced a proposal in November 2015 to close the UK defined benefit scheme to future accrual. The scheme closed to new entrants in 2001. Consultation began on 1 December with an expected completion date of 31 January 2016. Subject to consultation, the scheme will close on 31 March 2016, at which point employees in the defined benefit scheme will be eligible to join the defined contribution scheme.

Although return on capital employed\* ('ROCE') reduced slightly in recent years following a period of high capital investment in manufacturing assets, it remained ahead of many peers and well in excess of our cost of capital. ROCE this year slightly improved to 23.3% (2014: 22.7%).

\* ROCE is profit after tax/net assets

## Strong cash flow with capex stepping down

Cash generated from operations was £111.9m (2014: £118.3m), representing an operating cash conversion of 105% (2014: 116%). Net cash at the year end was £53.8m (2014: £89.6m) following payment of a special dividend in February 2015.

Despite 2015 being another year of high capital expenditure (2015: £41.2m; 2014: £65.6m) to support investment, Victrex continued to see healthy cash generation. Capex investment was principally to conclude the construction of our new PEEK plant, alongside our second Aptiv® film facility. Going forward, we anticipate a more moderate level of capital expenditure – approximately £25m-£35m per annum in the near term – with the focus now being on additional downstream investment, which will support our growth programmes.

## Taxation

Taxation paid during the period was £24.6m (2014: £21.1m), primarily due to the scheduling of taxation payments. The effective tax rate was 21.5% (2014: 21.9%).

### Capital allocation framework: opportunity for enhanced returns

We are introducing a formal capital allocation framework that prioritises investment for growth, both organic and through acquisition, to support and drive forward our pipeline programmes, whilst offering the opportunity for enhanced shareholder returns.

Growth investment remains our top priority. The policy for our regular dividend remains unchanged, with dividend growth expected to be in line with earnings growth and cover maintained at around 2x. After this, Victrex will return around 50% of the net cash balance to shareholders, via a special dividend, subject to a 50p/share de minimis level.

Victrex will seek to retain a net cash position over the medium term, which is highly valued by our customers and provides us with investment flexibility and an agile balance sheet. We continue to target mergers and acquisitions (M&A) opportunities and, if presented with a compelling investment opportunity, would be prepared to enter a net debt position, whilst seeking to return to net cash over the medium term.

For the current year, the Group is proposing to pay a final regular dividend of 35.09p per share. Dividend cover is at 2.1x (2014: 2.1x). The full regular dividend for the year, incorporating interim and final dividend, is 46.82p per share, an increase of 4% (2014: 45.15p).

**Louisa Burdett**  
Group Finance Director  
8 December 2015

### MOVING DOWNSTREAM

Our second Aptiv film line was commissioned this year.



### PROVEN CAPACITY

Victrex now has over 7,000 tonnes of PEEK manufacturing capacity.

### MOVING DOWNSTREAM

Our Victrex pipe/Magma Oil & Gas opportunity sold a number of test orders for flexible pipe during 2015, with further opportunities in 2016.



# SHAPING FUTURE PERFORMANCE



**TIM COOPER**  
Managing Director  
Victrex Polymer Solutions

## Victrex Polymer Solutions

	2015 £m	2014 £m	Change
Revenue	<b>213.0</b>	199.2	7%
Gross profit	<b>123.9</b>	116.1	7%



**MARTIN COURT**  
Managing Director  
Invibio

## Invibio Biomaterial Solutions

	2015 £m	2014 £m	Change
Revenue	<b>50.5</b>	53.4	-5%
Gross profit	<b>44.3</b>	47.1	-6%

### Victrex Polymer Solutions

VPS saw another year of good growth, with our ability to offset headwinds in the Oil & Gas market underlining the importance of our balanced portfolio. The division generated revenue of £213.0m (2014: £199.2m), 7% ahead of the prior year, reflecting growth in Automotive, Aerospace, General Industrial and Electronics, offset by a weaker performance in Energy/Industrial, where volumes were down 10% over the year, with a good performance in General Industrial offsetting weakness in Oil & Gas. Oil & Gas volumes were down 22% for the full year. The second half year in VPS saw a steadier overall performance compared to the prior year period, which reflected tougher

comparatives and the lag from the lower oil price translating to weaker sales in Oil & Gas coming through in the second half year. On a long-term basis, megatrends across all of our end markets remain strong. We also continue to further enhance our differentiated products, through focusing on new grades or IP-protectable technology that is aligned with our transition from materials manufacturer to solutions provider.

VPS gross profit was 7% ahead of the prior year, with gross margin remaining strong at 58.2% (2014: 58.3%), highlighting our continued manufacturing efficiency, despite a slightly softer sales mix.

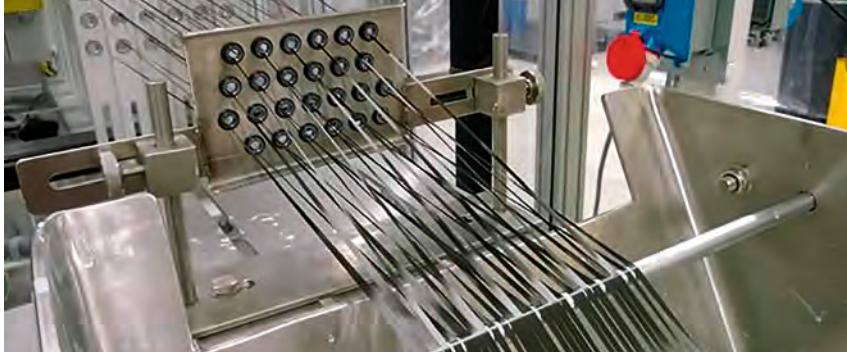
### VPS market overview

Whilst we remain a market-led business, geographic trends remain important. Europe performed steadily this year, with Asia-Pacific strong and the US down. Sales volume in Europe of 1,852 tonnes was 4% ahead of the prior year (2014: 1,778 tonnes) driven predominantly by growth in Automotive, Aerospace and General Industrial. In the US, sales volume of 739 tonnes was 16% lower than the prior year (2014: 878 tonnes), reflecting weaker Energy sales. In Asia, sales volume of 1,626 tonnes was 82% ahead of the prior year (895 tonnes) with good growth in Electronics, Industrial and Transport applications.



## DOWNSTREAM INVESTMENT

Our investment for growth continues, focused on downstream manufacturing to support our pipeline programmes.



### Energy/Industrial

Energy/Industrial sales volume at 1,081 tonnes was 10% down on last year (1,196 tonnes), with Oil & Gas sales down 22%. The lower oil price has, in line with most suppliers to the Oil & Gas industry, impacted performance this year. Victrex's exposure to Oil & Gas is mixed, because we typically supply more stable chemical processing industries and production-led business, as well as the exploration linked applications which have been more affected by the lower oil price. Megatrends in Oil & Gas continue to be strong however, with harder to extract reserves, higher pressure and more extreme temperatures demanding better performance from materials, which plays well with VICTREX® PEEK and its unique combination of properties. The Oil & Gas industry has responded to the current oil price by focusing on cost efficiency. With a number of orders secured in 2015 and a Joint Development Agreement signed by our partners Magma Global, BP and Subsea 7, we anticipate this mega-programme will move close to meaningful revenue by the end of 2016.

Our General Industrial business performed well this year, with sales into heavy machinery and capital equipment helping to offset some of the decline from Oil & Gas.

### Transport

Transport sales volume increased 15% to 1,104 tonnes (2014: 962 tonnes), with a good performance in Automotive and Aerospace. In Automotive, we set out our strategy to double the amount of PEEK volume in cars over the medium term, from the current 6 grams average. We will do this through further penetration of our current applications where PEEK has a significant play – ABS braking systems, transmission applications, clutch systems – alongside development of newer applications such as PEEK gears and other critical components which align with the trend towards highly durable and weight-saving materials.

Victrex made its first downstream acquisition during the year by purchasing Kleiss Gears, a US based polymer and industrial gears business, for approximately \$6m. Kleiss already has small scale commercialisation of PEEK based gears, with Victrex able to translate this opportunity globally. Non-metal gears reflect the demand for lower noise vibration and harshness ('NVH'), where PEEK can offer a 50% performance benefit compared to metal gears, as well as the trend for fuel efficiency and light-weighting.

In Aerospace, build rates are forecast to steadily increase, with the main airframe manufacturers seeking to reduce the backlog of orders, with PEEK's processability and ability to lower manufacturing time and enhance efficiency being a key selling point, beyond light-weighting and up to 60% weight savings. We continue to work on a number of opportunities to translate the existing level of our materials across the aircraft – including in new and differentiated grades within the PAEK family of polymers – as well as some emerging retrofitting opportunities for existing aircraft. Victrex also launched PEEK composites during 2015, blending PEEK with carbon-fibre unidirectional ('UD') tape, which offers faster manufacturing. Brackets and fasteners remain the key product areas in focus, as well as film. The next generation of loaded brackets also offer us significant potential, with Airbus Helicopters utilising a VICTREX® PEEK and carbon-fibre reinforced bracket for commercial use. The successful substitution of metal has resulted in a 40% reduction in application weight and costs, thanks to PEEK's processability and ability to support efficient manufacturing.

### Electronics

Electronics sales increased markedly to 1,680 tonnes (2014: 1,031 tonnes), with a good performance in Semi-conductor, including further penetration of global players, and sales being supplemented by a full year of growth in Consumer Electronics. We continue to explore medium-term opportunities in Consumer Electronics across OEMs, including new and unique product development opportunities, and value-add opportunities, in addition to the current large order.

As mobile devices continue to get thinner, smaller and smarter, the design pathway is increasingly leading to the use of high performance polymers like PEEK. Securing specification from customers for next-generation products remains key and Victrex's innovation and intensive testing capability makes us well placed for the longer term in this market.

Whilst Victrex has benefited from strong volumes this year, we are mindful of the historic volatility in order patterns within this market, although we anticipate a continuation of volumes through 2016. This remains a good-sized opportunity and at this early stage, although we anticipate slightly lower volumes in 2016, compared to 2015, we will continue to update the market once visibility improves as we move through the year. Beyond 2016 and for the medium term, we continue to work hard to deliver differentiated opportunities in this attractive and growing market.

# CLINICAL BENEFIT

## Invio Biomaterial Solutions

Invio was impacted by the consolidation in the US spine market over the last year. Revenue of £50.5m was 5% down on the prior year (2014: £53.4m) principally in the US, with sales in Europe remaining broadly steady and further growth in Asia. Although medium-term growth opportunities remain attractive, we remain cautious of further potential industry consolidation within Spine in the near term. Gross profit was £44.3m (2014: £47.1m) and margins remained strong at 87.7% (2014: 88.2%). With continued future high value programmes and the opportunity of a larger overall share of each downstream application – for example in medical devices and components rather than simply materials – we remain focused on enhancing our overall profitability in the years ahead as our mega-programmes progress towards meaningful revenue.

### Invio market overview

Invio is the proven market leader in providing versatile and high performance PEEK based polymer solutions to the implantable medical device market, with over 5 million patients implanted. Spine remains our core market, but with typically two thirds of Invio sales in the mature US market and around three quarters of our medical business in Spine, our challenge is to drive medium-term growth from incremental innovation, emerging markets and our new product platforms.

For the medium to longer term, we believe Invio is well placed in the US and in other geographic markets, with the trend towards an enhanced need for proven clinical benefit where the payer (driven by the reimbursement regime in the US) has increasingly more power and influence, compared to the medical device companies. All of our mega-programmes are

focused on delivering clinical benefit and enhanced patient experience, which positions us well over the medium term. Our in-house regulatory expertise and proven experience with regulators globally will enable us to drive our existing programmes and new business.

### Spine

Invio's PEEK-OPTIMA® HA-Enhanced was approved by the US FDA in November 2014 and implanted in the first human patient in March 2015. In FY15 we had twelve regulatory submissions (18 in total, including those submissions made in FY14) and this programme offers device companies the simplest and most cost effective method of delivering bone-on growth to their surgeons, without sacrificing any of PEEK's benefits.

We are encouraged that the rate of approval for PEEK-OPTIMA® HA-ENHANCED, based on US FDA 510k approvals during 2015, is twice as fast as Titanium coated offerings at the same stage of the product lifecycle. Targeting key opinion leaders and surgeons, in addition to spine companies, will help to drive adoption. This mega-programme remains on plan and is anticipated to deliver meaningful revenue within two years.

Opportunities also exist in Spinal rods where PEEK is being used to replace titanium. Seven new PEEK rod systems were introduced in Europe this year and we are also engaged with the US FDA.

### New product platforms

Early stage Dental sales doubled this year, although they remain below a meaningful level, with more than 2,000 patients having JUVORA-based implant frames. Patient comfort, fit, as well as low thermal shock compared to metal, are key selling points for our solutions. CAD/CAM techniques and digital scanning of patients have also helped in this area, with PEEK's

processability compared to metal benefiting us. We have now secured over 20 distribution agreements and are focused on extending reach outside of Europe.

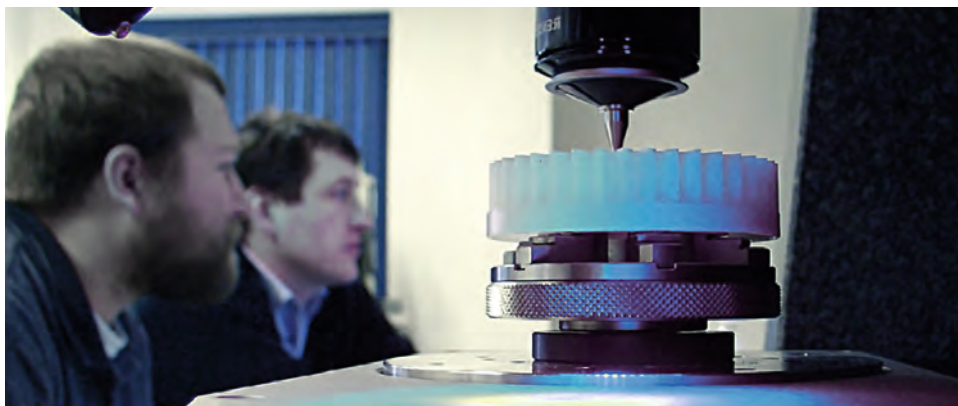
In Trauma, we will start investing in specific downstream manufacturing facilities during 2016 and we are particularly encouraged by the opportunity in this market. Downstream manufacturing capability will enhance our offering within the Trauma plate and nail market, enabling us to have the ability to meet initial demand. Committed collaborations with several partners have now been agreed and continue to progress in multiple application areas. We continue to focus on key opinion leaders to drive adoption. Our Trauma plate programme offers 50x better fatigue resistance compared to metal, x-ray translucency to facilitate improved bone alignment and mechanical properties that allow micro-motion – vital to aid the healing process and address the sizeable cases of poor healing that occur in metal-based solutions.

Knee, as our longer term opportunity, remains an attractive £50m+ annual peak revenue opportunity. Following a partner agreement signed last year, we anticipate that this programme will start a clinical trial during 2016. Meaningful revenue for this opportunity is more than five years away. Beyond our new product platforms, we are also at an early stage of assessing the potential for PEEK in other areas of Orthopaedics.



## FIRST ACQUISITION

We acquired Kleiss Gears this year; M&A and partnerships are set to be part of our future growth plans.



## PEEK-OPTIMA® HA-ENHANCED

Our mega-programme secured further regulatory approvals, first implants and first revenues.

## TRAUMA PROGRAMME

We are investing in downstream manufacturing to underpin our Trauma medical programme.



# RISK MANAGEMENT

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



## 1 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 discussed as part of the Group's annual review of our business strategy.

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.

## 2 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, i.e. 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.

### 3 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.

### 4 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. The annual review of effectiveness includes consideration of the continued effective integration of risk management and internal controls with the corporate strategic objectives and business model, changes to and completeness of the principal risks and their management, the robustness of the embedded risk management processes and culture which underpin the quality of the reporting received by the Board, consideration of any significant control failings or weaknesses and the strength of our public reporting process. Twice yearly, the Board carries out a comprehensive assessment of the principal risks, including 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 pages 46 to 47. These responsibilities include reviewing the Company's risk management systems. 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 Risk and Compliance function supports the Audit Committee in its review of the effectiveness of the system of internal control, as does 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' strategic objectives. During the year feedback from these reviews was provided directly to the Audit Committee and the Board by the Group Finance Director, to the former in respect of the risk management systems and to the latter in respect of the principal risks in the corporate risk register. The ELT Risk Management Committee comprises the ELT membership, the Director of Risk and Compliance and the 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.

### 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 36 and 48 respectively.
- The chairman of each of the 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

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	Change
<b>SAFETY, HEALTH AND ENVIRONMENT</b>		
<p>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.</p> <p>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.</p>	<p>We employ a dedicated Safety, Health and Environment ('SHE') department to assist line management and to provide expert guidance.</p> <p>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 to manage our environmental responsibility and to continually improve our resource efficiency.</p> <p>As our manufacturing facilities are regulated, we are subject to close regulatory review, for example by the Environmental Agency under the Environmental Permitting Regulations.</p> <p>Further detail is contained in the Sustainability Report on pages 24 to 35.</p>	 <p>No change</p>
<b>TECHNOLOGICAL CHANGE</b>		
<p>Innovation and product leadership are key to the success of our business. We provide innovative solutions to help our customers overcome their technological challenges.</p> <p>Innovation failings could result in a lack of competitive advantage and relevant new products, erosion of margin and failure to achieve sustainable earnings.</p>	<p>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 differentiated applications, leveraging our know-how and protectable IP.</p> <p>We continue to monitor and review competitive intelligence and have a clear marketing strategy to support specification of unique VICTREX PEEK in customer applications. Our marketing strategy also includes detailed portfolio and product management processes.</p> <p>With long-term megatrends in our favour, we have a diverse mix of new growth opportunities. Further information can be found on pages 4 and 5.</p> <p>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.</p>	 <p>Risk increased</p>
<b>RECRUITMENT AND RETENTION OF THE RIGHT PEOPLE</b>		
<p>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 comply with internal procedures and external regulations, 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.</p>	<p>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 full use of the talents and resources of all our employees.</p>	 <p>No change</p>

Risk area and description	Mitigation	Change
<b>FOREIGN CURRENCY RISK</b>		
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 38 to 48.	 <b>No change</b>
<b>BUSINESS CONTINUITY AND SUPPLY CHAIN</b>		
<p>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.</p> <p>Failure to maintain a secure supply of high quality products to our customers, for example, due to an unexpected upsurge in demand or delays in the implementation of major capital expenditure programmes, could lead a capacity shortage and loss of earnings.</p>	<p>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.</p> <p>Completion of our third PEEK plant and second Aptiv® film line have further improved our capability. In addition, we expect to invest in further downstream manufacturing capability in the coming years.</p> <p>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.</p> <p>We have robust and comprehensive business continuity plans in place that are regularly reviewed to ensure their continued effectiveness.</p>	 <b>Risk decreased</b>
<b>NETWORK AND IT SYSTEMS AND SECURITY</b>		
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.	<p>We continue to review and invest where appropriate in the development and maintenance of our IT infrastructure, systems and processes.</p> <p>We operate a firewall, use 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.</p>	 <b>No change</b>
<b>PRODUCT LIABILITY</b>		
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.	<p>VICTREX PEEK polymer is manufactured within a quality management system approved to ISO 9001:2008.</p> <p>Invivio 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.</p> <p>VICTREX pipes for the aerospace market are manufactured within a quality management system approved to AS9100 Rev C.</p> <p>We have also attained ISO 17025:2005 General Requirements for Competence of Testing and Calibration Laboratories certification.</p> <p>There is a quality management process in place and the Group maintains appropriate levels of product liability insurance.</p>	 <b>No change</b>
<b>CHANGING GLOBAL ECONOMIC ENVIRONMENT</b>		
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.	<p>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.</p> <p>Our outlook by market can be found within our results presentation at <a href="http://www.victrexplc.com">www.victrexplc.com</a>.</p>	 <b>No change</b>



# RESOURCE EFFICIENCY

Our sustainable products are already recognised for providing a competitive advantage to our customers and markets, for example in reducing CO<sub>2</sub> emissions in aircraft and automotive.



**DAVID HUMMEL**  
Chief Executive

Aside from our sustainable products, we are being increasingly more efficient in our use of resources and have placed a greater emphasis on our social responsibility.



## Introduction from the Chief Executive

With our clear and bold sustainability vision and targets (our 2023 Vision) in place since 2014 across our focus areas of sustainable solutions, resource efficiency and social responsibility, Victrex achieved a number of interim targets this year. These include independently reviewing the method of measuring CO<sub>2</sub> savings in Transport, completing an energy efficiency assessment to further save resources and establishing our employee network to support community education activities as part of our social responsibility agenda. We are also moving closer to becoming carbon neutral, by being able to offset our carbon emissions from manufacturing through the sustainable products and solutions we provide to our customers and markets.

Internally, sustainability remains embedded across our business. We enhanced awareness of our sustainability agenda through our employee engagement activities this year, including greater employee participation in social responsibility and community activities, and also reflected on some successes through our CEO Awards.

This year our environmental indicators (which are compared against revenue) have been impacted, principally by a softer sales mix and adverse currency on our revenues, which weakened several measures. Pleasingly, our performance per unit of PEEK product improved, thanks to continued manufacturing efficiency.

**David Hummel**  
Chief Executive  
8 December 2015



# OUR 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<sub>2</sub> than we produce (carbon neutral)
- 5 million tonnes reduction of CO<sub>2</sub> 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 (STEM)

### 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<sub>2</sub> savings
- Scale of patient benefits

### Interim targets:

✓	Independently review method of measuring CO <sub>2</sub> savings in Transport by September 2015
To Do	Extend PEEK-OPTIMA further into new and existing spinal therapeutic areas
To Do	Extend PEEK-OPTIMA and other enabling polymers into new therapeutic areas
To Do	Extend Invibio Biomaterial Solutions into emerging geographies

### Metric:

- Reduction in energy and waste
- Primary energy per £ revenue
- Tonnes CO<sub>2</sub> per £ revenue

### Interim targets:

To Do	Complete an energy efficiency assessment and establish a long-term plan
To Do	Engage with key suppliers by FY16 to identify their climate change impact and improvement plans
✓	Establish an R&D programme by FY15 to identify process yield improvements and waste reduction opportunities
To Do	Engage with key suppliers by FY16 to identify their waste impact and improvement plans

### Metric:

- Employee involvement in the community
- Number 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
To Do	Support Fleetwood High School to achieve improved STEM academic results by end of 2017
✓	Victrex/Catalyst Science Education Centre project fully up and running by end of 2015
✓	Employee engagement in sustainability assessed in 2015's employee survey, with results benchmarked against peer companies

# DOING BUSINESS THE RIGHT WAY

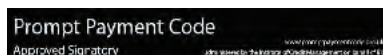
Underpinning each of our sustainability programmes and our whole business is our Global Code of Conduct.

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 38, 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.



## WE HAVE A ZERO TOLERANCE APPROACH 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.

 Performance reviews from the Managing Directors **on pages 16 to 19**

# | SUSTAINABLE SOLUTIONS

Sustainable Solutions is the first of our three focus areas and supports how we deliver products and services which shape future performance, and which provide clear environmental and social benefits to society.



## Shaping future performance

Our markets 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.

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.

One of our barometers of success this year was independently reviewing the method of measuring CO<sub>2</sub> savings in Transport. By 2023 we are targeting a 5 million-tonne reduction of CO<sub>2</sub> in these markets and already we are moving closer to becoming carbon neutral by enabling our markets to save more CO<sub>2</sub> than we produce.

Beyond Victrex, we also focus on our sustainable supply chain, including our own upstream production assets manufacturing BDF in the UK, or our non-Victrex BDF supply, constantly refining our ability to sustainably source global raw materials as we move forward.

## FOCUS: Smarter fuel management – the key to better CO<sub>2</sub> performance

Megatrends across our markets remain strong. None more so than reducing CO<sub>2</sub> emissions in transport markets.

Underpinned by environmental legislation, the reduction of CO<sub>2</sub> emissions in Automotive, based on increased fuel efficiency (more miles per gallon ('MPG')), therefore remains the dominant trend within the industry. Europe is at the forefront, following implementation of the 'Euro 6' emission standard, in striving to achieve the target of 95g/km (95 grams of CO<sub>2</sub> per kilometre), scheduled to fully come into effect in 2021. The US also has directives (currently the 'Tier II' directives) whilst Greater China is also contributing to a greener environment and has already implemented the Euro 5 emission standard in the Beijing region.

According to one study<sup>(1)</sup> powertrain technologies offer the largest potential for enabling enhanced fuel efficiency. Six of every seven litres of fuel put into a vehicle are lost to inefficiency, and a large proportion of that is due to frictional losses. Particularly in the highly compact, high efficiency engines now demanded by the automotive industry, high performance materials such as VICTREX® PEEK provide solutions for those regions of the engine that are at higher temperatures or under higher load conditions.

As a consequence, Victrex focuses on components such as rolling bearing elements, bushings, valves, and seal rings – to name a few – where improved

functional performance can help to improve fuel efficiency and lower the overall CO<sub>2</sub> emissions of the vehicle. Victrex polymers have a proven ability to meet critical performance requirements and provide improved durability and a significantly lower moment of inertia, especially when replacing metals such as steel. The 6x lower density is an enabler for this enhanced performance.

In addition, gears made of our materials meet the demands of the automotive industry – and not only in regards to sustainability targets. To accelerate adoption of our PEEK gear proposition, Victrex is further enhancing its ability to provide complete integrated solutions following the acquisition of the US-based polymer gears specialist Kleiss Gears, in June 2015.

PEEK gears can enhance durability and reliability, improve performance, and offer up to 50% reduction in noise, vibration and harshness ('NVH'), when polymer gears are used rather than their traditional metal counterparts.

The pairing of Kleiss Gears' high precision gear design, plus its testing and manufacturing capability, with Victrex's materials technology, innovation focus, technical excellence and global commercial scale, will enable customers to bring robust solutions to the market faster. This will help contribute to sustainable solutions and, subsequently, pave the way to greater mutual success.

(1) International Energy Agency ('IEA') study



# RESOURCE EFFICIENCY

**Resource efficiency and our clear targets (page 25) demonstrate our vision to maximise efficiency across our own operations and across the value chain.**

## Resource efficiency

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<sub>2</sub> emissions. Our bold target of reducing CO<sub>2</sub> 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 polymer knees, our devices can be injection moulded to reduce surgery time.

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.

Victrex continues to be recognised as both a leader and innovator in this area. We made the final of the prestigious Royal Academy of engineering MacRobert Award for engineering this year, which recognised the innovation delivered globally in smartphones and Aerospace by our Aptiv film.

## Principal environmental impacts

The Group's operations and environmental impact are set out in the charts on page 31 and are different from the Group's overall GHG emissions (see right). These show energy use, water use and waste from our UK activities, which include all of 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. In addition, we have seen improvements in data per unit of PEEK and downstream product this year – it is these operations which have the biggest impact on CO<sub>2</sub> emissions. CO<sub>2</sub> emissions are reported separately, right, as part of our greenhouse gas emissions report under the Companies Act 2006 (Directors' Report) Regulations 2013.

## Compliance

Proactively staying well ahead of environmental standards is part of Victrex's philosophy across our operations.

Our manufacturing plants are regulated under Environmental Permitting Regulations and, as such, are subject to close regulatory review by the UK Environment Agency. In 2015, 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.

We recorded one environmental notifiable event during the year.

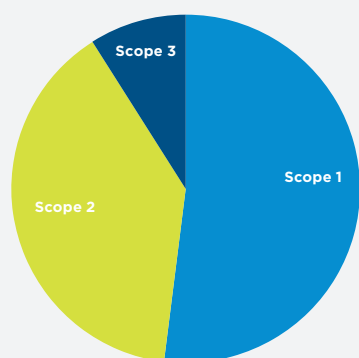
At our Hillhouse manufacturing plant in the UK, during the commissioning of our new polymer production plant, we measured marginally elevated acetone levels in our effluent, though these were still below the maximum levels that could be discharged and there was no potential for an environmental impact.

There were no other environmental 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 maintained ISO 14001:2004 accreditation for the environmental management system on our compounded pellets production plant, validating our high level commitment to environmental improvement.

## VICTREX GREENHOUSE GAS EMISSIONS 2015

**Tonnes of CO<sub>2</sub> equivalent 2015 from PEEK manufacture and downstream products**



### Scope 1

Direct emissions resulting from combustion of fuels

Tonnes CO<sub>2</sub>e

15	21,975
14	16,594
13	14,400
12	16,296
11	15,964

### Scope 2

Indirect emissions resulting from electricity purchased

Tonnes CO<sub>2</sub>e

15	16,728
14	13,738
13	12,809
12	12,806
11	12,166

### Scope 3

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

Tonnes CO<sub>2</sub>e

15	3,876
14	3,025
13	1,523
12	1,936
11	2,645

### Intensity measurement (Scope 1 and 2)

Tonnes CO<sub>2</sub>e/£m revenue

15	147
14	120
13	123
12	132
11	130

### Greenhouse gas ('GHG') emissions

Whilst our overall emissions have increased this year – principally as a result of increased volumes through our manufacturing plant – pleasingly, our emissions per unit of production have reduced because of cost of manufacture efficiencies in our manufacturing operations. The increased revenue intensity measurement reflects the impact of our softer sales mix and significant adverse currency in 2015, in addition to the increased level of inventory.

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 Scope 1 or Scope 2 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.

Further to the acquisition of the Kleiss Gears facility in the US in June 2015, we have taken the opportunity to include their energy consumption in our GHG submission for transparency and completeness.

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 explains our focus on UK reporting metrics.

Our cost of manufacture programme yielded further savings this year. More efficient distribution – for example,

through shared product distribution – and improved manufacturing efficiency remains a continual theme in our business.

One of our interim targets was to establish an R&D programme to consider waste reduction and process yield improvements. We have made some positive progress this year, with over 20 individual projects established in this area. One example is in steam heat recovery where we are focusing on maximising our resources and reducing waste as part of our manufacturing process. We are also looking at how our technical excellence can support us in yield improvements.

Victrex also continues to participate in the Carbon Disclosure Project, where our performance ranking was improved this year, building on the continual improvement every year since our participation started in 2013.





# RESOURCE EFFICIENCY CONTINUED

## 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.

We received the Royal Society for the Prevention of Accidents ('RoSPA') Order of Distinction award this year. It is the 18th consecutive year that we have received an award and the fourth year running that we have received an Order of Distinction award, a great achievement and one which underlines our significant commitment to health and safety.

In 2015 we took the opportunity to commission an independent audit of our SHE management system by the British Safety Council. The purpose of the audit was to benchmark



ourselves against other chemical manufacturing companies and to help identify where we could make further improvements. Pleasingly we achieved the top, 'five star', excellent rating clearly demonstrating the organisation's strong commitment to excellent health and safety and environmental performance.

Whilst we have a strong track record, we set targets to drive continual safety, health and environment ('SHE') performance improvement. During the year, well over 1.2 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 350,000 contractor hours worked. We recorded only one contractor reportable injury; a contractor injured his thumb whilst making up a pipe connection. 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, building our new polymer manufacturing plant at our Hillhouse site in the UK, K-Home, again received a RoSPA gold award for its occupational health and safety.

# ZERO

**REPORTABLE INJURIES** and cases of reportable ill health during the year.



This year, our environmental indicators have been impacted by increased sales volumes. The increased revenue intensity metrics reflect the impact of a softer sales mix, adverse currency on our revenues and higher inventory. Absolute indicators increased, however, pleasingly the impact per unit of PEEK production decreased, thanks to manufacturing efficiency.

### Energy use (UK operations)

In line with previous reporting, energy use is reported for our UK manufacturing sites. Energy per unit revenue has increased this year, however, energy per unit of production has reduced due to 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

15	731
14	574
13	518
12	591
11	568

#### Primary energy per unit revenue

Thousands GJ/£m

15	2.8
14	2.3
13	2.3
12	2.7
11	2.6

### 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. Total water use and usage per unit revenue increased, driven by higher volumes manufactured and the impact of a softer sales mix and adverse currency on our revenues. Water use per unit of production has reduced.

#### Water usage

Thousands m<sup>3</sup>

15	602
14	499
13	377
12	474
11	439

#### Water usage per unit revenue

Thousands m<sup>3</sup>/£m

15	2.3
14	2.0
13	1.7
12	2.2
11	2.0

### 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. Pleasingly, waste per unit of production reduced this year, following reductions in previous years. As per our other metrics, higher volumes but lower resulting revenues impacted our metrics per unit of revenue.

#### Hazardous waste produced

Tonnes

15	60,908
14	55,072
13	47,254
12	49,106
11	45,781

#### Hazardous waste produced per unit revenue

Tonnes/£m

15	231
14	218
13	213
12	223
11	212

#### Hazardous waste disposed to landfill (after treatment)

Tonnes

15	12
14	14
13	15
12	13
11	64

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

Tonnes/£m

15	0.05
14	0.06
13	0.07
12	0.06
11	0.30



# SOCIAL RESPONSIBILITY

Victrex has a clear and proactive vision to inspire the next generation by supporting science, engineering, technology and maths education. We further refined our focus this year to involve a greater number of employees and to get involved in a range of activities in the communities where we operate.

Our employees

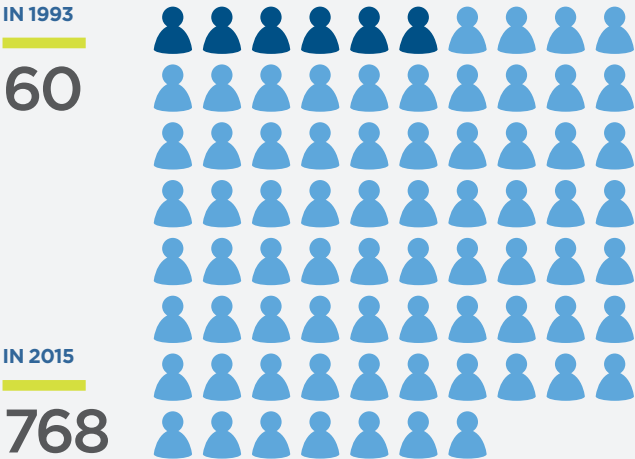
Victrex has depth and breadth in the talent of our global workforce. In an increasingly competitive global market, ensuring that we attract, motivate and retain our people remains an ongoing theme for Victrex. We have an Organisational Capability Strategy, which supports us to identify and develop the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

Employee analysis

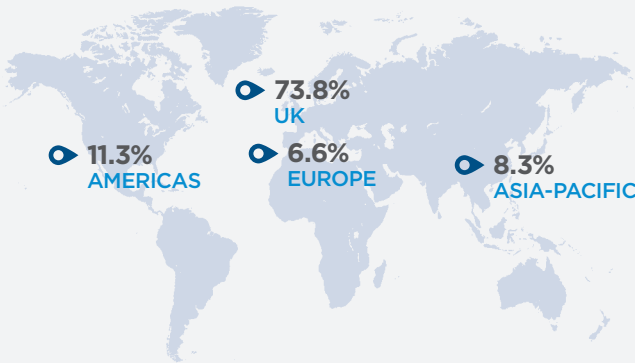
Investment in skills and development remains paramount for Victrex. This year we recruited 126 new employees to the Victrex team, balancing this with promoting internal talent within the business. Our workforce continues to strengthen and diversify, and our gender breakdown continues to show changes across the business. Approximately 79% of our employees are male (as at 30 September 2015: 607) and 21% female (as at 30 September 2015: 161). On our Executive Leadership Team, 25% of the team are female. In Victrex, diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, 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 from all backgrounds.

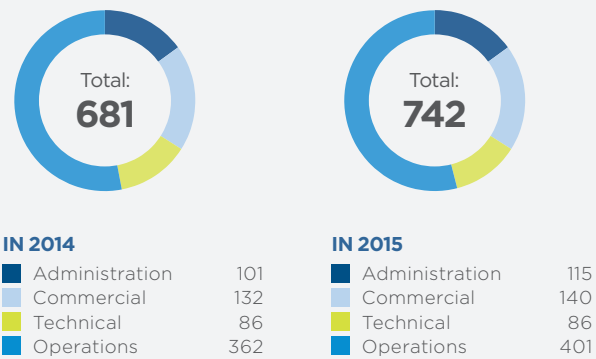
Employees



Employees by regional breakdown



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



10

**APPRENTICES** currently on the apprenticeship programme.

#### Development

This year has seen us continue to roll out programmes globally across different employee groups, and focus on developing leadership and our teams. This is in addition to our annual review and appraisal process.

We continue to invest in our apprenticeship programme at our Hillhouse manufacturing site in the UK, across a range of disciplines, with ten apprentices currently on the apprenticeship programme. Last year, two of our engineering apprentices based at Hillhouse, our UK headquarters, secured notable awards. This year, our apprentices repeated their success scooping the Best Engineering Programme (Oliver Mahon) and

Best Engineering Skills (Paul Parkinson) awards made by Springfields Training Centre.

#### Wellbeing

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. The health and wellbeing of our employees remains a high priority and we promote this in a number of ways. Occupational health and private medical services are also available for all employees in all locations.





# SOCIAL RESPONSIBILITY CONTINUED

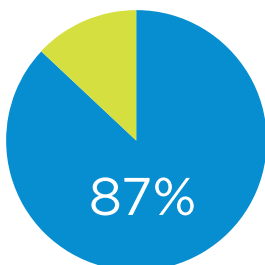
## 7%

### Voluntary employee turnover

2015	2014	2013	2012
7%	5%	2%	3%

Overall, 100 employees participated and spent 564 hours working in local communities.

### Participation in employee share schemes



2015	2014	2013	2012
87%*	89%	86%	93%

\* Excludes recruitment during the year

### 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.



## COMMUNITY ACTIVITY

Our global marketing team at work cleaning up a local community area in the UK.



### Involvement

Two-way communication is key to Victrex and involves our employees across the business. We have a number of channels to keep employees informed on business news. These include a global monthly business briefing to keep employees aware of Company performance, quarterly global staff briefings with executive Directors and more formally through the Staff Committee and union partnership meetings.

Our support for employee share ownership is unwavering 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 2015, approximately 87% (2014: 89%) 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 15 to the financial statements.

Thanks to our proactive approach in all of these areas, Victrex continues to have low voluntary employee turnover. This has risen slightly during the last year as the global economy improved and offered opportunities, although the rate is still low for both the chemical sector and for manufacturing-backed businesses. Exit interviews are conducted with all employees who leave, to understand their reasons for departing. This enables us to gain useful feedback and address any specific trends.

### Our communities

Being a good corporate citizen is important to Victrex, both in terms of our values and the opportunities it offers us as we seek to deliver long-term growth. We have a clearer vision of how we will work with our local communities, ensuring that the

Victrex name is synonymous with good business, helping to establish our employer brand and reputation, in turn helping us to secure the right skills for our future development. Our 2023 Vision and targets have community activity fully embedded.

Following our targets being established last year, 2015 has been focused on continuing to get young people interested and excited about science, technology and engineering. A new area for us was to train eleven STEM and Science Industry Partnership ('SIP') ambassadors who have then run a number of careers fairs, science days and mentor chemistry students at our Business Class programme partner Fleetwood High School (close to our global headquarters). We have also continued to support the Catalyst Discovery Centre in Runcorn, UK, through our fantastic 'Polymer Zone' and participated in science days there.

For our local community activity, increasingly our teams are choosing to take part in community activities as

part of their team development. During the year, we refurbished a school garden, cleared up a community centre and built play kitchens for a playground. Overall, 100 employees participated and spent 564 hours working in local communities.

At a national level in the UK, we remain 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 Risk and Compliance Director sits on the SIP Board and a number of employees are actively involved in the sub-groups.

### 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 £140,958 (2014: £164,590) during the year. No political donations were made (2014: Enil).

## MANUFACTURING EXCELLENCE

Some of the Victrex team at the Springfields Training Awards.



## SUPPORTING EDUCATION

Victrex's STEM ambassadors supporting Fleetwood High School.



## BOARD OF DIRECTORS



**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 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.



**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. Pamela was previously Chairman of Scynexis Inc, non-executive Chairman of Oxford Immunotec Limited and non-executive Director of Novo Nordisk A/S and Smith & Nephew plc.

Pamela is a non-executive Director of DCC plc, Hikma Pharmaceuticals plc and Reckitt Benckiser Group.



**David Hummel**  
**Chief Executive BSc**

David Hummel was appointed to the Board in 1993 following the successful MBO of Victrex from ICI and has more than 25 years of experience of the global high performance polymer industry. He has served as CEO of Victrex since 1993, overseeing strategic decision making and day to day management and leadership of the business. Prior to joining Victrex David held a number of senior roles with Diamond Shamrock, GE Plastics and ICI.



**Louisa Burdett**  
**Group Finance Director BSc ACA**

Louisa Burdett was appointed as Group Finance Director on 1 February 2014. Louisa also has overall responsibility for the Group Legal function, as well as the Company Secretarial function. 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 and 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 overall responsibility for the Group's sales and operations functions. 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.



**Martin Court**  
**Executive Director BSc (Eng), PhD**

Martin was appointed to the Board in April 2015, and continues in the position of Managing Director of Invibio, Victrex's medical business, a position Martin has held since joining Victrex in February 2013. Martin also has overall responsibility for the Group's marketing and technical functions, including our new product pipeline. Martin has significant proven international experience in the medical and high performance materials and chemicals industries, including with Cytec Industries, and in a number of senior roles at both ICI and UCB. He 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.



**Patrick De Smedt** A N R  
Non-executive Director BSc MSc

Patrick De Smedt was appointed to the Board 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 multinationals. He has an in-depth knowledge of international markets, technology and diverse industry sectors.

Patrick is Senior Independent Director at Morgan Sindall plc. He is also a non-executive Director of Kodak Alaris Holdings Limited, Michael Page International Plc and Nexinto Holdings Limited.



**Jane Toogood** A N R  
Non-executive Director MA Hons

Jane Toogood was appointed to the Board in September 2015. Jane has a wealth of experience across a number of senior marketing, sales and business development roles within the global chemical industry, including at ICI and Uniqema. She commenced her career in marketing with ICI Colours and Fine Chemicals in 1987, before progressing into operational and manufacturing roles both in the US and Europe and held a non-executive Director role with NHS Harrogate and District Foundation Trust. Jane holds an MA in natural sciences (chemistry) from the University of Oxford.

Jane is Senior Vice President marketing and new business development, polyolefins, for Borealis.



**Andrew Dougal** A N R  
Non-executive Director B Acc, CA

Andrew Dougal was appointed to the Board in March 2015 and was appointed Audit Committee Chair effective from October 2015. Andrew is a Chartered Accountant and brings a wealth of experience to the Board, from a lengthy executive and non-executive career of over 35 years in industrial, manufacturing and services companies. Andrew was previously a non-executive Director and Audit Committee Chair of both Taylor Woodrow Plc and Taylor Wimpey Plc and a non-executive Director of BPB Plc and Premier Farnell plc. Formerly, Andrew served as Chief Executive of Hanson plc following its demerger from Hanson, the Anglo-American conglomerate, where he was Finance Director and previously held a number of senior roles in general management and finance. He is a member of the Council of the Institute of Chartered Accountants of Scotland ('ICAS') and Chair of its technical policy board.

Andrew is a non-executive Director and Chair of the Audit Committee at Carillion plc and Creston plc.

#### Key to Committees

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- Chairman of the Committee

**The Board of Directors ('the Board') recognises the importance of sound governance and its role in achieving sustainable growth. The Board is committed to the highest standards of corporate governance and it supports the principles laid down in the UK Corporate Governance Code 2014 ('the Code'). Victrex continues to maintain and review its systems, processes and policies to support its sustainability and governance practices.**

### Introduction from the Chairman

#### To our shareholders and stakeholders

The Board is accountable to our shareholders and stakeholders for the Group's activities and is responsible for the effectiveness of corporate governance. 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 Group, enabling us to achieve our strategy and growth aims for the future. The responsibilities of the Board include setting the Group's strategic aims, providing the leadership to deliver them, supervising management of the business and reporting to our shareholders.

Our Corporate Governance Report is set out on pages 38 to 48, including the Directors' Remuneration Report on pages 49 to 64. 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.

In the current year, we welcomed three new Directors to the Board with the appointments of both Andrew Dougal and Jane Toogood, as non-executive Directors, and Martin Court as executive Director. These appointments have strengthened the Board's skill set and experience and have positively added to the Board's dynamic.

During the year we conducted an externally facilitated Board evaluation, which assessed our overall effectiveness as a Board. The methodology used and the outcomes are reported on page 43.

We remain cognisant of the strong relationship between ethics and governance and the role the Board plays in demonstrating ethical leadership. We continue to embed our Victrex Global Code of Conduct across all areas of the business and all territories. Further information on ethics and social responsibility is contained in our Sustainability Report on pages 24 to 35.

We 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.

Finally, our Statement of Compliance with the UK Corporate Governance Code is set out to the right.

**Larry Pentz**  
Chairman

8 December 2015

#### 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 September 2014 and which was effective for year ends beginning on or after 1 October 2014. 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).

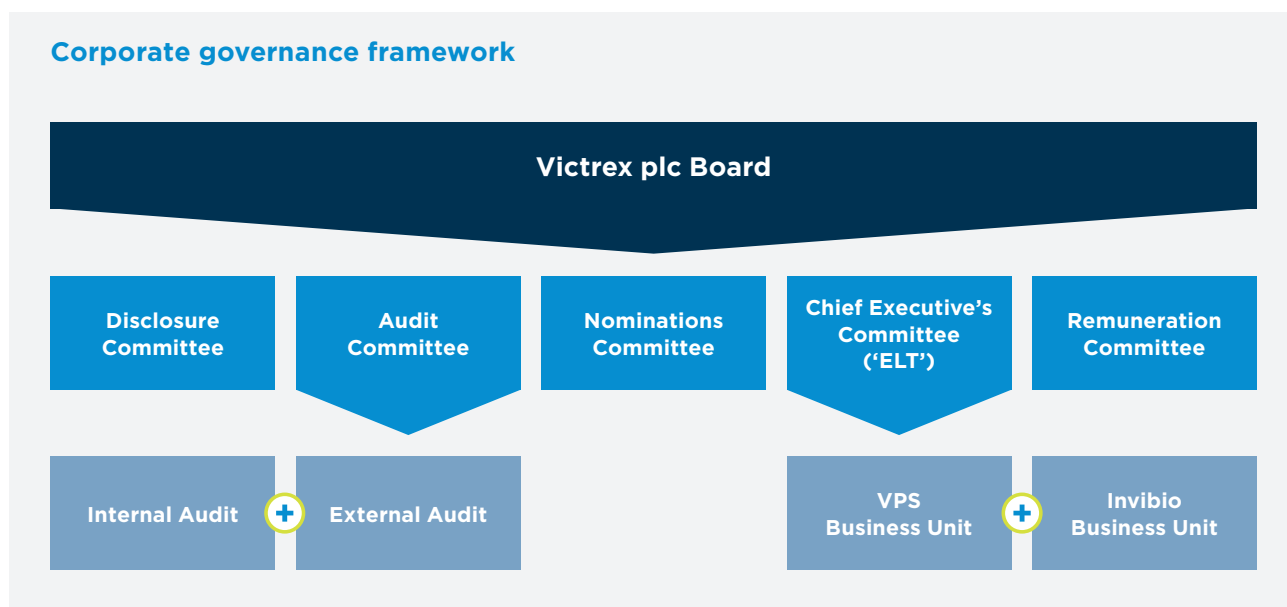
This report, including the Directors' Remuneration Report on pages 49 to 64, describes how the main principles of good governance have been applied throughout our business.

Except as referred to below, the Company has complied with all relevant provisions of the Code throughout the year ended 30 September 2015 and from that date up to the date of publication of this Annual Report.

→ 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, 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 the 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 44.

 For more information visit  
[www.victrexplc.com](http://www.victrexplc.com)

## Corporate governance framework



→ The Company has not complied in full with part of provision C.3.7, which states that 'FTSE 350 companies should put the external audit contract out to tender at least every ten years'. As noted on page 47, 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. The Company intends to put our external audit contract out to tender during 2017 and seek shareholder approval for the proposed new audit firm at the 2018 AGM.

### 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 36 and 37.

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. The role and responsibilities of the SID are also set out in writing and approved by the Board. The CEO is responsible for the day to day running of the Group, carrying out agreed strategy and implementing specific Board decisions.

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, 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. The Company Secretary role is now separate from the Legal Function, although both report to the Group Finance Director.

#### Operation of the Board

The Board is responsible for the Group's strategic development, monitoring achievement of its business objectives, maintaining a system of effective corporate governance, which includes the responsibility for health, safety, environmental, social and ethical matters. It also monitors the Company's risk management and internal control systems and, at least annually, carries out a review of their effectiveness, and has reported on this in the report on page 44.

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.

**Leadership continued****Operation of the Board** continued

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, portfolio review and innovation and Board effectiveness and evaluation. The Board has committed to holding one Board meeting overseas and,

during the year, held a Board meeting at our US headquarters. In addition to dedicating time to meet key teams in the US, the Board spent time with a number of key customers.

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

**Attendance at meetings**

Directors' attendance at the Board and Committee meetings convened in the year to 30 September 2015:

◆ Attended ◇ Not attended

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings	◆◆◆◆◆◆◆◆	◆◆◆	◆◆◆◆◆	◆◆◆◆◆◆◆◆
<b>Chairman</b>				
L C Pentz	◆◆◆◆◆◆◆◆	◆◆◆	◆◆◆◆◆	◆◆◆◆◆◆◆◆
<b>Executive Directors</b>				
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
M L Court*	◆◆◆	n/a	n/a	n/a
<b>Non-executive Directors</b>				
G F B Kerr	◆◆◆◆◆◆◆◆	◆◆◆	◆◆◆◆◆	◆◆◆◆◆◆◆◆
P J M De Smedt	◆◆◆◆◆◆◆◆	◆◆◆	◆◆◆◆◆	◆◆◆◆◆◆◆◆
P J Kirby	◆◆◆◆◆◆◆◆	◆◆◆	◆◆◆◆◆	◆◆◆◆◆◆◆◆
A J H Dougal*	◆◆◆◆	◆◆	◆◆◆	◆◆◆◆
J E Toogood*	◆	◆	◆	◆

\* Board appointments during the year were as follows:

- A J H Dougal appointed on 1 March 2015
- M L Court appointed on 1 April 2015
- J E Toogood appointed on 1 September 2015

Although not a member of the Committees, L C Pentz, D R Hummel, L S Burdett and T J Cooper attended a number of Audit, Remuneration and Nominations Committee meetings as invited attendees, when appropriate.



## 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 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 the Managing Director of Invibio. They are supported in their duties by the Group HR Director. 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.

 **Nominations Committee Report**  
**Page 45**

 **Remuneration Committee Report**  
**Page 49**

 **Audit Committee Report**  
**Page 46**

The terms of reference of the Nominations, Audit and Remuneration Committees are available on the Company's website ([www.victrexplc.com](http://www.victrexplc.com)) and in paper form on request from the registered office of the Company.

**Leadership** continued**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.

The Board has ultimate responsibility for the annual 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, L S Burdett, and meets on a monthly basis to manage the application of the Group's treasury policy. Further details on the policy and the activities of the Currency Committee are included in note 14 to the financial statements.

The Nominations, Audit and Remuneration Committee reports are described on pages 45 to 50 and the Disclosure Committee on page 41. 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.

**Board effectiveness****Composition, independence and diversity of the Board**

At the date of this report, the Board comprised a non-executive Chairman, four other non-executive Directors and four executive Directors. There were a number of Board appointments during the year, with two new non-executive Directors appointed to the Board, A J H Dougal and J E Toogood, in addition to the appointment of M L Court as an executive Director. In September, G F B Kerr announced his decision to retire from the Board, following nine years' service with the Company. The Code requirement that at least half the Board should be independent non-executive Directors has continued to be met throughout the year. The non-executive Directors (including the Chairman, L C 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, skills 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 and experience 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 33% 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 the 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 32.

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 32.

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 2016 and the Notice of AGM on page 98 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 66.

**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 36 to 37, 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. In the current year, an externally facilitated Board evaluation was conducted. Following the appointment process, the Board appointed Stone Court Consulting to facilitate the external Board evaluation. The assessment of the effectiveness of the Board was conducted according to the guidance in the UK Corporate Governance Code and was facilitated by Margaret Exley of Stone Court Consulting. Neither Margaret Exley nor Stone Court Consulting have any other connection with the Company. The review comprised a number of stages as follows:

- briefing with the Chairman and Board observation;
- completion of a detailed questionnaire, designed by Stone Court Consulting;
- one-to-one interviews with each Board member and the Company Secretary;
- consideration, evaluation and compilation of the results and initial feedback to the Chairman; and
- presentation to the Board in September 2015 by Margaret Exley, Board discussion on results and agreement on an action plan, which has been recorded in the minutes of that meeting.

The assessment highlighted the strength of the Board in terms of skills, diversity of experience and the positive working dynamic of the Board as a whole. Recommendations made focused on strengthening the Board's progress in the areas of talent management and strategic planning and implementation.

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 Board, without the Chairman present. This was led by the SID in the current year.

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

### Future reviews

The 2016 Board evaluation will be conducted internally. 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 SID and Company Secretary.

### 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 which includes briefings on areas such as Directors' duties and corporate governance guidelines and best practice. A J H Dougal, J E Toogood and M L Court received an appropriately tailored induction upon joining the Board. Induction programmes cover matters such as Group structure and strategy, industry and competitive environment, Group risk profile and our approach to risk and safety, health and environmental matters. Training (including social, environmental and ethical matters) is also provided. The Board evaluation process also considers specific training or development needs. In the current year, Directors' training included recent updates to corporate governance best practice and whistleblowing policy.

### Information and support

The Company has robust processes in place to ensure the Board receives sufficient management information and reports on strategic and operational matters on a timely basis. These processes ensure that sufficient time

and information is provided for the Board's duties to be discharged effectively. The CEO also updates 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 for 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 67.

### 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 divisional level with the head of each division 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 six 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 67. In accordance with provision C.2.2 of the Code, the Directors have assessed the prospect of the Company over a longer period than the twelve months required by the 'Going Concern' provision. This assessment is outlined in our Viability Statement on pages 67 to 68.

### Accountability continued 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 principal 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 annually undertakes a formal review of the effectiveness of the risk management framework and policies. Twice a year, the Board reviews the principal risks, 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 2016.

The Board confirms that it has carried out a robust assessment of the principal risks and confirms that they remain within its risk appetite and that there is a framework of continual and ongoing processes in place for identifying, evaluating, monitoring and managing the principal risks faced by the Company. These processes were reviewed during the year 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's view of the key strategic and operational risks and how we seek to manage those risks is set out on pages 20 to 23.

The independent Risk and Compliance 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 Director of Risk and Compliance, 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.

In addition to the controls described above, there are further steps to provide assurance over the completeness and accuracy of our reporting process, which include review and recommendation by the Audit Committee and review and approval by the Board.

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 Group. This policy includes important areas such as anti-bribery, data protection and conflicts of interest. It is an important policy to maintain our reputation as a business 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. It should be noted that there have been no significant failings or weaknesses. We confirm that the Group has complied with the Code provisions on internal control by operating throughout the year ended 30 September 2015 (and up to the date of approval of this Annual Report) appropriate procedures in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, published in September 2014.

Further details of the risk management framework operating at Victrex are given on pages 20 to 21.

### 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 all members of the Board and, in particular the non-executive Directors, develop an understanding of the views of major shareholders. Such steps include, for example, analyst and broker briefings, a standing Board agenda item covering investor relations matters, 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. Additional presentations and site visits are arranged when there is a sufficient demand to make them cost effective. In April 2015, the Company held a Capital Markets Day at our Hillhouse headquarters, with over 70 investors and analysts attending. A copy of the Capital Market's Day presentation is available on our website.

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 are announced at the meeting, published on the Company's website and announced via the Regulatory Information Service.



## **NOMINATIONS COMMITTEE REPORT**

**Chairman – Larry Pentz**

**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 33% and is therefore in excess of the minimum representation level by 2015 as recommended by the Davies Review.**

### **Membership**

The Nominations Committee comprises all of the non-executive Directors and is chaired by the Company Chairman L C Pentz.

The Committee met on six occasions during the year.

### **Responsibilities**

The Committee is responsible for regularly reviewing the structure, size, diversity and composition of the Board. This is to ensure that the Company has the right leadership to effectively deliver the Company's strategy. It is also responsible for 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 appointments.

In considering an appointment, the Committee evaluates the balance of skills, knowledge, independence 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 2015 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 election or re-election at the AGM following their appointment and annually thereafter.

The main activities of the Nominations Committee during the financial year ended 30 September 2015 included leading the search and selection process for, and making recommendations to the Board regarding, the appointment of two new non-executive Directors, A J H Dougal and J E Toogood. In addition, it considered and recommended the appointment of an

additional executive Director, M L Court. Other activities carried out during the year included considering the independence, contribution and commitment of the Directors standing for re-election, reviewing the Company's succession plan, reviewing the Committee terms of reference and approving the Nominations Committee Report for 2014.

A rigorous and transparent process was in place for the two non-executive Director 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 the new non-executive Directors. The process was led by the Chairman, supported by the Group HR Director.

### **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 33% and is therefore in excess of the 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 – Andrew Dougal

**The Committee continues to consider KPMG to be independent and effective in their 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 2016. Taking into account regulatory requirements, the Committee has determined that an audit tender will be concluded in due course to allow a new audit firm to be in place for the year ended 30 September 2018.**

I am pleased to present the report of the Audit Committee for the year ended 30 September 2015. I joined the Audit Committee on appointment to the Board in March 2015 and, following the retirement of Giles Kerr in September, I was appointed Chairman. I would like to take this opportunity on behalf of the Audit Committee to thank Giles for his significant contribution over the period of his chairmanship.

I am a member of the Institute of Chartered Accountants of Scotland and previously served as Group Finance Director with a FTSE 100 business. In addition, I chair one other plc audit committee and have chaired three others previously. I am a member of the Council of the Institute of Chartered Accountants of Scotland. This provides the Board with the confidence that the Committee continues to meet the UK Corporate Governance Code's requirement in relation to recent and relevant financial experience.

Since joining Victrex, I have spent time with key members of the finance team as well as key management across the business. In addition, I have visited the manufacturing facilities, spent time understanding key financial processes and controls and reviewed the work programmes and outputs of internal audit. This has allowed me to gain a good understanding of the Group and the areas relevant to my role as Audit Committee Chairman. My approach going forward will be an evolution of this and will involve holding regular meetings with the Group Finance Director, Group Financial Controller and Director of Risk and Compliance, in addition to the external auditor, to discuss matters relevant to the Audit Committee.

#### **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.

In addition to myself as Chairman, the Audit Committee comprises Patrick De Smedt, Pamela Kirby and, following her appointment to the Board in September 2015, Jane Toogood. The qualifications of the Audit Committee members are outlined in the Director's biographies on page 36 and 37.

#### **Committee meetings**

Only Audit Committee members are entitled to attend a meeting. However, the Chairman, the Group Finance Director, the Group Financial Controller, the Director of Risk and Compliance and the External Audit Engagement Partner normally attend meetings at the invitation of the Committee. Other members of the management team 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 one meeting during the year 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 to:

- review the financial statements (half yearly 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;
- monitor and review the effectiveness of the internal audit function;
- review the risk management systems and the effectiveness of those systems;

- review 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, independence and objectivity and effectiveness of the external audit process and to review the scope and results of the audit; and
- report to the Board on how the Committee has discharged the aforementioned 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.

### 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's 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 2015 were £68,000 (2014: £72,000). The non-audit fees related to taxation and pension compliance and advisory 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. When awarding non-audit work to KPMG, the Committee are cognisant of the EU Audit Regulation, including the cap on non-audit fees of 70% of the audit fee, and the ongoing consultations on how this will be implemented into UK regulation. Non-audit services in the current year represented 49% (2014: 57%) of the audit fee.

#### Appointment, independence and effectiveness

The Committee considers the re-appointment of the external auditor each year, whilst assessing its independence on an ongoing basis. The external auditor is required to rotate the audit partner every five years. The final year of the current partner's term is the year ending September 2017.

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 a detailed questionnaire which covers both the external auditor (with consideration of the audit partner, the approach, communication, independence, objectivity, audit quality, interaction with internal audit and reporting) and the participation of management in the process. 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.

KPMG was re-appointed as auditor at the 2015 AGM. KPMG has been our auditor since 1993 (22 years), during which time the audit has not been to tender. 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 their 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 2016. The Committee has considered the requirement of the 2014 Code to put the external audit to tender at least every ten years and the practical considerations of aligning the tender process with the rotation of audit partner. Other factors considered were the requirements of the recent Competition and Markets Commission ('CMA') Order and the current expectation of how the UK government will implement the EU Audit Reform Regulation. Both these reforms would require auditor rotation in respect of the 30 September 2021 year end at the latest. Taking account of all these factors, the Committee has determined that an audit tender will be concluded in due course to allow a new audit firm to be in place for the year ended 30 September 2018. There are no contractual obligations that restrict the Committee's choice of external auditor.

## AUDIT COMMITTEE REPORT CONTINUED

**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. The statement incorporating the conclusion of this assessment is included on page 69; and
- any correspondence from regulators in relation to our financial reporting.

In addition to the above, the Committee supports the Board in completing its assessment of the adoption of the going concern basis of preparing the financial statements. This has been extended in the current year to support the inclusion, as required under the 2014 Code, of a statement explaining how the Directors have assessed the prospects of the Company, over what period they have done so and why they consider that period appropriate. This statement is included on page 67.

To aid our review, the Committee considered 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 reviewed 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 20. The significant areas of focus considered by the Committee in relation to the 2015 financial statements and how these have been addressed are set out below. In concluding that these 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, the variances between standard cost and actual cost and the reasons for movements in inventory value period to period. The basis for and level of provisioning, including those areas which are judgemental, is presented to the Committee by management. The Committee concluded, based on the information provided and challenged, that the valuation of inventory and level of provisioning were reasonable.

- 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. The Committee concluded that the assumptions used and the resulting valuation were reasonable.

**Internal control and internal audit**

The Audit Committee also considered the results of internal control reviews and reviewed 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 Director of Risk and Compliance, 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 reports 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.

**Risk management and internal control procedures**

From 1 October 2014 the Audit Committee has responsibility for reviewing the risk management systems and effectiveness of these systems. The responsibilities and processes in respect of risk management are described in detail on page 20 and 21.



## REMUNERATION COMMITTEE REPORT

Chairman of the Remuneration Committee – Patrick De Smedt

**The success of Victrex is driven by a continued focus on growing profitable earnings in a sustainable manner. As such, stretching profit growth targets represent the key measure in our annual bonus plan.**

### Annual Statement

Dear shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2015.

### Our strategy

We continue on our drive for growth, targeting high volume, high value applications across our balanced portfolio of five core markets (Automotive, Aerospace, Electronics, Energy and Medical). This is underpinned by a clear and focused product leadership strategy, with an emphasis on technical excellence, innovation and marketing know-how.

### Pay and performance in 2015

The success of Victrex is driven by a continued focus on growing profitable earnings in a sustainable manner. As such, stretching profit growth targets represent the key measure in our annual bonus plan. Beyond this key financial driver, we believe in rewarding our executives based on their individual contribution to success alongside the delivery of long-term sustainable value for our shareholders. We therefore continue to measure performance against personal strategic objectives in our annual bonus and focus our Long-Term Incentive Plan ('LTIP') on two simple and transparent measures relevant to shareholders – earnings per share ('EPS') growth and total shareholder return ('TSR').

Victrex delivered solid results in 2015, with overall performance in line with investor expectations, delivering Group revenue, at a reported level including the impact from foreign currency, of £263.5m, 4% ahead of the prior year, and profit growth of 4%.

Based upon these results, a bonus award of 28.13% of salary was approved for D R Hummel, with awards of 22.50%, 22.50%, and 18.00% of salary approved for L S Burdett, T J Cooper and M L Court, respectively.

Despite the positive performance this year, the LTIP award granted in December 2012 and due to vest in December 2015 based on performance up to 30 September 2015 has not achieved its TSR and EPS targets for the three year cumulative period and thus will lapse in full.

Following a freeze for 2014 and a 2.7% increase in 2015, the Remuneration Committee ('the Committee') has agreed to award executive Directors a salary increase of 2.75% for 2016, in line with the average increase for all employees across the Group.

Despite the headwinds we faced in our business this year, Victrex has delivered solid results and the Committee believes that the current year pay outcomes accurately reflect the current year's performance.

### Future strategy and reward

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. After review, the Committee continues to believe that our current policy remains appropriate but has determined that incentive programmes could be better tailored to promote a greater linkage and more reliance on financial targets which adequately reflect the expectations of our investors and market best practice. The Committee has therefore suggested implementation of three minor within policy changes to be effective in financial year 2016:

- simplification of our annual bonus structure to more heavily emphasise profit growth (80% of the award), but balance this with a measurement of personal contribution against tailored strategic objectives (20% of the award);

### REMUNERATION COMMITTEE REPORT CONTINUED

#### Future strategy and reward continued

- refinement of the weightings of measures on our LTIP to focus on the earnings growth which is critical to our future growth strategy. Measures will now be weighted at 75% EPS and 25% TSR; a change from 50% on each measure in prior years; and
- restatement of the stretching EPS performance required for LTIP vesting to better align with investor expectations, internal forecasts and market competitor performance ranges. The range will now be set at an absolute range of 6% to 12% average annual growth, in line with the typical range for other FTSE 250 organisations.

These changes will take effect for awards made in the 2016 fiscal year and the Committee has committed to a full holistic review of pay programmes and their alignment with strategy in line with renewal of our policy in 2017.

#### 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 2014 AGM; and
- the Annual Report on Remuneration, providing details of how the policy will operate in 2016 and the remuneration earned by the Company's Directors in relation to the year ended 30 September 2015.

At the forthcoming AGM on 10 February 2016, 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).

#### 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 ongoing commitment to the business from our executives and continued alignment of shareholder and executive objectives. Our Chief Executive's significant shareholding also demonstrates his ongoing 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 99% approval for our Remuneration Report 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 2015



## Directors' remuneration policy (restated from Annual Report 2013)

The Directors' Remuneration Policy was approved by binding shareholder vote at the 2014 AGM and became formally effective 1 October 2013. A summary of this policy is included here for information and a full copy of the shareholder approved policy can be found on the Company website at [www.victrexplc.com](http://www.victrexplc.com).

### 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
<b>Salary</b>	<p>To provide competitive fixed remuneration</p> <p>To attract and retain executive Directors of superior calibre in order to deliver growth for the business</p> <p>Intended to reflect that paid to senior management of comparable companies</p>	<p>The basic salary for each executive Director is reviewed annually by the Remuneration Committee</p> <p>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</p>	<p>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</p> <p>Current salary levels are set out on page 56</p>	Not applicable
<b>Benefits</b>	<p>To provide market consistent benefits, including insured benefits to support the individual and their family during periods of ill health, accidents or death</p> <p>Car or car allowances to facilitate effective travel</p>	<p>Current benefit provision includes a company car or car allowance and private medical insurance. Other benefits may be payable where appropriate</p>	Not applicable	Not applicable

# **Directors' remuneration policy (restated from Annual Report 2013) continued** **Summary remuneration policy continued**

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
<b>Bonus</b>	<p>Incentivises annual achievement of performance targets</p> <p>Maximum bonus only payable for achieving demanding targets</p>	<p>Not pensionable</p> <p>Paid in cash up to 100% of salary</p> <p>Any bonus in excess of 100% of basic salary (currently the CEO only) deferred into shares</p> <p>Clawback provisions apply in the event of material misstatement of results and/or an error in the calculation of the bonus outcome</p>	Up to 125% of salary	<p>A combination of growth in Group profit before tax and executives' personal performance achievement level</p> <p>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</p>
<b>Victrex Long-Term Incentive Plan (2009)</b>	<p>Designed to align with both the strategic objectives of delivering sustainable earnings growth and the interests of shareholders</p>	<p>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</p> <p>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</p> <p>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)</p>	<p><b>Plan limits:</b></p> <p>150% (normal limit)</p> <p>200% (exceptional limit – e.g. recruitment or retention)</p>	<p>LTIP performance measured over 3 years based on a combination of EPS and TSR</p> <p>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</p>

**Directors' remuneration policy (restated from Annual Report 2013) continued**  
**Summary remuneration policy continued**

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
<b>All employee share plans</b>	To encourage employee share ownership and therefore increase alignment with shareholders	<p><b>2005 UK Sharesave Plan</b></p> <p>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</p> <p><b>All-Employee Share Ownership Scheme</b></p> <p>HMRC approved plan that provides employees with a tax-efficient way of purchasing shares and allows the grant of free shares</p> <p><b>US Employee Stock Purchase Plan</b></p> <p>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</p>	<p><b>2005 UK Sharesave Plan</b></p> <p>Maximum permitted savings of £250 per month across all ongoing Sharesave contracts</p> <p><b>All-Employee Share Ownership Scheme</b></p> <p>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</p> <p><b>US Employee Stock Purchase Plan</b></p> <p>Limit of \$25,000 on the maximum value of shares that an employee can purchase under the ESPP</p>	Not applicable
<b>Share ownership guidelines</b>	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
<b>Pension</b>	To provide retirement benefits	<p>Defined benefit, defined contribution and/or salary supplement arrangements</p> <p>Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group may provide benefits through the provision of salary supplements</p>	<p>Defined benefit contribution</p> <p>25% of salary when defined contribution arrangement/salary supplements</p>	Not applicable

## Directors' remuneration policy (restated from Annual Report 2013) continued

### Summary remuneration policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
<b>Non-executive Director fees</b>	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 57	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 Towers Watson 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 policy (restated from Annual Report 2013) continued

### 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

### 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 dis-apply 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.



## Annual Report on Remuneration

### Implementation of the remuneration policy for the year ending 30 September 2016

A summary of how the Directors' Remuneration Policy will be applied during the year ending 30 September 2016 is set out below.

#### Basic salary

The Remuneration Committee agreed to the following increases for executive Director base salary levels for 2016.

	2016	2015	% increase
D R Hummel	\$746,321	\$726,346	2.75
L S Burdett	£316,573	£308,100	2.75
T J Cooper	£274,363	£267,020	2.75
M L Court (appointed 1 April 2015)	£264,068	£257,000	2.75

The Group's employees are, in general, receiving pay rises ranging from 2.75% to 5.25% depending on promotional increases and individual performance.

#### Pension arrangements

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 and M L Court participate 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, the value of the members' retirement account will be used by the trustees to provide either or both a lump sum and a pension payable to dependents.

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 2016 will remain at 125% of salary for the Chief Executive and 100% of basic salary for the Group Finance Director and the Managing Directors. Awards continue to be determined based on a combination of both the Group's financial results, being growth in Group profit before tax (weighted at 80%), and an executive's personal performance achievement level (weighted at 20%). The Group believes that this combination of financial and personal performance objectives reflects the strategic focus on Group profit while maintaining a measurement of personal contribution across key operational goals for the business. The Committee will continue to run a thorough annual review of personal objectives to ensure they are measurable, robust and aligned with overall Group-wide objectives. 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 2016. If this is not achieved, the Committee will retain the discretion to reduce the value of award which would otherwise have been payable. Deferral into shares for any part of the Chief Executive's bonus above 100% of salary and the clawback provisions for all executive Directors will continue to apply.

## Annual Report on Remuneration continued

### Long-term incentives

The extent to which LTIP awards which will be granted for the 2015/2016 financial year will vest, will be dependent on two independent performance conditions – 25% determined by reference to the Company's total shareholder return ('TSR') and 75% 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 average annual EPS growth exceeds 12% over the three-year period. This element of the award is reduced to 20% on a pro-rata basis if EPS growth exceeds 6% per annum on average over the period and is reduced to nil if average annual EPS growth over the period fails to exceed 6%.

As noted in the Chairman's Review, the EPS measure has been emphasised in LTIP awards to be made from the year ending 30 September 2016 onward. In addition, the EPS performance range has been restated in order to better reflect relevant analyst forecasts, the Group's internal EPS projections and competitor and FTSE 250 market EPS performance ranges.

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 2015/2016 financial year.

Provision	2016	2015	% increase
Chairman	<b>£170,000</b>	£157,900	7.66
Base fee	<b>£46,600</b>	£45,300	2.87
Additional fees:			
Senior Independent Director	<b>£6,000</b>	£5,000	20.00
Audit Committee Chair	<b>£10,000</b>	£9,000	11.11
Remuneration Committee Chair	<b>£9,000</b>	£8,000	12.50

**Annual Report on Remuneration** continued**Remuneration received by Directors for the year ended 30 September 2015 (audited)**

Directors' remuneration for the year ended 30 September 2015 was as follows:

	Salary and fees <sup>(1)</sup> £	Taxable benefits <sup>(2)</sup> £	Pension <sup>(3)</sup> £	Annual bonus <sup>(4)</sup> £	Long-term incentives <sup>(5)</sup> £	Total £
<b>D R Hummel</b>						
2015	470,773	5,319	126,583	132,428	—	735,103
2014	427,145	6,314	115,021	283,667	—	832,147
<b>L S Burdett</b>						
2015	308,100	16,124	57,837	69,323	—	451,384
2014	223,846	20,972	42,037	119,520	—	406,375
<b>T J Cooper</b>						
2015	267,020	15,658	47,567	60,079	—	390,324
2014	260,000	14,980	46,358	165,750	—	487,088
<b>M L Court*</b>						
2015	128,500	8,184	22,414	46,260	—	205,358
2014	—	—	—	—	—	—
<b>L C Pentz</b>						
2015	157,900	—	—	—	—	157,900
2014	50,075	—	—	—	—	50,075
<b>P J Kirby</b>						
2015	49,883	—	—	—	—	49,883
2014	44,075	—	—	—	—	44,075
<b>P J M De Smedt</b>						
2015	53,300	—	—	—	—	53,300
2014	50,075	—	—	—	—	50,075
<b>G F B Kerr</b>						
2015	54,717	—	—	—	—	54,717
2014	54,075	—	—	—	—	54,075
<b>A J H Dougal*</b>						
2015	26,425	—	—	—	—	26,425
2014	—	—	—	—	—	—
<b>J E Toogood*</b>						
2015	3,775	—	—	—	—	3,775
2014	—	—	—	—	—	—

\* Board changes are as follows: M L Court was appointed to the Board on 1 April 2015, A J H Dougal was appointed on 1 March 2015 and J E Toogood was appointed on 1 September 2015.

**Notes****1. Salary and fees**

D R Hummel receives a salary of \$726,346, converted at an average exchange rate of £1/\$1.54 (2014: £1/\$1.66).

The salary and fees for M L Court are included from his appointment to the Board on 1 April 2015.

**2. Taxable benefits**

The taxable benefits for T J Cooper, L S Burdett and M L Court comprise eligibility for a company car and membership of a private medical scheme, covering themselves and their immediate families.

The taxable benefit for M L Court is included from his appointment to the Board on 1 April 2015.

**3. Pensions**

The pension contribution for T J Cooper is based on the value of his salary supplement following his withdrawal from the scheme in 2014.

The pension contribution for M L Court is included from his appointment to the Board on 1 April 2015.

## Annual Report on Remuneration continued

### Remuneration received by Directors for the year ended 30 September 2015 (audited) 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 2015 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	102.7	15	106.4	28.13
L S Burdett	100	102.7	15	106.4	22.50
T J Cooper	100	102.7	15	106.4	22.50
M L Court	100	102.7	15	106.4	18.00

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.

The annual bonus for M L Court of £46,260 reflects a full year's service.

#### 5. Vesting of LTIP awards

The LTIP awards granted on 12 December 2012 and 3 June 2013 were based on performance to the year ended 30 September 2015. 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	105.2p EPS	127.2p EPS	98.1p 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	74% TSR	131.3% TSR	54% TSR	0%
Total vesting					0%

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

Executive	Grant date	Vest date	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Dividend equivalent on shares to vest £	Estimated value £
D R Hummel	12 Dec 2012	12 Dec 2015	35,349	—	35,349	—	—
T J Cooper	12 Dec 2012	12 Dec 2015	16,742	—	16,742	—	—
M L Court*	3 June 2013	3 Jun 2016	12,338	—	12,338	—	—

#### Notes

\* M L Court was appointed to the Board on 1 April 2015, having joined Victrex in February 2013.

**Annual Report on Remuneration continued**  
**Long-term incentives granted during the year (audited)**

On 15 December 2014, 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	% of face value that would vest at threshold performance	Vesting determined by performance over
D R Hummel	Conditional	125% of salary	£19.44	29,749	£578,321	22.5%	Three financial years to 30 September 2017
L S Burdett	Nil cost option	100% of salary	£19.44	15,848	£308,085	22.5%	
T J Cooper	Nil cost option	100% of salary	£19.44	13,735	£267,008	22.5%	
M L Court	Nil cost option	100% of salary	£19.44	12,679	£246,480	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 2014	Granted during the year	Vested/exercised during the year <sup>(1)</sup>	Lapsed during the year	No. of share awards at 30 September 2015	End of performance period	Date from which exercisable <sup>(2)</sup>	Expiry date
<b>D R Hummel</b>										
LTIP	14/12/2009	Nil	16,581	—	16,581	—	—	30/09/2012	14/12/2012	14/12/2019
	13/12/2010	Nil	4,065	—	2,032	—	<b>2,033</b>	30/09/2013	13/12/2013	13/12/2020
	12/12/2011	Nil	48,301	—	—	48,301	—	30/09/2014	n/a	n/a
	12/12/2012	Nil	35,349	—	—	—	<b>35,349</b>	30/09/2015	12/12/2015	12/12/2022
	16/12/2013	Nil	33,076	—	—	—	<b>33,076</b>	30/09/2016	n/a	n/a
	15/12/2014	Nil	—	29,749	—	—	<b>29,749</b>	30/09/2017	n/a	n/a
<b>L S Burdett</b>										
LTIP	13/01/2014	Nil	16,484	—	—	—	<b>16,484</b>	30/09/2016	13/01/2017	13/01/2024
	15/12/2014	Nil	—	15,848	—	—	<b>15,848</b>	30/09/2017	15/12/2017	15/12/2024
SAYE	30/01/2014	£14.51	620	—	—	—	<b>620</b>	n/a	01/03/2017	31/08/2017
<b>T J Cooper</b>										
LTIP	15/02/2010	Nil	4,496	—	4,496	—	—	30/09/2012	15/02/2013	15/02/2020
	13/12/2010	Nil	920	—	460	—	<b>460</b>	30/09/2013	13/12/2013	13/12/2020
	12/12/2011	Nil	11,459	—	—	11,459	—	30/09/2014	n/a	n/a
	12/12/2012	Nil	16,742	—	—	—	<b>16,742</b>	30/09/2015	12/12/2015	12/12/2022
	16/12/2013	Nil	15,834	—	—	—	<b>15,834</b>	30/09/2016	16/12/2016	16/12/2023
	15/12/2014	Nil	—	13,735	—	—	<b>13,735</b>	30/09/2017	15/12/2017	15/12/2024
SAYE	27/01/2011	£11.78	1,292	—	—	—	<b>1,292</b>	n/a	01/03/2016	31/08/2016
<b>M L Court (appointed 1 April 2015)<sup>(3)</sup></b>										
LTIP	03/06/2013	Nil	12,338	—	—	—	<b>12,338</b>	30/09/2015	03/06/2016	03/06/2023
	27/05/2014	Nil	13,296	—	—	—	<b>13,296</b>	30/09/2016	27/05/2017	27/05/2024
	15/12/2014	Nil	—	12,679	—	—	<b>12,679</b>	30/09/2017	15/12/2017	15/12/2024
SAYE	30/01/2014	£14.51	620	—	—	—	<b>620</b>	n/a	01/03/2017	31/08/2017
	05/03/2015	£16.33	—	551	—	—	<b>551</b>	n/a	01/04/2018	30/09/2018

(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 and 2014 awards to D R Hummel were conditional awards and no exercise period applies

(3) M L Court was appointed to the Board on 1 April 2015 after joining Victrex in February 2013 as Managing Director of Invibio

All LTIP awards are subject to the EPS and TSR conditions set out in the 'Vesting of LTIP awards' section on page 59.



## Annual Report on Remuneration continued

### Payments to past Directors (audited)

No payments were made to past Directors. 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 and 13 December 2014 and 574 shares will vest on 13 December 2015 together with the relevant dividend equivalent shares.

In addition, A S Barrow (resigned 31 May 2014) retained his 2009 and 2010 LTIP awards with vesting at the normal vesting dates, subject to scheme performance conditions. Following the end of the performance period (30 September 2012 and 2013 respectively) and the assessment of the performance conditions, from the 2009 award 4,596 shares vested on 14 December 2014, and from the 2010 award 432 shares vested on 13 December 2013 and 13 December 2014, and 431 shares will vest on 13 December 2015.

### Payments for loss of office (audited)

No payments for loss of office were made.

### Statement of Directors' shareholdings and share interests (audited)

Director	Beneficially owned at 1 October 2014	Beneficially owned at 30 September 2015	Outstanding LTIP awards at 30 September 2015	Outstanding deferred share awards	Outstanding share awards under all-employee share plans	Shareholding as a % of salary at 30 September 2015
D R Hummel	3,089,895	3,014,895	100,207	—	—	11,034%
L S Burdett	—	—	32,332	—	620	0%
T J Cooper	2,877	5,922	46,771	—	1,292	38%
M L Court	117	696	38,313	—	1,171	5%
L C Pentz	2,000	2,000	—	—	—	n/a
P J Kirby	3,000	3,000	—	—	—	n/a
G F B Kerr	2,500	2,500	—	—	—	n/a
P J M De Smedt	2,000	2,000	—	—	—	n/a
A J H Dougal	—	1,000	—	—	—	n/a
J E Toogood	—	—	—	—	—	n/a

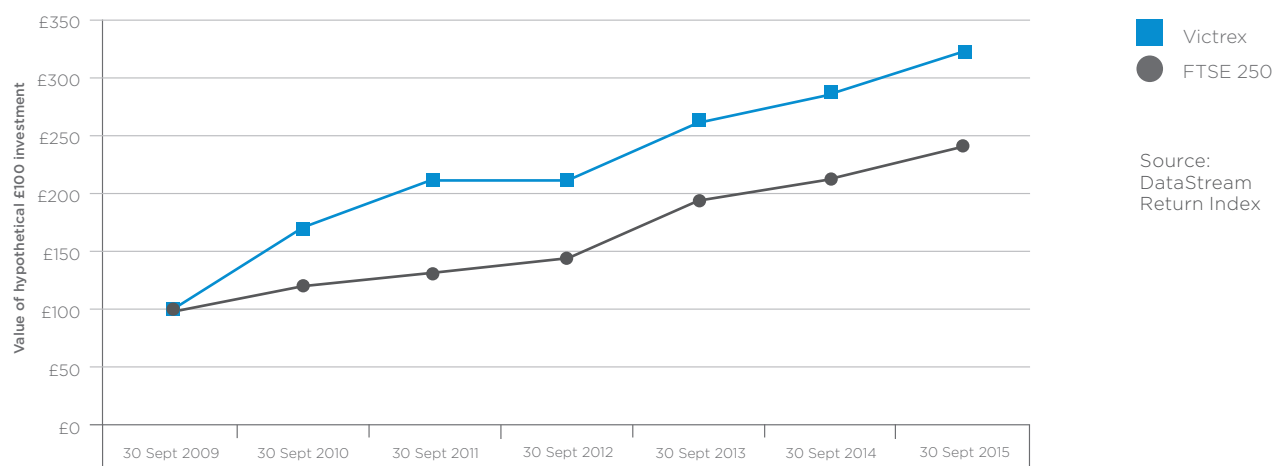
T J Cooper and M L Court acquired an additional 14 shares each during the period from 1 October 2015 to the date of this report through their participation in the All-Employee Share Ownership Scheme.

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 2015 of £17.23.

## Annual Report on Remuneration continued

### Performance graph and table

The following graph shows the cumulative total shareholder return of the Company over the last seven 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.



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	2011	2012	2013	2014	2015
Total remuneration	£2,382,086	£1,532,239	£709,288	£832,147	<b>£735,103</b>
Annual bonus (% of maximum)	71.5%	17.3%	0%*	53.1%	<b>22.5%</b>
LTIP vesting (% of maximum)	100%	100%	16.56%	0%	<b>0%</b>

\* 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 2014 and 30 September 2015, compared to that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2014	2015	% change
<b>Salary</b>			
Chief Executive (\$000)	707	<b>726</b>	2.7
UK employee average (£000)	47	<b>48</b>	2.1
<b>Benefits</b>			
Chief Executive (\$000)	9	<b>8</b>	-11.1
UK employee average (£000)	1	<b>1</b>	—
<b>Annual bonus</b>			
Chief Executive (\$000)	470	<b>204</b>	-56.6
UK employee average (£000)	4	<b>2</b>	-50.0
Average number of UK employees	529	<b>588</b>	11.2

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

## Annual Report on Remuneration continued

### 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 profits for the year attributable to owners of the parent:

	2014	2015	% change
Staff costs (£m)	50.5	<b>54.3</b>	8
Dividends (£m)*	38.4	<b>39.9</b>	4
Tax (£m)	22.5	<b>22.9</b>	2
Profits for the year attributable to owners of the parent (£m)	80.2	<b>83.5</b>	4

\* 2015 includes a proposed final dividend of 35.09p. The special dividend of 50.0p in 2014 has not been included to allow comparison of regular dividends

£1.9m (2014: £2.0m) of the staff costs figures relate to pay for the Directors, of which £0.6m relates to the highest paid Director (2014: £0.7m). Total pension contributions were £0.3m (2014: £0.3m) and for the highest paid Director were £0.1m (2014: £0.1m).

Gains made by Directors on the exercise of share options totalled £0.5m (2014: £1.4m), of which £0.4m relates to the highest paid Director (2014: £0.9m).

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 US employees.

Following his withdrawal from the pension scheme in 2014, T J Cooper received a cash supplement of 12% of salary, subject to statutory deductions. L S Burdett and M L Court received pension contributions of 12% of basic salary into the Group's UK defined contribution arrangement. 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.

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	2015
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	3	<b>3</b>
Defined benefit schemes	0	<b>0</b>

### 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:

- P J M De Smedt (Remuneration Committee Chairman)
- A J H Dougal (appointed 1 March 2015)
- P J Kirby
- G F B Kerr
- J E Toogood (appointed 1 September 2015)

Biographical information on the Committee members and details of attendance at the Committee's meetings during the year are set out on pages 36, 37 and 40.

The Committee has access to independent advice where it considers it appropriate. Towers Watson is our appointed Remuneration Consultant and has advised the Committee during the year. 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 Towers Watson for providing advice in relation to executive remuneration over the financial year under review was £94,388.

## Annual Report on Remuneration continued

### Statement of voting at general meeting

At the 2015 AGM, the following votes were received from shareholders:

	Remuneration Report		Remuneration Policy <sup>(1)</sup>	
Votes cast in favour <sup>(2)</sup>	55,594,558	99.00%	n/a	n/a
Votes cast against	553,358	0.99%	n/a	n/a
Total votes cast	56,156,609	100%	n/a	n/a
Abstentions	2,292,702		n/a	

(1) The Remuneration Policy was approved by shareholders at the 2014 AGM and will be put to vote by shareholders again at the 2017 AGM, in line with Directors' Remuneration guidelines

(2) Does not include Chairman's discretionary votes

Approved by the Board on 8 December 2015

**Patrick De Smedt**

**Chairman of Remuneration Committee**

## The Directors present their Annual Report and Accounts to shareholders for the year ended 30 September 2015.

### 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

The Strategic Report required by the Companies Act 2006 can be found on pages 8 to 35. This report sets out the Company's business model and strategy, contains a review of the business and describes the development and performance of the Group's business during the financial year and the position at the end of the year. It also contains a description of the principal risks and uncertainties facing the Group.

### Research and development

The Group's spend on research and development is disclosed in note 9. Such information is incorporated into this Directors' Report by reference and is deemed to form part of this report.

### Results and dividends

Group profit after tax for the year was £83.5m (2014: £80.2m).

The Directors recommend the payment of a final dividend of 35.09p per ordinary share that, subject to shareholder approval at the Company's annual general meeting, will be paid on 19 February 2016 to all shareholders on the register of members as at 6.00 pm on 5 February 2016. This makes a total regular dividend of 46.82p per ordinary share for the year (2014: 45.15p per ordinary share).

The Company has established employee benefit trusts (EBTs) in connection with the obligation to satisfy future share awards under employee share incentive schemes. The trustees of the EBTs have waived their rights to receive dividends on certain ordinary shares of the Company held in the EBTs. Such waivers represent less than 1 per cent of the total dividend payable on the Company's Ordinary Shares.

### 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 18. During the year 249,522 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 17. The information in notes 17 and 18 is incorporated into this Directors' Report by reference and is deemed to form part of this report.

### 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 and except also where the Company suspends voting rights as referred to above in the event of non-disclosure of an interest as permitted by the Articles of Association. 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 18 to the financial statements. A summary of the Directors' powers in relation to buying back shares is set out below in the paragraph entitled 'Powers of the Directors in relation to share capital'.

No market purchases of the Company's own shares were made during the year.

### AGM

The notice of the 2016 AGM of the Company and explanatory notes are given on pages 98 to 104.

### Directors

The following served as Directors during the financial year:

- Larry Pentz
- Louisa Burdett
- Tim Cooper
- Martin Court (appointed 1 April)
- Patrick De Smedt
- Andrew Dougal (appointed 1 March)
- David Hummel
- Giles Kerr (resigned 30 September)
- Pamela Kirby
- Jane Toogood (appointed 1 September)



## Major interests in shares

The following information has been disclosed to the Company under the Financial Conduct Authority's (FCA's) Disclosure and Transparency Rules (DTR5) in respect of notifiable interests in the voting rights in the Company's issued share capital as at 30 September 2015:

	Number of ordinary shares held	Percentage
BlackRock Inc.	8,486,881	9.93%
Mondrian Investment Partners Limited	4,311,735	5.05%
T. Rowe Price Associates Inc.	4,300,353	5.03%
Schroders Plc	4,250,938	4.98%
David Hummel	3,014,895	3.53%
Royal London Asset Management Limited	2,596,493	3.04%
Montanaro Asset Management Limited	2,589,800	3.03%

Since 1 October 2015, the Company has received further notification advising that Royal London Asset Management Limited's interest is now 2,508,313 which represents 2.94% of the issued share capital at the date of notification and that BlackRock Inc. interest is now 6,732,803 which represents 7.87% of the issued share capital at the date of notification.

## Directors continued

Details of the Directors of the Company are given on pages 36 and 37. Details of Directors' interests in shares are provided in the Directors' Remuneration Report on page 61.

At the forthcoming Annual General Meeting, resolutions will be proposed for the election or re-election of all members of the Board in compliance with the Company's Articles of Association and as recommended by 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 by the Board during the year must retire at the first AGM following his appointment and such Director is eligible to offer himself for election by the Company's shareholders. Additionally, the Company's Articles of Association require the retirement at each AGM of (i) any Director who has held office at the time of the two preceding annual general meetings and who did not retire at either; and

(ii) any non-executive Director who has been in office for a continuous period of nine years or more. Notwithstanding the retirement provisions in the Company's Articles of Association, it is the Company's current practice that all Directors retire from office at each AGM in accordance with the recommendations of the UK Corporate Governance Code.

In addition to the statutory power, a Director may be removed by Special Resolution of the Company. A Director must also automatically cease to be a Director if (i) he is removed from office under the Articles or he ceases to be a Director by virtue of any law 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 mental or physical ill health and Directors resolve to remove him from office, 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.

## Amendment of Articles of Association

The Company's Articles of Association may only be amended by Special Resolution of the Company at a general meeting of its shareholders.

## Powers of the Directors in relation to share capital

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 Company's Directors were granted authority at the annual general meeting in 2015 to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company up to (a) a maximum aggregate nominal amount of £283,992 (being approximately one-third of the issued share capital prior to that AGM) and (b) a further maximum aggregate nominal amount of £283,992 (being approximately one-third of the issued share capital prior to the AGM) in connection with a rights issue only. This authority is due to lapse at the annual general meeting in 2016. At the 2016 AGM, shareholders will be asked to grant a similar allotment authority.

The Directors were empowered at the 2015 annual general meeting to make non pre-emptive issues for cash up to a maximum aggregate

nominal amount of £42,598 (being approximately 5% of the issued share capital prior to that AGM). This power is also due to lapse at the annual general meeting in 2016 and shareholders will be asked to grant a similar power.

The Directors were also authorised at the 2015 annual general meeting to make market purchases of the Company's own ordinary shares up to a maximum aggregate number of 8,519,758 shares (being approximately 10% of the issued share capital prior to that AGM) and subject to the conditions as to pricing set out in the authority. This authority is also due to lapse at the annual general meeting in 2016 when it is proposed that shareholders grant a similar authority.

#### **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 required to be disclosed in this Directors' Report is set out in the Sustainability Report on pages 24 to 35. Such information is incorporated into this Directors' Report by reference and is deemed to form part of this report.

#### **Directors' indemnities**

The Company has granted indemnities in favour of all of its Directors under Deeds of Indemnity. These Deeds were in force during the year ended 30 September 2015 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 on Monday to Friday (excluding public holidays) at the Company's Registered Office and will also be

available at the Company's AGM from at least 15 minutes before the meeting until it ends.

#### **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. The rules of the Company's employee share plans set out the consequences of a change in control of the Company on participants' rights under the plans.

Generally such rights will vest and become exercisable on a change of control subject to the satisfaction of performance conditions.

#### **Employment policies**

The Group's policies as regards the employment of disabled persons and a description of actions the Group has taken to encourage greater employee involvement in the business are set out on pages 32 and 35 respectively. Such information is incorporated into this Directors' Report by reference and is deemed to form part of this report.

#### **UK Corporate Governance Code**

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 38 to 48. 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 14. Such information is incorporated into this Directors' Report by reference and is deemed to form part of this report.

#### **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 (2014: £nil) during the year.

#### **FCA's Disclosure and Transparency Rules**

For the purposes of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR 4.1.5R(2) and DTR 4.1.8R), this Directors' Report and Strategic Report on pages 65 to 68 and pages 8 to 35 together comprise the 'management report'.

#### **Information required by LR 9.8.4R**

There is no information required to be disclosed under LR 9.8.4R save in respect of allotments of equity securities for cash and dividend waivers, which can be found on pages 66 and 65 respectively of this Annual Report.

#### **Going concern**

The Directors have performed a robust assessment, including review of the budget for the year ending 30 September 2016 and longer term strategic forecasts and plans, including consideration of the principal risks faced by the Company, as detailed on pages 22 and 23. 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 14 to the financial statements.

#### **Viability statement**

In accordance with the provision of section C.2.2 of the 2014 revision of the Code, the Directors have assessed the viability of the Group over a five-year period to September 2020, being the period covered by the Group's board-approved strategic plan. The strategic plan, which is updated annually, includes analysis of profit performance (including our core business and the adoption of our Horizon programmes), cash flow, investment programmes and returns to shareholders.

### Viability statement continued

The board consider five years to be an appropriate time horizon for our strategic plan, being the period over which the Group actively focuses on its development pipeline. Whilst there are projects within the portfolio which will take longer to reach this point, a period greater than five years is considered too long given the inherent uncertainties involved.

In making their assessment, the Directors have considered the Group's current strong financial position and undertaken a comprehensive sensitivity analysis over the key trading assumptions combined with the potential impact of crystallisation of one or more of the principal risks (detailed on pages 22 to 23) over the five year period. The risks have been assessed for their potential impact on the Group's business model future trading and funding structure. The range of scenarios tested was carefully considered by the Directors, factoring in the potential impact, probability of occurrence and the effectiveness of the mitigating actions.

Whilst each of the risks outlined on pages 22 to 23 has a potential impact, the sensitivity analysis has been focused on the economic environment, business continuity and supply chain, regulatory compliance and technological change. In addition to the risk mitigation plans, the Group's two distinct segments, both with diverse geographic markets, assist in reducing the risk of regional economic challenges and sector specific issues. The strategy of partnering closely with customers to develop the right applications and our existing and growing list of specified products are also important mitigants.

The mitigation assessment also considered the Groups ability to raise new finance and the possibility of delaying capital programmes and/or restricting shareholder returns over the viability period if required.

Based on the results of this analysis, the Directors have a reasonable expectation, predicated on the assumption that an unforeseen event outside of the Group's control (for example, an event of nature or terror) does not inhibit the Company's ability to manufacture for a sustained period, that the Group will be able to continue in operation and meet its liabilities as they fall due over the five year period.

### Disclosure of information to auditor

The Directors in office at the date of approval of this Directors' Report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and that they have taken all the steps that they ought to have taken as a Director to make themselves 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

**Muireann Jacobs**  
**Company Secretary**  
8 December 2015

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs 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 the 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.

### **Responsibility statement of the Directors 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 the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Board considers 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 position and performance, business model and strategy.

By order of the Board

**Louisa Burdett**  
**Group Finance Director**  
8 December 2015

## 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 2015 set out on pages 72 to 96. 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 2015 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 our audit were as follows:

#### Valuation of inventories (£57.4 million)

Refer to page 48 of the Audit Committee Report and note 12 on page 86 for accounting policy and financial disclosures

- The risk – The Group has significant levels of inventory and a number of estimates are involved in its valuation. Significant estimates are made relating to the absorption of manufacturing costs, and the Group's assessment of provisions required 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 the determination of fully absorbed manufacturing costs, our audit procedures included: challenging the Group's assessment of the normal levels of production for

absorption costing purposes by comparing actual and budgeted levels of production over the past two years; critically assessing the impact of manufacturing variances relating to production output.

In critically assessing provisions for slow moving and obsolete inventories our audit procedures included: testing the design and effectiveness of 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 gain further comfort over the level of slow moving and obsolete inventories, including understanding the process for their identification through enquiry and observation. We considered realisations of slow moving inventories during the year and compared these to the Group's expected recoveries for slow moving inventories at the previous the year-end date. We also considered the adequacy of the Group's disclosures in respect of inventory.

#### Retirement benefit obligations (£5.8million, net obligations)

Refer to page 48 of the Audit Committee Report and note 15 on pages 89 to 91 for accounting policy and financial disclosures

- The risk – Significant estimates are made in valuing the Group's post-retirement defined benefit schemes. Small changes in assumptions, estimates, and membership data used to value the Group's net pension deficit would have a significant effect on the results and financial position of the Group.
- Our response – A valuation of the scheme liabilities is provided by an external actuary on behalf of the Group based on various assumptions. As a result, in this area our audit procedures included testing of the design and effectiveness of controls over the maintenance of each scheme's membership data. For a sample of members, we compared the membership 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 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 £5.4m (2014: £7.5m) (Fig 1), determined with reference to a benchmark of Group profit before taxation, of which it represents 5.0%, a reduction on 2014 reflecting a move to industry consensus levels (2014: 7.3%).

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £270,000, 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 18 reporting components, and a review of financial information, including enquiry, at a further component in Japan. The latter was not individually significant enough to require an audit for Group reporting purposes, but we performed a review of financial information due to its comparatively remote geographical location and its operational significance to the Group's operations in the Asia-Pacific region.

The level of coverage from audits for Group reporting purposes and review of the Japan component are illustrated opposite (Fig 2).

For the remaining components, we performed analysis at an aggregated Group level 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 materialities, which ranged from £1.0m to £2.0m, having regard to the mix of size and risk profile of the businesses within the Group.



Fig 1

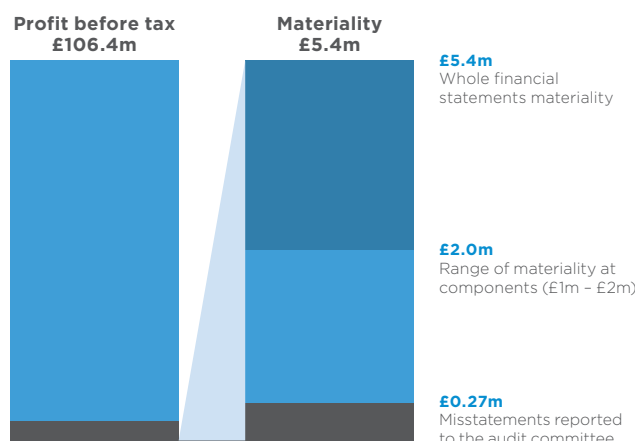
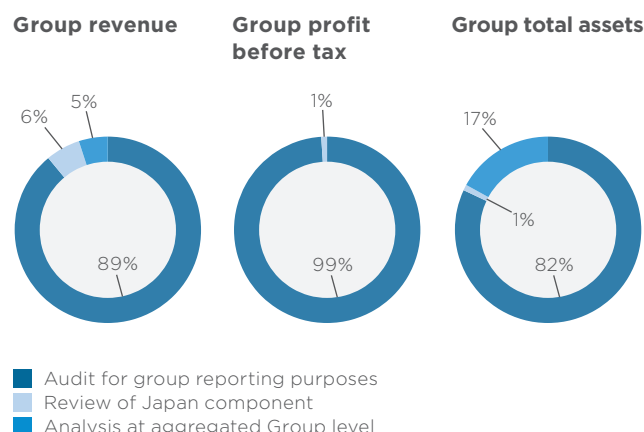


Fig 2



#### 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 on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Report on pages 65 to 68, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the 5 years to 30 September; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

#### 6 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' statements, set out on pages 67 and 68, in relation to going concern and long-term viability; and

→ the part of the Corporate Governance Statement on pages 38 to 48 relating to the Company's compliance with the eleven provisions of the 2014 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 69, 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](http://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](http://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  
 1 St Peter's Square  
 Manchester  
 M2 3AE  
 8 December 2015

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER

	Note	2015 £m	2014 £m
<b>Revenue</b>	2	<b>263.5</b>	252.6
Cost of sales	3	<b>(95.3)</b>	(89.4)
<b>Gross profit</b>		<b>168.2</b>	163.2
Sales, marketing and administrative expenses	3	<b>(61.9)</b>	(61.0)
<b>Operating profit</b>	2	<b>106.3</b>	102.2
Financial income		<b>0.3</b>	0.6
Financial expenses		<b>(0.2)</b>	(0.1)
<b>Profit before tax</b>		<b>106.4</b>	102.7
Income tax expense	5	<b>(22.9)</b>	(22.5)
<b>Profit for the year attributable to owners of the Parent</b>		<b>83.5</b>	80.2
<b>Earnings per share</b>			
Basic	6	<b>98.1p</b>	94.6p
Diluted	6	<b>97.9p</b>	94.3p
<b>Dividend per ordinary share</b>			
Interim	18	<b>11.73p</b>	11.39p
Final	18	<b>35.09p</b>	33.76p
Special	18	<b>—</b>	50.00p
	18	<b>46.82p</b>	95.15p

A final dividend in respect of 2015 of 35.09p per ordinary share has been recommended by the Directors for approval at the Annual General Meeting in February 2016.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER

	Note	2015 £m	2014 £m
Profit for the year		<b>83.5</b>	80.2
<b>Items that will not be reclassified to profit or loss</b>			
Defined benefit pension schemes' actuarial gains/(losses)	15	<b>1.4</b>	(5.2)
Income tax on items that will not be reclassified to profit or loss	5	<b>(0.3)</b>	1.0
		<b>1.1</b>	(4.2)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences for foreign operations		<b>0.9</b>	(0.7)
Effective portion of changes in fair value of cash flow hedges		<b>(2.3)</b>	5.1
Net change in fair value of cash flow hedges transferred to profit or loss		<b>(0.9)</b>	(8.2)
Income tax on items that may be reclassified to profit or loss	5	<b>(0.1)</b>	0.5
		<b>(2.4)</b>	(3.3)
<b>Total other comprehensive expense for the year</b>		<b>(1.3)</b>	(7.5)
<b>Total comprehensive income for the year attributable to owners of the Parent</b>		<b>82.2</b>	72.7

		Group		Company	
	Note	2015 £m	2014 £m	2015 £m	2014 £m
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	251.3	227.6	—	—
Intangible assets	9	20.4	10.1	—	—
Investments	10	—	—	111.6	48.2
Deferred tax assets	11	6.7	7.1	—	—
Other receivables	14	—	—	—	19.9
		278.4	244.8	111.6	68.1
<b>Current assets</b>					
Inventories	12	57.4	44.2	—	—
Current income tax assets		1.4	0.7	—	—
Trade and other receivables	13	33.5	33.0	9.1	79.8
Derivative financial instruments	14	2.0	4.0	—	—
Cash and cash equivalents		53.8	89.6	1.3	—
		148.1	171.5	10.4	79.8
<b>Total assets</b>		<b>426.5</b>	<b>416.3</b>	<b>122.0</b>	<b>147.9</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	11	(19.2)	(17.8)	—	—
Retirement benefit obligations	15	(5.8)	(7.8)	—	—
		(25.0)	(25.6)	—	—
<b>Current liabilities</b>					
Derivative financial instruments	14	(4.4)	(2.3)	—	—
Current income tax liabilities		(4.9)	(7.9)	(0.2)	(0.2)
Trade and other payables	16	(33.6)	(27.1)	(21.8)	(8.5)
		(42.9)	(37.3)	(22.0)	(8.7)
<b>Total liabilities</b>		<b>(67.9)</b>	<b>(62.9)</b>	<b>(22.0)</b>	<b>(8.7)</b>
<b>Net assets</b>		<b>358.6</b>	<b>353.4</b>	<b>100.0</b>	<b>139.2</b>
<b>Equity</b>					
Share capital	18	0.9	0.9	0.9	0.9
Share premium	18	36.8	34.4	36.8	34.4
Translation reserve	18	1.7	0.8	—	—
Hedging reserve	18	(1.6)	0.9	—	—
Retained earnings	18	320.8	316.4	62.3	103.9
<b>Total equity attributable to owners of the Parent</b>		<b>358.6</b>	<b>353.4</b>	<b>100.0</b>	<b>139.2</b>

These financial statements of Victrex plc, registered number 2793780, were approved by the Board of Directors on 8 December 2015 and were signed on its behalf by:

**D R Hummel**      **L S Burdett**  
**Chief Executive**   **Group Finance Director**

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER

	Note	Group		Company	
		2015 £m	2014 £m	2015 £m	2014 £m
Profit after tax for the year		<b>83.5</b>	80.2	<b>37.8</b>	103.4
Income tax expense	5	<b>22.9</b>	22.5	<b>0.5</b>	0.3
Net financing income		<b>(0.1)</b>	(0.5)	<b>(1.5)</b>	(1.4)
Dividends received from subsidiaries		—	—	<b>(35.8)</b>	(102.2)
Operating profit		<b>106.3</b>	102.2	<b>1.0</b>	0.1
Adjustments for:					
Depreciation	8	<b>12.5</b>	10.0	—	—
Amortisation	9	<b>0.4</b>	—	—	—
Loss on disposal of non-current assets	8	<b>0.3</b>	1.3	—	—
(Increase)/decrease in inventories		<b>(11.3)</b>	6.7	—	—
(Increase)/decrease in receivables		<b>(1.4)</b>	(6.5)	<b>71.0</b>	(69.2)
Increase/(decrease) in payables		<b>2.9</b>	4.5	<b>13.3</b>	(0.1)
Equity-settled share-based payment transactions	17	<b>1.8</b>	1.1	—	—
Changes in fair value of derivative financial instruments	14	<b>1.0</b>	(0.1)	—	—
Retirement benefit obligations charge less contributions		<b>(0.6)</b>	(0.9)	—	—
<b>Cash generated from operations</b>		<b>111.9</b>	118.3	<b>85.3</b>	(69.2)
Net financing income received		<b>0.3</b>	0.6	<b>1.5</b>	1.4
Tax paid		<b>(24.6)</b>	(21.1)	<b>(0.5)</b>	(0.3)
<b>Net cash flow from operating activities</b>		<b>87.6</b>	97.8	<b>86.3</b>	(68.1)
<b>Cash flows from investing activities</b>					
Acquisition of investments		—	—	<b>(7.5)</b>	—
Acquisition of property, plant and equipment		<b>(41.2)</b>	(65.6)	—	—
Dividends received		—	—	<b>1.3</b>	102.2
Cash consideration of acquisitions		<b>(4.1)</b>	—	—	—
Cash acquired with acquisitions		<b>0.1</b>	—	—	—
<b>Net cash flow from investing activities</b>		<b>(45.2)</b>	(65.6)	<b>(6.2)</b>	102.2
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary shares exercised under option	18	<b>2.4</b>	3.2	<b>2.4</b>	3.2
Dividends paid	18	<b>(81.2)</b>	(37.3)	<b>(81.2)</b>	(37.3)
<b>Net cash flow from financing activities</b>		<b>(78.8)</b>	(34.1)	<b>(78.8)</b>	(34.1)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(36.4)</b>	(1.9)	<b>1.3</b>	—
Effect of exchange rate fluctuations on cash held		<b>0.6</b>	(0.1)	—	—
Cash and cash equivalents at beginning of year		<b>89.6</b>	91.6	—	—
<b>Cash and cash equivalents at end of year</b>		<b>53.8</b>	89.6	<b>1.3</b>	—

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
<b>Equity at 1 October 2013</b>		0.8	31.3	1.5	3.3	276.8	313.7
<b>Total comprehensive income for the year</b>							
Profit		—	—	—	—	80.2	80.2
<b>Other comprehensive (expense)/income</b>							
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	15	—	—	—	—	(5.2)	(5.2)
Tax on other comprehensive income	5	—	—	—	0.7	0.8	1.5
<b>Total other comprehensive expense for the year</b>		—	—	(0.7)	(2.4)	(4.4)	(7.5)
<b>Total comprehensive (expense)/income for the year</b>		—	—	(0.7)	(2.4)	75.8	72.7
<b>Contributions by and distributions to owners of the Company</b>							
Share options exercised	18	0.1	3.1	—	—	—	3.2
Equity-settled share-based payment transactions	17	—	—	—	—	1.1	1.1
Dividends to shareholders	18	—	—	—	—	(37.3)	(37.3)
<b>Equity at 30 September 2014</b>		0.9	34.4	0.8	0.9	316.4	353.4
<b>Total comprehensive income for the year</b>							
Profit		—	—	—	—	83.5	83.5
<b>Other comprehensive income/(expense)</b>							
Currency translation differences for foreign operations		—	—	0.9	—	—	0.9
Effective portion of changes in fair value of cash flow hedges		—	—	—	(2.3)	—	(2.3)
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	(0.9)	—	(0.9)
Defined benefit pension schemes actuarial gains	15	—	—	—	—	1.4	1.4
Tax on other comprehensive income	5	—	—	—	0.7	(1.1)	(0.4)
<b>Total other comprehensive income/(expense) for the year</b>		—	—	0.9	(2.5)	0.3	(1.3)
<b>Total comprehensive income/(expense) for the year</b>		—	—	0.9	(2.5)	83.8	82.2
<b>Contributions by and distributions to owners of the Company</b>							
Share options exercised	18	—	2.4	—	—	—	2.4
Equity-settled share-based payment transactions	17	—	—	—	—	1.8	1.8
Dividends to shareholders	18	—	—	—	—	(81.2)	(81.2)
<b>Equity at 30 September 2015</b>		0.9	36.8	1.7	(1.6)	320.8	358.6



## COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
<b>Equity at 1 October 2013</b>		0.8	31.3	36.7	68.8
<b>Total comprehensive income for the year</b>					
Profit (includes dividends from subsidiaries of £102.2m)		—	—	103.4	103.4
<b>Contributions by and distributions to owners of the Company</b>					
Share options exercised	18	0.1	3.1	—	3.2
Equity-settled share-based payment transactions	17	—	—	1.1	1.1
Dividends to shareholders	18	—	—	(37.3)	(37.3)
<b>Equity at 30 September 2014</b>		0.9	34.4	103.9	139.2
<b>Total comprehensive income for the year</b>					
Profit (includes dividends from subsidiaries of £35.8m)		—	—	37.8	37.8
<b>Contributions by and distributions to owners of the Company</b>					
Share options exercised	18	—	2.4	—	2.4
Equity-settled share-based payment transactions	17	—	—	1.8	1.8
Dividends to shareholders	18	—	—	(81.2)	(81.2)
<b>Equity at 30 September 2015</b>		0.9	36.8	62.3	100.0

## 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 2015 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 2015.

### 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 8 to 35. In addition, note 14 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 2015 and remained undrawn at 8 December 2015 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 2016 and longer term strategic forecasts and plans including consideration of the principal risks faced by the Company, as detailed on pages 22 and 23. Following this review the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for the foreseeable future, a period considered to be at least twelve 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 14 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 20.

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 were effective for the financial year ending 30 September 2015, which included:

- 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;
- Amendments to IAS 19 – Defined Benefit Plans: Employee contributions
- Annual Improvements to IFRSs – 2010-2012 Cycle

None of these have had a material impact to the Group's consolidated result or financial position.

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.

## 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 gross profit. Management of sales, marketing and administration functions servicing both business units is consolidated and reported at a Group level.

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. Based on the nature of its business, Kleiss Gears is included within Victrex Polymer Solutions.

	Victrex Polymer Solutions 2015 £m	Invibio Biomaterial Solutions 2015 £m	Group 2015 £m	Victrex Polymer Solutions 2014 £m	Invibio Biomaterial Solutions 2014 £m	Group 2014 £m
<b>Revenue from external sales</b>	<b>213.0</b>	<b>50.5</b>	<b>263.5</b>	199.2	53.4	252.6
<b>Segment gross profit</b>	<b>123.9</b>	<b>44.3</b>	<b>168.2</b>	116.1	47.1	163.2
Sales, marketing and administrative expenses			<b>(61.9)</b>			(61.0)
<b>Operating profit</b>			<b>106.3</b>			102.2
Net financing income			<b>0.1</b>			0.5
<b>Profit before tax</b>			<b>106.4</b>			102.7
Income tax			<b>(22.9)</b>			(22.5)
<b>Profit for the year attributable to owners of the Parent</b>			<b>83.5</b>			80.2

### 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	
	2015 £m	2014 £m
United Kingdom	<b>7.0</b>	6.7
Europe, Middle East and Africa ('EMEA')	<b>106.5</b>	108.9
Americas	<b>70.6</b>	81.1
Asia-Pacific	<b>79.4</b>	55.9
	<b>263.5</b>	252.6

#### Information about major customers

In the current year one customer contributed more than 10% to Group revenue (2014: no customers). Sales to this customer were made from the Victrex Polymer Solutions operating segment.

### 3. Expenses by nature

	Note	2015 £m	2014 £m
Staff costs	4	<b>54.3</b>	50.5
Depreciation of property, plant and equipment	8	<b>12.5</b>	10.0
Loss on disposal of property, plant and equipment	8	<b>0.3</b>	1.3
Operating lease rentals	8	<b>1.2</b>	1.5
Amortisation of intangibles	9	<b>0.4</b>	—
Other costs of manufacture		<b>64.5</b>	63.3
Other sales, marketing and administrative expenses		<b>24.0</b>	23.8
		<b>157.2</b>	150.4

Auditor's remuneration was as follows:

	2015 £000	2014 £000
Audit services relating to:		
- Victrex plc Annual Report	<b>43</b>	33
- The Company's subsidiaries, pursuant to legislation	<b>96</b>	94
	<b>139</b>	127
Interim review	<b>14</b>	14*
Pension advisory services	<b>42</b>	26
Taxation advisory services	<b>—</b>	11
Other services	<b>12</b>	21
	<b>68</b>	72
	<b>207</b>	199

\* The Interim review fee paid to the auditor was included within audit fees in the prior year financial statements.

### 4. Staff costs

	Note	2015 £m	2014 £m
Wages and salaries		<b>42.0</b>	40.1
Social security costs		<b>4.8</b>	4.6
Defined contribution pension schemes		<b>3.8</b>	3.0
Defined benefit pension schemes	15	<b>1.9</b>	1.7
Equity-settled share-based payment transactions	17	<b>1.8</b>	1.1
		<b>54.3</b>	50.5

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

	2015	2014
Operations	<b>401</b>	362
Technical	<b>86</b>	86
Commercial	<b>140</b>	132
Administration	<b>115</b>	101
	<b>742</b>	681

## 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.

	Note	2015 £m	2014 £m
<b>Current tax</b>			
UK corporation tax on profits for the year		20.2	19.3
Overseas tax on profits for the year		1.4	3.1
Tax adjustments relating to prior years		0.6	(2.1)
		22.2	20.3
<b>Deferred tax</b>			
Origination and reversal of temporary differences	11	0.3	0.8
Deferred tax adjustments relating to prior years	11	0.4	1.4
<b>Total tax expense in income statement</b>		22.9	22.5

### Reconciliation of effective tax rate

	2015		2014	
	%	£m	%	£m
Profit before tax		106.4		102.7
Tax expense at UK corporation tax rate	20.5	21.8	22.0	22.6
Effects of:				
- Expenses not deductible for tax purposes		0.6		0.9
- Higher rates of tax on overseas earnings		0.5		0.8
- UK research and development tax credits and other allowances		(1.0)		(1.1)
- Corporation tax adjustments relating to prior years		0.6		(2.1)
- Deferred tax adjustments relating to prior years		0.4		1.4
<b>Effective tax rate</b>	21.5	22.9	21.9	22.5

The deferred tax assets/liabilities at 30 September 2015 and 30 September 2014 have been calculated at a rate of 20%, being the UK tax rate substantively enacted at the respective balance sheet dates.

On 26 October 2015 reductions in the corporation tax rate to 19% (from 1 April 2017) and to 18% (from 1 April 2020) were substantively enacted. Accordingly, as a post balance sheet event, deferred tax remeasurement is not required; however, applying these rates to the current deferred tax balance would result in a reduction of the liability by £0.6m to £11.9m at 19%, or by £1.2m to £11.3m at 18%.

### Tax recognised in other comprehensive income

	2015 £m	2014 £m
Cash flow hedges	0.7	0.7
Defined benefit pension schemes	(0.3)	1.0
Equity-settled transactions	(0.8)	(0.2)
	(0.4)	1.5

## 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 18).

	2015	2014
<b>Earnings per share</b>		
– basic	<b>98.1p</b>	94.6p
– diluted	<b>97.9p</b>	94.3p
<b>Profit for the financial year</b>	<b>£83.5m</b>	£80.2m
Weighted average number of shares used:		
– Issued ordinary shares at beginning of year	<b>85,192,469</b>	84,780,543
– Effect of own shares held	<b>(233,424)</b>	(276,139)
– Effect of shares issued during the year	<b>146,858</b>	254,223
<b>Basic weighted average number of shares</b>	<b>85,105,903</b>	84,758,627
Effect of share options	<b>183,053</b>	304,220
<b>Diluted weighted average number of shares</b>	<b>85,288,956</b>	85,062,847

## 7. Acquisition

The acquisition method is used to account for business combinations. Goodwill represents the difference between the acquisition date fair value of the consideration transferred and the net of the acquisition date fair values of the identifiable assets acquired, including intangibles, and liabilities assumed, including contingent liabilities as required by IFRS 3. In the event that this difference is negative, the amount is recognised directly in the consolidated income statement.

Any contingent consideration is measured at fair value at the date of acquisition. Subsequent changes to the fair value of contingent consideration that are not classified as equity are recognised in the consolidated income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

### Acquisition of Kleiss Gears

On 18 June 2015, the Group acquired 100% of the issued share capital of Kleiss Gears, Inc (a Wisconsin corporation) and Kleiss Precision Tool Corp. (a Wisconsin corporation) for a cash consideration of \$5.8m (£3.8m). In addition, debt of \$0.4m (£0.3m) was paid on behalf of Kleiss Gears, Inc and Kleiss Precision Tool Corp, taking total consideration to \$6.2m (£4.1m).

Kleiss Gears is a US-based polymer gears manufacturer, with over 20 years' experience of unique design and precision moulding capability in gears. The acquisition is in line with Victrex's strategy of moving further downstream and investing in growth acceleration opportunities for its pipeline projects.

The net identifiable assets on acquisition of \$3.4m (£2.2m) include intangible assets of \$0.9m (£0.6m), representing the fair value of Kleiss' unique computer software and customer relationships, and property, plant and equipment of \$1.9m (£1.2m) including a building purchased from Kleiss Environmental LLC, a related party of Kleiss Gears, as part of the purchase agreement.

The Board believes that the excess of consideration paid over the fair value of the net identifiable assets of \$2.4m (£1.6m, see note 9) is best considered as goodwill on acquisition representing employee expertise and anticipated future operating synergies. See note 9 for further details. All of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs of £0.1m have been recognised as an expense within sales, marketing and administrative expenses in the consolidated income statement.

Included in the year ended 30 September 2015 is revenue of £0.7m and a profit before tax of £0.0m in respect of Kleiss Gears. Had the acquisition of Kleiss Gears been effected at 1 October 2014, the revenue and profit before tax of the Group for the current year would have been £265.2m and £106.4m respectively.



## 8. 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.

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
<b>Cost</b>						
At 1 October 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
Exchange differences	(0.1)	0.2	—	—	—	0.1
Additions	0.3	4.3	1.2	0.1	32.9	38.8
Acquisitions (see note 7)	0.5	0.7	—	—	—	1.2
Disposals	(0.3)	(0.3)	(2.1)	—	—	(2.7)
Transfer to intangible assets	—	—	—	—	(3.6)	(3.6)
Reclassification	21.4	100.6	—	0.4	(122.4)	—
<b>At 30 September 2015</b>	<b>51.8</b>	<b>279.8</b>	<b>6.6</b>	<b>2.9</b>	<b>5.2</b>	<b>346.3</b>
<b>Depreciation</b>						
At 1 October 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
Disposals	(0.2)	(0.1)	(2.1)	—	—	(2.4)
Depreciation charge	1.2	9.6	1.3	0.4	—	12.5
<b>At 30 September 2015</b>	<b>6.5</b>	<b>82.8</b>	<b>4.1</b>	<b>1.6</b>	<b>—</b>	<b>95.0</b>
<b>Carrying amounts</b>						
<b>At 30 September 2015</b>	<b>45.3</b>	<b>197.0</b>	<b>2.5</b>	<b>1.3</b>	<b>5.2</b>	<b>251.3</b>
At 30 September 2014	24.5	101.0	2.6	1.2	98.3	227.6
At 1 October 2013	26.1	101.3	2.9	1.4	44.0	175.7

Reclassification relates to the movement from assets under construction to the relevant asset category when the assets are ready for their intended use. Details of significant projects reclassified in the year are included in the Financial Review.

The Company has no property, plant or equipment.

## 8. 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	2015 £m	2014 £m
Not later than one year	1.0	1.0
Later than one year but not later than five years	2.0	2.4
Later than five years	2.5	2.7
	<b>5.5</b>	<b>6.1</b>

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

Operating lease rentals of £1.2m (2014: £1.5m) relating to the lease of property, plant and equipment are included in the income statement (see note 3).

## 9. Intangible assets

	Goodwill £m	Computer software £m	Customer relationships £m	Assets in course of construction £m	Total £m
<b>Cost</b>					
At 1 October 2013 and 30 September 2014	10.1	—	—	—	10.1
Transfer from tangible assets	—	—	—	3.6	3.6
Additions	—	—	—	4.9	4.9
Acquisitions (see note 7)	1.6	0.3	0.3	—	2.2
Disposals	—	—	—	—	—
Reclassification	—	2.9	—	(2.9)	—
<b>At 30 September 2015</b>	<b>11.7</b>	<b>3.2</b>	<b>0.3</b>	<b>5.6</b>	<b>20.8</b>
<b>Amortisation</b>					
At 1 October 2013 and 30 September 2014	—	—	—	—	—
Amortisation charge	—	0.4	—	—	0.4
<b>At 30 September 2015</b>	<b>—</b>	<b>0.4</b>	<b>—</b>	<b>—</b>	<b>0.4</b>
<b>Carrying amounts</b>					
<b>At 30 September 2015</b>	<b>11.7</b>	<b>2.8</b>	<b>0.3</b>	<b>5.6</b>	<b>20.4</b>
At 1 October 2013 and 30 September 2014	10.1	—	—	—	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.

## 9. Intangible assets continued

### Goodwill continued

£1.6m of goodwill was recognised in the current period on the acquisition of Kleiss Gears. This element of goodwill is measured against the discounted future cash flow projections of the Kleiss Gears business. The long-term average growth rate used was 2.0% and the risk adjusted discount rate was 11.0%. Based on the impairment results, it has been determined to be unlikely that any reasonably possible changes in any of the key assumptions would result in an impairment of goodwill.

The remaining 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). This element of goodwill is measured against the discounted future cash flow projections of our Victrex Polymer Solutions business unit (excluding Kleiss Gears). The long-term average growth rate used was 2.0% (2014: 2.0%) and the risk adjusted discount rate was 8.0% (2014: 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.

### Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### Amortisation

Amortisation is charged to the income statement over the estimated useful economic lives as follows:

Computer software 5 years straight line

Customer relationships 10 years systematic

Amortisation 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.

### 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 £13.7m (2014: £15.7m) was expensed to the income statement in the year within administrative expenses.

## 10. 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.

#### 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 2013 and 30 September 2014	48.2
Cash equity injection	7.5
Capitalisation of intragroup loans	55.9

**At 30 September 2015** **111.6**

On 30 September 2015, following a review of intragroup balances, the Company capitalised £55.9m of balances with Victrex US Holdings Inc (£34.6m) and Invibio Limited (£21.3m). In addition, £7.5m of equity was injected into Victrex US Holdings Inc.

## 10. Investments continued

### Company continued

The following is a full list of the Company's subsidiaries:

	Company number	Country of registration and operation
<b>Subsidiary undertakings</b>		
Victrex Manufacturing Limited*	02845018	Great Britain
Invibio Limited*	04088050	Great Britain
Invibio Knees Limited	08149440	Great Britain
Invibio Device Component Manufacturing Limited	08861250	Great Britain
Juvora Limited	08149439	Great Britain
Victrex Trading Limited*	04956435	Great Britain
Victrex Trustee Limited*	03075501	Great Britain
Victrex USA Holdings Limited	07752971	Great Britain
Victrex USA Holdings Inc.*		USA
Victrex Europa GmbH*		Germany
Victrex Japan, Inc.*		Japan
Victrex High Performance Materials (Shanghai) Co., Ltd		China
Victrex USA, Inc.		USA
Invibio USA, Inc.		USA
Invibio GmbH		Germany
Invibio (Beijing) Trading Co Limited		China
Invibio Device Components Manufacturing Inc		USA
Kleiss Gears Inc**		USA
Kleiss Tools Precision Corporation**		USA

\* Directly held by Victrex plc.

\*\* Kleiss Gears Inc and Kleiss Tools Precision Corporation were acquired on 18 June 2015 and merged into Kleiss Gears Inc on 30 September 2015, see note 7.

All subsidiaries are wholly owned and are involved in the principal activities of the Group.

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 balance sheet.

## 11. Deferred tax assets and liabilities

	As at 30 September 2015					As at 30 September 2014				
	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	—	1.8	4.1	0.8	6.7	—	2.7	3.6	0.8	7.1
Deferred tax liabilities	(19.2)	—	—	—	(19.2)	(17.8)	—	—	—	(17.8)
Net deferred tax (liabilities)/assets	(19.2)	1.8	4.1	0.8	(12.5)	(17.8)	2.7	3.6	0.8	(10.7)

	Note	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Other £m	Total £m
<b>Movement in net provision</b>						
At 1 October 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)
Prior period adjustment	5	(0.4)	—	—	—	(0.4)
Recognised in income statement	5	(1.0)	0.2	0.5	—	(0.3)
Recognised in other comprehensive income	5	—	(1.1)	—	—	(1.1)
<b>At 30 September 2015</b>		<b>(19.2)</b>	<b>1.8</b>	<b>4.1</b>	<b>0.8</b>	<b>(12.5)</b>

**12. 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). Cost is calculated using the weighted average method. 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 20.

As at 30 September	2015 £m	2014 £m
Raw materials and consumables	22.7	14.2
Work in progress	4.8	4.4
Finished goods	29.9	25.6
	<b>57.4</b>	<b>44.2</b>

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

**13. Trade and other receivables**

	Group		Company	
As at 30 September	2015 £m	2014 £m	2015 £m	2014 £m
Trade receivables	25.3	26.4	—	—
Amounts owed by subsidiary undertakings	—	—	9.1	79.8
Prepayments	6.3	3.7	—	—
Other	1.9	2.9	—	—
	<b>33.5</b>	<b>33.0</b>	<b>9.1</b>	<b>79.8</b>

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

**14. 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 2015 is £5.8m, £3.7m and £0.7m (2014: £5.5m, £4.2m and £0.7m) respectively. The impact of a 5% movement in the average Sterling/US Dollar, Sterling/Euro and Sterling/Yen rates on equity for 2015 is £2.9m, £0.5m and £0.4m (2014: £2.4m, £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.

## 14. 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 86. 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 2015		As at 30 September 2014	
	Notional contract amount £m	Carrying amount and fair value £m	Notional contract amount £m	Carrying amount and fair value £m
Current assets	22.2	2.0	106.9	4.0
Current liabilities	161.1	(4.4)	65.6	(2.3)
	183.3	(2.4)	172.5	1.7

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 2015				As at 30 September 2014			
	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	22.2	14.9	6.5	0.8	106.9	62.6	43.5	0.8
- Liabilities	161.1	83.5	68.8	8.8	65.6	27.1	31.6	6.9
	183.3	98.4	75.3	9.6	172.5	89.7	75.1	7.7

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2015 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 2015, 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, losses of £0.4m (2014: gains of £0.6m) relating to forward exchange contracts on the balance sheet at 30 September 2015 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 loss of £1.0m in the year (2014: £0.1m gain).

### Credit risk

The Group manages exposure to credit risk at many levels ranging from Executive Leadership Team 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.



# 14. Financial risk management continued

## Credit risk continued

Trade receivables can be analysed as follows:

As at 30 September	2015 £m	2014 £m
Amounts neither past due nor impaired	21.4	23.4
Amounts past due but not impaired:		
– Less than 30 days	2.9	2.5
– 30–60 days	0.9	0.4
– More than 60 days	0.1	0.1
Total past due but not impaired	3.9	3.0
Amounts impaired	0.5	0.5
Impairment allowances	(0.5)	(0.5)
Carrying amount of impaired receivables	—	—
<b>Trade receivables net of allowances</b>	<b>25.3</b>	<b>26.4</b>

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:

	2015 £m	2014 £m
At beginning of year	0.5	0.6
Charge in the year	—	—
Release of allowance	—	(0.1)
<b>At end of year</b>	<b>0.5</b>	<b>0.5</b>

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 2015, the maximum exposure with a single bank for deposits was £14.3m (2014: £24.8m) for the Group. As at 30 September 2015, the largest mark to market exposure for gains on forward foreign exchange contracts to a single bank was £1.0m (2014: £2.0m). 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 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 2015, the Group had a cash and cash equivalents balance of £53.8m.

## 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 2016, although there is a resolution proposed at each 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.

## 14. Financial risk management continued

### Capital management continued

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

As at 30 September	2015 £m	2014 £m
Total equity	358.6	353.4
Total assets	426.5	416.3
<b>Equity ratio</b>	<b>84%</b>	<b>85%</b>

### Summary of categories of financial assets and liabilities

As at 30 September	Note	Carrying amount and fair value 2015 £m	Carrying amount and fair value 2014 £m
<b>Financial assets</b>			
Derivative instruments in designated hedge accounting relationships		2.0	4.0
Receivables	13	27.2	29.3
Cash and cash equivalents		53.8	89.6
<b>Financial liabilities</b>			
Derivative instruments in designated hedge accounting relationships		(4.4)	(2.3)
Trade and other payables	16	(8.7)	(7.3)

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 87 and 88.

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

### Company

The only trade receivables of the Company are amounts owed by UK subsidiary undertakings, which are financial assets designated as loans and receivables.

The loans outstanding as at 30 September 2014 (£19.9m) had a term of 7–8 years at interest rates of 7.15–7.40%.

## 15. 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 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. Outside the UK, the Company operates defined contribution pension schemes.

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.

# 15. Retirement benefit obligations continued

## Employee benefits continued

Regarding our retirement benefit obligations, we announced a proposal in November 2015 to close the UK defined benefit scheme to future accrual. Consultation began on 1 December 2015 with an expected completion date of 31 January 2016. Subject to consultation, the scheme will close on 31 March 2016, at which point employees in the defined benefit scheme will be eligible to join the defined contribution scheme.

IAS 19 disclosures relating to defined benefits are as follows:

## Principal actuarial assumptions

As at 30 September	2015	2014
Discount rate	4.00%	4.00%
Future salary increases	3.50%	3.50%
Future pension increases	3.40%	3.40%
Mortality tables	S1NA CMI 2014 (1.25%)	S1NA CMI 2013 (1.25%)
Life expectancy from age 62 of current pensioners:		
– Male	25.1 yrs <sup>(1)</sup>	25.0 yrs <sup>(2)</sup>
– Female	27.7 yrs <sup>(1)</sup>	27.6 yrs <sup>(2)</sup>
Life expectancy from age 62 of active and deferred members:		
– Male	26.7 yrs <sup>(3)</sup>	26.7 yrs <sup>(4)</sup>
– Female	29.4 yrs <sup>(3)</sup>	29.3 yrs <sup>(4)</sup>

(1) Life expectancy from age 62 for members aged 62 in 2015.

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

(3) Life expectancy from age 62 for members aged 45 in 2015.

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

The average duration of the benefit obligation at the end of the reporting period is 23 years (2014: 23 years).

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 2015	Increase in fund deficit as at 30 September 2014
Reduce discount rate by 1% p.a.	£15.2m	£15.5m
Increase inflation expectations by 1% p.a.	£13.6m	£13.9m
Increase salary inflation by 1% p.a.	£3.1m	£3.2m

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	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of funded obligations	(60.4)	(60.2)	(51.4)	(45.5)	(41.0)
Fair value of schemes' assets	54.6	52.4	47.8	41.5	34.8
Net liability before deferred taxation	(5.8)	(7.8)	(3.6)	(4.0)	(6.2)
Related deferred taxation asset	1.2	1.6	0.7	0.9	1.6
<b>Net liability after deferred taxation</b>	<b>(4.6)</b>	<b>(6.2)</b>	<b>(2.9)</b>	<b>(3.1)</b>	<b>(4.6)</b>
Change in assumptions and experience adjustments arising on schemes' liabilities	1.1	(6.3)	(2.7)	(2.0)	2.8
Experience adjustments arising on schemes' assets	0.3	1.1	2.0	3.3	(1.7)

## Changes in the present value of the funded obligation

	2015 £m	2014 £m
Defined benefit obligation at beginning of year	(60.2)	(51.4)
Exchange difference	0.1	0.2
Service cost	(1.7)	(1.6)
Interest cost	(2.4)	(2.4)
Actuarial gains/(losses)	1.1	(6.3)
Benefits paid	2.7	1.3
<b>Defined benefit obligation at end of year</b>	<b>(60.4)</b>	<b>(60.2)</b>

## 15. Retirement benefit obligations continued

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

During the year ending 30 September 2016, the Group expects to contribute £2.5m to its defined benefit pension schemes, which includes normal contributions together with the second 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

	2015 £m	2014 £m
Fair value of schemes' assets at beginning of year	52.4	47.8
Exchange difference	(0.1)	(0.1)
Interest income on assets	2.1	2.2
Actuarial gains	0.3	1.1
Contributions by employer	2.5	2.6
Contributions by employee	0.1	0.1
Benefits paid	(2.7)	(1.3)
<b>Fair value of schemes' assets at end of year</b>	<b>54.6</b>	<b>52.4</b>

### Major categories of schemes' assets

As at 30 September	2015 £m	2014 £m
UK equities	1.4	9.1
Non-UK equities	19.9	12.7
Bonds	15.3	14.4
Gilts	8.7	6.3
Cash	0.6	2.3
Diversified growth	7.4	6.3
Insurance policies	1.3	1.3
<b>Fair value of schemes' assets at end of year</b>	<b>54.6</b>	<b>52.4</b>

### Amounts recognised in the income statement

	Note	2015 £m	2014 £m
Current service cost		(1.7)	(1.6)
Contributions by employees		0.1	0.1
Interest on liabilities		(2.4)	(2.4)
Interest income on assets		2.1	2.2
<b>Total included in 'staff costs'</b>	<b>4</b>	<b>(1.9)</b>	<b>(1.7)</b>

Of the total included in staff costs, £1.3m is included within cost of sales (2014: £1.0m) and £0.6m is included within sales, marketing and administrative expenses (2014: £0.7m).

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

	2015 £m	2014 £m
Cumulative amount at beginning of year	(16.4)	(11.2)
Movement in year	1.4	(5.2)
<b>Cumulative amount at end of year</b>	<b>(15.0)</b>	<b>(16.4)</b>

## 16. Trade and other payables

	Group		Company	
As at 30 September	2015 £m	2014 £m	2015 £m	2014 £m
Trade payables	7.2	5.7	—	—
Amounts owed to Group undertakings	—	—	21.8	8.5
Accruals	24.9	19.8	—	—
Other	1.5	1.6	—	—
	<b>33.6</b>	<b>27.1</b>	<b>21.8</b>	<b>8.5</b>

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

## 17. 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 2005/2015 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 where applicable. 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 ten-year anniversary of the grant date.

### Victrex 2005/2015 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 2005/2015 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')

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 52.

### 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 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
Granted during the year	1,958p	263,806	1,633p	196,604	1,607p	8,547	nil p	91,721
Forfeited during the year	1,244p	(275,874)	1,510p	(20,171)	—	—	nil p	(66,652)
Exercised during the year	1,062p	(99,485)	899p	(141,490)	1,607p	(8,547)	nil p	(29,172)
<b>Outstanding at 30 September 2015</b>	<b>1,648p</b>	<b>821,789</b>	<b>1,511p</b>	<b>319,121</b>	<b>—</b>	<b>—</b>	<b>nil p</b>	<b>276,525</b>
Range of exercise prices								
<b>2015</b>	<b>434.3p-2,052p</b>		<b>906p-1,633p</b>		<b>—</b>		<b>nil p</b>	
2014	434.3p-1,805p		637p-1,415p		—		nil p	
Weighted average contractual life (years)								
<b>2015</b>		<b>7.8</b>		<b>2.9</b>		<b>0.4</b>		<b>8.3</b>
2014		7.6		2.1		0.4		8.1
Exercisable at end of year								
<b>2015</b>	<b>1,110p</b>	<b>122,665</b>	<b>n/a</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
2014	1,086p	220,978	n/a	—	—	—	—	—

## 17. 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 2015				As at 30 September 2014			
	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP
Fair value at measurement date	451p	440p	423p	1,273p	379p	466p	347p	1,043p
Share price at grant	1,661p	1,817p	1,912p	1,109p	1,383p	1,508p	1,608p	1,452p
Exercise price	1,648p	1,506p	n/a	nil p	1,368p	1,122p	n/a	nil p
Expected volatility	35%	28%	24%	28%	35%	32%	23%	31%
Option life	10 yrs	4 yrs	1 yr	10 yrs	10 yrs	3 yrs	1 yrs	10 yrs
Expected dividends	2.4%	2.3%	2.3%	2.4%	2.4%	2.4%	2.3%	1.6%
Risk-free interest rate	1.8%	1.0%	0.5%	1.0%	1.8%	0.9%	0.2%	0.9%

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	2015 £m	2014 £m
ESOP		0.9	0.6
Sharesave Plan		0.4	0.4
LTIP		0.5	0.1
	4	1.8	1.1



**18. Share capital and reserves****Share capital**

	2015		2014	
	Number	£m	Number	£m
<b>Allotted, called up and fully paid shares of 1p each</b>				
At beginning of year	85,192,469	0.9	84,780,543	0.8
Issued for cash	249,522	—	411,926	0.1
<b>At end of year</b>	<b>85,441,991</b>	<b>0.9</b>	<b>85,192,469</b>	<b>0.9</b>

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 249,522 (2014: 411,926) shares were issued for cash, resulting in an increase in share premium of £2.4m (2014: £3.1m).

**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 2015 was 225,606 (2014: 255,126). 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.

	2015 £m	2014 £m
<b>Year ended 30 September 2013</b>		
– Final dividend paid February 2014 at 32.65p per ordinary share	—	27.6
<b>Year ended 30 September 2014</b>		
– Interim dividend paid July 2014 at 11.39p per ordinary share	—	9.7
– Final dividend paid February 2015 at 33.76p per ordinary share	28.7	—
– Special dividend paid February 2015 at 50.00p per ordinary share	42.5	—
<b>Year ended 30 September 2015</b>		
– Interim dividend paid July 2015 at 11.73p per ordinary share	10.0	—
	<b>81.2</b>	<b>37.3</b>

A final dividend in respect of 2015 of £29.9m (35.09p per ordinary share) has been recommended by the Directors for approval at the Annual General Meeting in February 2016. These financial statements do not reflect this dividend.

## 19. 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	
	2015 £m	2014 £m
<b>Trading transactions with subsidiaries</b>		
Administrative expenses paid on Company's behalf by subsidiaries	0.4	0.5
Management charge to subsidiaries	1.9	1.6
Amounts receivable from subsidiaries	9.1	79.8
Amounts owed to Group undertakings	21.8	8.5
<b>Financing transactions with subsidiaries</b>		
Dividends received from subsidiaries	35.8	102.2
Cash transfers received from subsidiaries	18.2	37.9
Cash transfers made to subsidiaries	67.0	7.4
Non-current amounts receivable from subsidiaries	—	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 15.

Details of transactions during the year relating to the Company's investments in subsidiaries can be found in note 10.

Details of loan balances between the Company and its subsidiaries can be found in note 14.

### 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 49 to 64.

Directors of the Company control 3.55% of the voting shares of the Company, details of which are given on page 61.

Details of Directors' indemnities are given on page 67.

## 20. 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 for slow moving and potentially obsolete inventory where cost is considered to be higher than net realisable value. The level of provisioning being a judgement based on ageing, customer order profiles, alternative routes to market and the option to re-process.

### 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 15 contains information about the assumptions relating to retirement benefit obligations.

## 20. Critical judgements and key sources of estimation uncertainty continued

### 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.

## 21. 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:

	2015		2014	
	Average	Closing	Average	Closing
US Dollar	1.63	1.51	1.60	1.62
Euro	1.24	1.36	1.19	1.28
Yen	175	181	155	178

## FIVE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 30 SEPTEMBER

	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
<b>Results</b>					
Revenue	215.8	219.8	221.9	252.6	<b>263.5</b>
Profit before tax	94.2	94.5	94.6	102.7	<b>106.4</b>
<b>Balance sheet</b>					
Property, plant, equipment and intangible assets	135.6	153.7	185.8	237.7	<b>271.7</b>
Inventories	45.0	48.6	51.1	44.2	<b>57.4</b>
Net cash	72.3	83.9	91.6	89.6	<b>53.8</b>
Trade receivables and other assets	34.9	39.5	39.1	44.8	<b>43.6</b>
Retirement benefit obligations	(6.2)	(4.0)	(3.6)	(7.8)	<b>(5.8)</b>
Trade payables and other liabilities	(60.0)	(50.6)	(50.3)	(55.1)	<b>(62.1)</b>
Equity shareholders' funds	221.6	271.1	313.7	353.4	<b>358.6</b>
<b>Cash flow</b>					
Net cash flow from operating activities	65.9	66.0	80.0	97.8	<b>87.6</b>
Capital expenditure	(9.0)	(27.0)	(40.7)	(65.6)	<b>(41.2)</b>
Acquisition	—	—	—	—	<b>(4.0)</b>
Dividends and other items	(62.0)	(26.8)	(31.4)	(34.1)	<b>(78.8)</b>
Net (decrease)/increase in cash and cash equivalents	(5.1)	12.2	7.9	(1.9)	<b>(36.4)</b>
<b>Ratios</b>					
Earnings per ordinary share – basic	85.3p	85.7p	86.5p	94.6p	<b>98.1p</b>
Full year dividend per ordinary share	32.5p	37.4p	43.0p	45.15p	<b>46.82p</b>
Special dividend per ordinary share	—	—	—	50.0p	<b>—</b>
<b>Sales volume</b>					
Tonnes	2,860	2,904	2,920	3,551	<b>4,217</b>

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty third Annual General Meeting ('AGM') of Victrex plc ('the Company') will be held at 11am on 10 February 2016, at the Andaz Hotel, Liverpool Street, London, EC2M 7QN, to transact the business set out below. Resolutions 1 to 15 will be proposed as Ordinary Resolutions and resolutions 16 to 18 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 2015.
2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 30 September 2015.
3. To declare a final dividend of 35.09p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2015.
4. To re-elect Mr L C Pentz as a Director of the Company.
5. To re-elect Dr P J Kirby as a Director of the Company.
6. To re-elect Mr P J M De Smedt as a Director of the Company.
7. To elect Mr A J H Dougal as a Director of the Company.
8. To elect Ms J E Toogood 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 elect Mr M L Court as a Director of the Company.
13. To re-appoint KPMG LLP as auditor of the Company.
14. To authorise the Directors to determine the auditor's remuneration.
15. 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 £284,834; and
  - b) up to a further maximum aggregate nominal amount of £284,834 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 authority shall expire at the conclusion of the Company's next annual general meeting (or, if earlier, at the close of business on 31 March 2017) 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 expires 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 expired.

16. That, conditional upon resolution 15 in this notice of annual general meeting being passed, the Board be and is hereby 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 15, 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 £42,725.

Such power shall cease to have effect when the authority conferred on the Directors by resolution 15 in this notice of general meeting is revoked or expires, save that the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ceases to have effect and the Board may allot equity securities under any such offer or agreement as if the power had not ceased to have effect.

17. 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 8,545,023 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 authority shall expire at the conclusion of the Company's next annual general meeting (or, if earlier, at the close of business on 31 March 2017) 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 expires and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority had not expired.

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

By order of the Board

**Muireann Jacobs**  
**Company Secretary**  
8 December 2015



### Notes

1. Shareholders who are entitled to attend and vote at the AGM 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 AGM. 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 8 February 2016 (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 AGM.
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 6DA, so as to be received by no later than 11am on 8 February 2016. 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](http://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](http://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 8 February 2016.
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](http://www.euroclear.com). 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 8 February 2016. 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 7 December 2015 (being the last business day prior to the publication of this document) the Company's issued share capital consisted of 85,450,232 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 7 December 2015 were 85,450,232. There were no shares in treasury as at that date.

## 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](http://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 30 December 2015, 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 AGM. 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 Form of Proxy) 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 Directors' Deeds of Indemnity; and
  - the Company's Articles of Association.

### 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 2014 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 2015. The Directors' Remuneration Report is set out on pages 49 to 64 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 51 to 55 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 35.09p per ordinary share has been recommended by the Directors for the year ended 30 September 2015. 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 19 February 2016 to shareholders on the register at 6.00pm on 5 February 2016.

### Resolutions 4 to 12 – Re-election and election of Directors

Under the Company's Articles of Association, any Director appointed by the Board during the year is required to retire from office at the first annual general meeting following his or her appointment. Such Director is eligible to stand for election at that meeting. Martin Court, Andrew Dougal and Jane Toogood shall each retire at the AGM, having joined the Board since the date of the Company's last annual general meeting. All three shall stand for election by the shareholders for the first time.

In accordance with the 2014 UK Corporate Governance Code, all other Directors shall also retire from office at the AGM and offer themselves for re-election at the AGM. Each of Resolutions 4 to 12 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 43), each Director standing for election or 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 election or re-election are set out below and on pages 36 and 37 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 Scynexis Inc (listed on the NASDAQ stock exchange) and non-executive director of Novo Nordisk A/S and Smith & Nephew plc. She is currently, non-executive director of DCC plc, Hikma Pharmaceuticals plc. and Reckitt Benckiser Group 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. He is also a non-executive director at Nexinto Holdings Ltd, Kodak Alaris Holdings Limited and Michael Page International plc.

## Resolutions 4 to 12 – Re-election and election of Directors continued

### Mr Andrew Dougal, Non-executive Director

Andrew Dougal is Chairman of the Audit Committee and was appointed to the Board in March 2015. Andrew is a Chartered Accountant and brings a wealth of experience to the Board, from a lengthy executive and non-executive career of over 35 years in industrial, manufacturing and services companies.

Andrew is a non-executive director and Chair of the Audit Committee at Carillion plc. and Creston plc. He was previously a Non Executive Director and Audit Committee Chair of both Taylor Woodrow Plc and Taylor Wimpey Plc and a Non Executive Director of BPB Plc and Premier Farnell plc. Formerly, Andrew served as Chief Executive of Hanson plc, the international building materials group, following its demerger from Hanson, the Anglo- American conglomerate, where he was Finance Director and previously held a number of senior roles in general management and finance. He is a member of the Council of the Institute of Chartered Accountants of Scotland (ICAS) and Chair of its Technical Policy Board.

### Ms Jane Toogood, Non-executive Director

Jane Toogood was appointed to the Board in September 2015. Jane has a wealth of experience across a number of senior marketing, sales and business development roles within the global chemical industry, including ICI and Uniqema and held a Non-Executive Director role with NHS Harrogate and District Foundation Trust.

Jane is Senior Vice President Marketing and New Business Development, Polyolefins, for Borealis.

### Mr David Hummel, Chief Executive

Mr David Hummel has led Victrex as Chief Executive 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.

### 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.

### Mr Martin Court, Executive Director

Martin was appointed to the Board in April 2015, and continues in the position of Managing Director of Invibio, Victrex's medical business, a position Martin has held since joining Victrex in February 2013. Martin has significant proven international experience in the medical and high performance materials & chemicals industries, including with Cytec Industries, and in a number of senior roles at both ICI and UCB. He 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 the Imperial College of Science and Technology.

## Resolutions 13 and 14 – 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 the AGM until the conclusion of the next general meeting at which accounts are laid before the Company. Resolution 14 is an Ordinary Resolution giving the Directors discretion to determine KPMG's remuneration.

## Resolution 15 – 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 the Company's next annual general meeting or 31 March 2017, if sooner.

In accordance with guidance issued by the Investment Association, the proposed authority will allow the Directors to allot Ordinary Shares up to an amount of approximately one third of the existing share capital as at 7 December 2015, 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 7 December 2015.

### **Resolution 16 – 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 £42,725, representing approximately 5% of the issued ordinary share capital as at 7 December 2015, 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 conclusion of the next annual general meeting of the Company or 31 March 2017, if sooner.

### **Resolution 17 – Authority to purchase own shares**

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 17 specifies the maximum number of shares which may be acquired (approximately 10% of the Company's issued ordinary share capital as at 7 December 2015) 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 7 December 2015, options over a total of 1,123,271 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represents 1.31% of the Company's issued Ordinary Share capital at 7 December 2015. It would represent 1.46% 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 conclusion of the next annual general meeting of the Company or 31 March 2017, if sooner.

### **Resolution 18 – Authority to hold general meetings (other than annual general meetings) on 14 clear days' notice**

This special resolution renews an authority given at last year's annual general meeting 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 annual general meeting) 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 18 seeks such approval. If given, the approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

The Company notes the new notice period provision in the 2014 UK Corporate Governance Code which recommends at least 14 working days' notice to be given for all general meetings (other than annual general meetings). Insofar as it is appropriate to do so, the Company intends to comply with this Code provision in the same way that it currently complies with the 20 working days' notice provision applicable to annual general meetings.

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.

## FINANCIAL CALENDAR AND ADVISERS

Ex dividend date	4 February 2016
Record date*	5 February 2016
Annual General Meeting	10 February 2016
Payment of final dividend	19 February 2016
Announcement of 2016 half-yearly results	May 2016
Payment of interim dividend	July 2016

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

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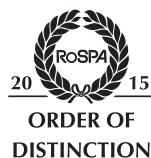




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**Victrex plc**

Annual Report 2015