An innovative world leader in high performance polymer solutions

victrex®

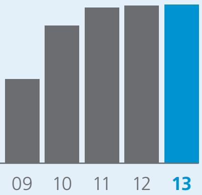
Victrex plc
Annual Report
2013

Highlights

Group sales volume tonnes

2,920

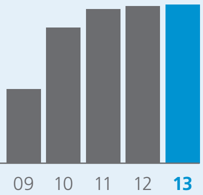
+0.6%



Group revenue £m

221.9

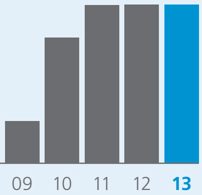
+1.0%



Group profit before tax £m

94.6

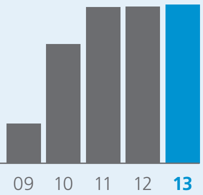
+0.1%



Earnings per share pence

86.5

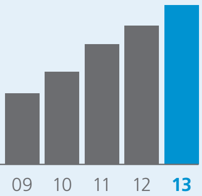
+0.9%



Dividend per share pence

43.0

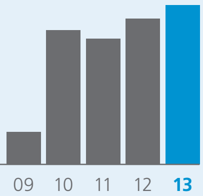
+15.0%



Cash £m

91.6

+9.2%



- **Robust performance and an improved second half**
- **Good underlying trading in VPS; Invibio stabilised**
- **Gross margins remain strong**
- **Continued investment in key growth programmes**
- **Full year dividend increased by 15%**

In this report

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

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Find out how we are delivering our sustainability agenda

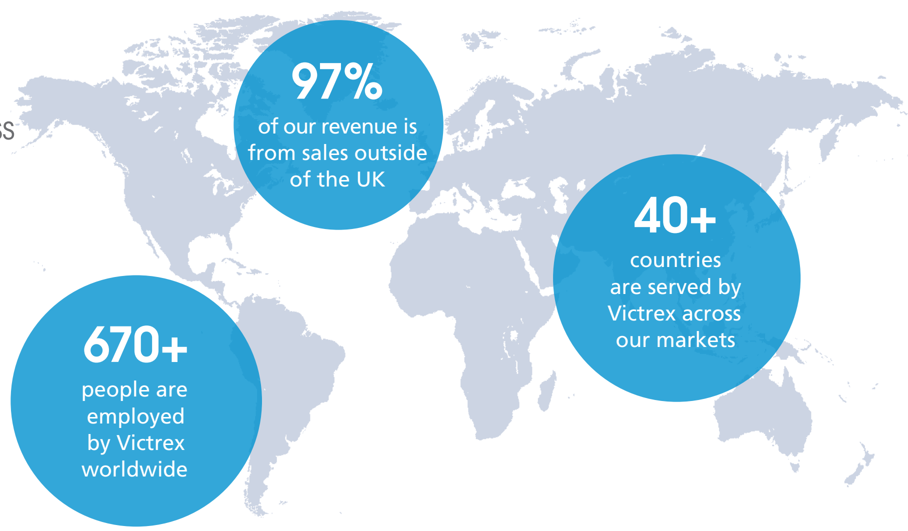
An innovative world leader in high performance polymer solutions

What makes us different – 'future thinkers'

Victrex is the world leader in high performance polymer solutions. **Innovation and product leadership** are key to our business and what differentiates Victrex. Every day, **millions of people across the world rely on our materials**. From smartphones to oil and gas equipment, medical devices, aeroplanes and cars, we serve a diverse range of markets, **helping our customers to overcome their technological challenges**.

With a market-led approach, global scale and technical excellence, **we are investing to underpin our future growth**, and to deliver sustainable earnings growth for our shareholders.

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



Our markets and megatrends

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

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

A sustainable business

At Victrex, we are enhancing our own sustainability agenda, as well as delivering products to help customers improve their environmental performance.

Further detail is in our sustainability report on page 23

Our opportunities

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

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

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

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

High performance materials which enable device innovation

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

Divisions

Victrex Polymer Solutions (VPS)

victrex®

Unique products for industrial markets

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

Full review on page 12

Invibio Biomaterial Solutions (Invibio)

Invibio® biomaterial solutions

Dependable resources for surgical and medical devices

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

Full review on page 15

Chairman's statement

On behalf of your Board, I am pleased to report that we delivered a resilient performance at Victrex this year, with good underlying trading, and improvement in the second half year.

This has been a year of investment in our business to accelerate and underpin future growth; investing in new capacity, in innovation and in new talent, to build, enhance and differentiate our capabilities now and into the future. With growing and long-term demand from our customers across our strategic markets of automotive, aerospace, electronics, energy and medical, Victrex remains well placed to retain the position of market leader – innovating to deliver technical solutions for our customers and driving our own future growth.

Results

Amidst an uncertain economic background, we delivered record Group sales volume of 2,920 tonnes (2012: 2,904 tonnes) and Group revenue of £221.9m (2012: £219.8m). With continued innovation, new business commercialisation and steady growth in industrial markets, we saw an upturn in volume as we moved through the year and remain well placed to capture future growth once the wider macro-economy strengthens.

Our market leadership continues to be reflected in our margins, with full year gross margin remaining strong and in line with expectations at 66.6% (2012: 66.3%). The strong investment in our products and in our R&D capabilities to deliver technical solutions to our customers remains a key differentiator for Victrex. By working with our customers and end users, we are working across the value chain – producing PEEK, developing PEEK and leading PEEK into new applications – to drive future growth and profitability. Continued investment in R&D expenditure of £14.6m was ahead of the prior year (2012: £13.1m), representing approximately 7% of revenues (2012: 6%).

We delivered Group profit before tax of £94.6m and basic earnings per share was up 1% to 86.5p, even after the additional investment in our business and headwinds from foreign currency. We continue to maintain a strong financial position, with a robust balance sheet and good cash generation. Cash generated from operations was at record levels, £100.9m (2012: £89.9m), with Group cash balances at 30 September 2013 reaching £91.6m (2012: £83.9m) and no debt.

Dividends

Our continued confidence in the underlying strength and growth prospects for our business is reflected by our intent to provide a progressive and sustainable dividend policy. With record cash generated, the Board is therefore recommending a final dividend of 32.65p (2012: 28.4p) per ordinary share. This results in a total dividend for the year of 43.0p (2012: 37.4p), an increase of 15% over the prior year.

Our strong financial position and robust balance sheet underpins our ability to invest in our business including through potential acquisitions, as well as maintaining our progressive dividend policy. It also provides reassurance to customers, suppliers and investors, helping to ensure we can maintain security of supply into the future. We will continue to review our dividend policy in the light of our medium-term strategic investment plans and will review any potential additional return to shareholders as appropriate.

Board composition and diversity

Victrex has a strong and balanced Board, with a range of complementary skills to support the strategic and operational direction of the Group. The strengthening of our Board last year, with further executive representation, has helped to provide further capability as we drive forward delivery of our strategy.

We recognise the importance of diversity at Board level and our Board members comprise a number of different nationalities with a wide range of skills and experiences from a variety of business backgrounds, including international and industrial expertise. Our current female representation on the Board is 25%, already consistent with the recommended minimum representation level to be achieved by 2015.

Within the Executive Management team, we also strengthened our capability during the year, with the appointment of Dr Martin Court as Managing Director of Invibio and Carolyn Macnab as our Group HR Director. I am delighted to welcome Martin and Carolyn to Victrex and these appointments further demonstrate our investment in new talent to support our future growth.

In November, we announced the appointment of Louisa Burdett as Group Finance Director. Louisa is an accomplished senior finance executive, who joins us in January 2014, replacing Steve Barrow who has decided to step down from the Board.

Governance:
A strong governance framework is in place throughout the business. Further detail can be found on page 41

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Victrex remains well placed to retain the position of market leader – innovating to deliver technical solutions for our customers and driving our own future growth

I would like to thank Steve for his significant contribution to Victrex and welcome Louisa to the business.

Board effectiveness

As Chairman I am responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. 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. Further description of the governance processes that are embedded at Board level and throughout the business are given in the corporate governance section of this report starting on page 41.

Governance

The Board leads a strong governance framework throughout the business, supported by the Audit, Currency, Nominations, Remuneration, Risk and Disclosure Committees. The Board takes its responsibility to maintain sound governance very seriously and regards the continuing setting, maintenance and review of the highest standards of corporate governance as a key objective.

We complied with all aspects of the UK Corporate Governance Code throughout the year ended 30 September 2013, except in one limited respect.

Further detail can be found in the corporate governance section of this report.

Sustainability

We enhanced our approach to sustainability this year and we are embedding our sustainability strategy across Victrex, as an enabler to support our future growth. Whilst our products and applications already support sustainability for many of our customers – for example in reducing energy consumption and weight reduction – we are taking a fresh view on how Victrex can continually improve its sustainability agenda, with a cross-group team reporting through to the Board on key activities. We also hosted several visits from a range of sustainability experts and stakeholders during the year, helping us to further develop our own activities and refine our measures. Further detail can be found in the Sustainability Report on page 23.

People

Victrex was named amongst the top 20 Most Admired Companies in the UK by Management Today this year and we celebrated 20 successful years in 2013. As we move further downstream to drive growth and profitability using a market-led approach, we have continued to invest in new talent.

Victrex relies heavily on the skills, experience and competence of our people to drive business development in our existing and new markets, as well as operating our assets safely and with a strong regard to the environment.

On behalf of the Board, I would like to pay tribute to all our employees and thank them for their contribution this year, amidst an uncertain economic environment. This passion, innovation and performance of our employees remains a key asset for Victrex and its success in the future.

Outlook

Whilst it remains early in our new financial year, our momentum from the second half of 2013 has continued, with good underlying growth in VPS and recovery in Invibio. Although we remain mindful of the wider macro-economic environment, we are encouraged by the potential across our business.

Anita Frew
Chairman
9 December 2013

Delivering sustainable growth

We will seek to accelerate growth and capture value by a focused, market-led and innovation-driven approach.

From the Chief Executive

We evolved our strategy during the year, to build on our existing product leadership position, as well as leveraging our strengths in new areas of the value chain. Whilst our strategy keeps us well positioned to maintain global leadership, we will seek to accelerate growth and capture value by a focused, market-led and innovation-driven approach, moving further downstream towards our end customers with new technologies, products or applications – whether that be organically or through acquisitions – and broadening the applications for our products, an area we continue to invest in.

Our customers specify VICTREX PEEK and our polymers to capture a unique combination of performance properties, which lead to application benefits such as improved reliability, reduced energy consumption and environmental tolerance, as well as reduced complications and faster patient recovery in medical applications.

To build on these strengths, maximising our growth requires us not only to continue working closely with our customers, but to enhance our global knowhow to become truly market-led – identifying the market need and capturing value as product leaders. We focus our growth programmes around three horizons, horizon 1, 2 and 3 – short term, medium term and long term. We will also continue to excel in providing market, product, technical and regulatory leadership to the markets we serve, helping our customers to gain competitive advantage, as well as providing a clear point of difference for Victrex.

Strategic Report signed on behalf of the Board

David Hummel
Chief Executive
9 December 2013

Our business model

Victrex differentiates itself through **innovation** and **product leadership**.

Our strategic intent remains to achieve sustainable earnings growth for our shareholders. This will be achieved through three key pillars:

1

Creating value through high performance polymer solutions

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

2

Focused and market-led innovation

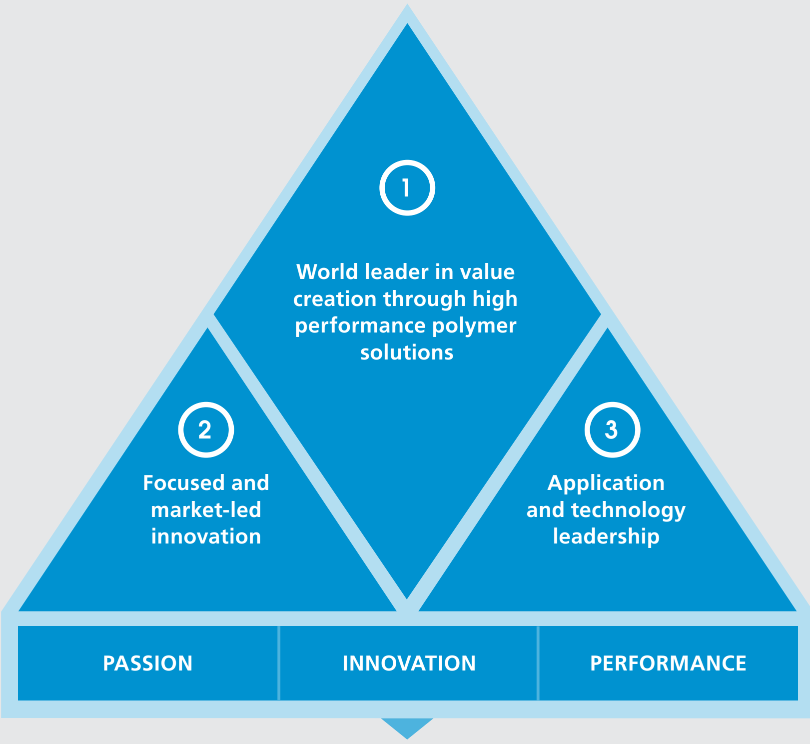
Continuing to work with customers and capturing value across markets. Investing in strategic marketing; selecting the right projects to work on and to ensure an appropriate balance of short and long-term projects.

3

Application and technology leadership

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

A STRATEGY FOR GROWTH



Operating model

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

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

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

Turning strategy into action

Victrex's strategic intent is to achieve sustainable earnings growth for our shareholders. As a solutions provider, our focused, market-led and innovation-driven approach will be delivered by:

Strategic Intent – Industrial

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

Strategic Intent – Medical

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

Reputation and employee care

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

- Enhancing external recognition with customers, investors and other stakeholders
- Sustainability agenda
- Strong governance and internal controls
- Talent management

At Victrex, we have multiple and diverse growth opportunities:

Strategic KPIs

To track performance against our growth strategy, we will focus on the following key performance indicators ('KPIs'):

DRIVE core business	DIFFERENTIATE through innovation	CREATE future value	UNDERPIN through safety, sustainability and capability
What we are doing			
• Strategic marketing: focus on highest growth opportunities • Execute on key growth programmes in five strategic markets • Drive growth in emerging geographies	• Market-led innovation • Invest in emerging businesses • Move further downstream: new applications, new forms, new materials, new product launches	• Strong pipeline • Portfolio management • M&A	• Safe and sustainable business • Future capacity/solutions • Talent strategy
How we measure			
• Revenue growth • New business	• Revenue mix • New products	• Business development • Value creation	• Safety, energy* • Talent management

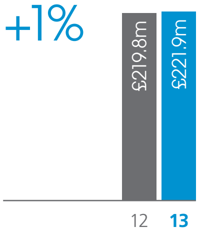
* Shown in Sustainability Report

Robust trading and a good second half

Victrex delivered a robust performance this year, with sales volumes ahead, margins remaining strong and progress across our markets.

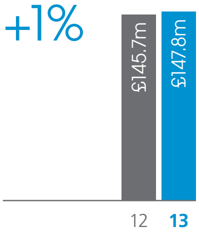
Revenue

+1%



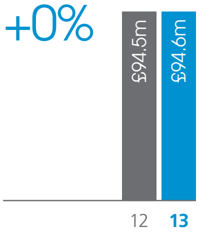
Gross profit

+1%



Profit before tax

+0%



Steve Barrow

Finance Director

	2013 £m	2012 £m	Change %
Revenue	221.9	219.8	1%
Gross profit	147.8	145.7	1%
Profit before tax	94.6	94.5	0%

'A world leader in high performance polymer solutions'

Victrex delivered a robust performance this year, despite challenging market conditions. We have continued to invest in our business to accelerate and underpin our future growth and have maintained our financial performance with strong profitability and margins and record cash generation.

Group financial results

Group revenue for the year was 1% ahead of the prior year reflecting a robust Group performance and stronger underlying average selling price, resulting from favourable sales mix, offset by an adverse foreign currency impact.

Full year sales volume was slightly ahead of last year at 2,920 tonnes (FY 2012: 2,904 tonnes) following a robust second half performance, with sales volume approximately 10% ahead of the first half year. Group sales volume of 1,528 tonnes for the second half was in line with the strong prior year performance (H2 2012: 1,527 tonnes), with good progress across our industrial and transport markets, offset by lower sales in the electronics market following the non-recurrence of last year's strong product launch related sales into consumer electronics. The favourable sales mix has been driven by strong sales growth in VPS from our speciality products, dominated by our Aptiv Film business.

In our Invibio business, full year revenue was marginally ahead of the prior year at £50.8m (2012: £50.5m). This predominantly reflects steady improvement in sales to the spine market during the second half, with revenue 10% ahead of the first half, as inventory levels in the industry appear to have stabilised. Second half revenue in Invibio was also ahead of the prior year at £26.6m (H2 2012: £25.0m).

Full year Group gross margin remained strong at 66.6% (2012: 66.3%) with the favourable sales mix in VPS offset by the impact of adverse currency and, as indicated in previous communications, some increased costs within cost of manufacture impacting the second half. The resulting second half gross margin was 66.0%.

We remain cognisant of the challenging economic environment we are currently operating in, but have continued to selectively invest in resources to drive our key growth programmes, including the technical and regulatory functions, with total indirect overheads increasing by 4%. Our investments in technical facilities in the UK and Japan last year have been well

Return on capital employed:
Profit after tax/net assets

Operating cash conversion:
Cash generated from operations/ operating profit

Investment:
Our new PEEK manufacturing plant is taking shape

“

Our new PEEK manufacturing plant is taking shape and is a key enabler to support our future growth

received by customers, end users and employees. As well as purchasing our products, our customers and end users want proactive technical solutions and support, including working with us on joint development programmes, reflecting the long-term development and investment periods associated with many of our opportunities for growth. Our commitment to work with our customers on innovative solutions for the challenges they face in their respective industries is reflected in the increased investment in research and development expenditure, of which approximately 85% relates to market and customer related product and application development, which increased to £14.6m this year (2012: £13.1m), representing 7% of revenue (2012: 6%).

Resulting Group profit before tax of £94.6m (2012: £94.5m) reflects the robust performance of the business this year and basic earnings per share of 86.5p per share (2012: 85.7p per share) also reflects the expected improvement in the effective tax rate to 22.9% (2012: 23.9%) largely reflecting the lower UK corporation tax rate.

Balance sheet

Victrex continues to maintain a strong balance sheet, supporting our ability to invest to drive future growth. Net assets at 30 September 2013 totalled £313.7m (2012: £271.1m).

Our working capital management reflects how Victrex continues to differentiate through product leadership and security of supply for both existing and future potential customers and end users. Our inventory levels, whilst reduced from the half-year position, have increased slightly year on year to £51.1m (2012: £48.6m). This reflects a number of special grade products produced during the year which we manufacture on a periodic basis together with the slight increase in cost of manufacture noted previously. Trade receivables are in line with the prior year, with receivables which are either current or less than 30 days overdue at 97% (2012: 93%). Trade payables reflect consistent creditor days with the prior year, with our commitment to our suppliers that we pay within agreed terms to maintain a strong working and strategic relationship.

Return on capital employed has fallen from 26.5% in 2012 to 23.2% in 2013 following a strategic decision to maintain a strong balance during a period of high capital expenditure.

Cash flow

Victrex continues to see strong cash generation and delivered a record performance this year. Cash generated from operations was £100.9m (2012: £89.9m) representing an operating cash conversion of 107% (2012: 96%).

Capital expenditure payments significantly increased on the prior year, as we have previously communicated, to £40.7m (2012: £27.0m), mainly as a result of investment in BDF production capacity (the main raw material for PEEK) which is nearing completion and the construction of our third PEEK plant which will underpin our future growth, enabling us and our customers to have confidence that capacity will be in place to support long-term applications.

The PEEK plant project remains on plan, for completion during 2015, and budget of £90m, increasing our production capacity from 4,250 tonnes to in excess of 7,000 tonnes.

Taxation paid during the year was £21.7m (2012: £24.4m), reflecting the reduction in the UK corporation tax rate, in addition to amounts received relating to the closure of prior year computations by HMRC.

Total dividends paid during the year increased to £32.7m (2012: £28.0m), reflecting the increased final dividend for last year and the 15% increase in the interim dividend this year.

As a result, the closing Group cash balance as at 30 September 2013 was £91.6m with no debt (2012: £83.9m and no debt).

Proposed dividend

Victrex remains committed to a progressive and sustainable dividend policy which takes account of cash generation and use of capital, including for potential acquisitions as well as reflecting our underlying confidence in the growth programmes and prospects for our business, despite the wider economic challenges. Following an increase in the interim dividend by 15% to 10.35p (2012: 9.0p), the Group is proposing an increase of 15% in the final dividend to 32.65p (2012: 28.4p), resulting in a full year dividend increase of 15% to 43.0p (2012: 37.4p) per ordinary share. Dividend cover is 2.0 times (2012: 2.3 times).

Steve Barrow
Finance Director
9 December 2013

Victrex Polymer Solutions

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

Tim Cooper
Managing Director
Victrex Polymer Solutions

	2013 £m	2012 £m	Change %
Revenue	**171.1**	169.3	1%
Gross profit	**103.1**	101.1	2%
Operating profit	**68.6**	68.5	0%

VPS generated revenue slightly ahead of the prior year of £171.1m (2012: £169.3m), reflecting a higher average selling price driven by product mix and continued success in our Speciality Products business. Gross margin improved to 60.3% (2012: 59.7%).

Sales, marketing and administrative expenses increased by £1.9m to £34.5m (2012: £32.6m) with continued investment to develop our organisational infrastructure and capabilities to drive our future growth initiatives.

The resulting operating profit of £68.6m remained in line with the previous year (2012: £68.5m).

Core market overview

Sales volume in Europe of 1,637 tonnes was 12% ahead of the prior year (2012: 1,457 tonnes) driven by significant growth in all key markets. The second half was particularly strong with record sales volume of 870 tonnes being 13% ahead of the first half (767 tonnes). In the US, sales volumes of 770 tonnes was 17% below the prior year (2012: 926 tonnes) with the trend towards shorter product lifecycles in mobile devices and electronics leading to increased volatility in demand for applications and slightly softer sales in the oil and gas sector. Second half sales volume of 382 tonnes was broadly in line with the first half (388 tonnes). In Asia, sales volume of 513 tonnes was broadly in line with the prior year (521 tonnes) with strong growth in industrial and transport applications offset by slower sales into semiconductor applications. Year on year sales volume outside of Japan grew by 12% and represents more than half of our sales in the region. Second half sales volume of 276 tonnes was 16% ahead of the first half (237 tonnes) with an encouraging recovery in Japan.

Industrial sales volume at 1,125 tonnes was broadly in line with 2012, with increased demand for industrial machinery and equipment offset by lower sales into the oil and gas sector, largely in the US, due to slightly reduced drilling activity. Second half sales volume of 601 tonnes was 15% ahead of the first half (524 tonnes) principally driven by industrial machinery and equipment.

Delivering solutions to our customers

Transport sales volume increased 7% to 799 tonnes (2012: 744 tonnes) with strong sales into automotive and aerospace. The increase in automotive sales reflects the trend towards highly durable and weight saving materials. We also saw continued success from new applications in aerospace. Second half sales volume of 419 tonnes was 10% ahead of the first half (380 tonnes).

Electronics sales decreased 12% to 628 tonnes (2012: 714 tonnes) due to a slower year in semiconductor sales and increased volatility in consumer electronics applications. Second half sales volume of 316 tonnes remained broadly in line with the first half (312 tonnes).

Product and market development

We continue to move downstream, launching new product solutions where an opportunity exists to accelerate growth, access new markets or improve margins. Our speciality products business, driven predominantly by our Aptiv Film business used in many acoustic applications, delivered another good performance this year. Our other existing speciality product platforms are coating, pipes and composites. We continue to explore organic and non-organic platforms for future investment, which will broaden our portfolio and capture the high value in this area.

2013 saw further success in closing new applications across all our markets as the megatrends of lightweighting for fuel efficiency, miniaturisation and complexity of natural resource exploration play to the strengths of our products.

The development pipeline remains strong and diverse, with new opportunities being identified and driven across all our markets. With our portfolio management approach, we are driving a more value focused view on our development pipeline, rather than just the volume of opportunities. At the 30 September 2013 it contained 1,600 potential developments (30 September 2012: 1,908) with an estimated mature annualised volume ('MAV') of 2,064 tonnes (30 September 2012: 2,212 tonnes) if all of the developments were successfully commercialised.

Growth drivers

Our industries continue to be challenged to achieve higher performance with less: less material, less energy, less waste, less noise, less time, less cost. This drives the need for innovative designs using our materials and expertise to bring them to market. The unique combination of properties and physical forms of Victrex materials help customers deliver against these challenges.

We continue to see good growth potential for our business, reflected by our strong development pipeline, as well as opportunities to target further market penetration or geographies through strategic marketing. Alongside this, continued investment in talent, technology and new capacity means that we are well placed to take advantage of growth opportunities – whether organic or through non-organic means – in delivering solutions to our customers and markets. New materials, new applications, new forms and new geographies will all play a part in our future growth.

Aerospace

Victrex materials can deliver weight reductions of up to 70% in aerospace applications. Fuel has risen to be the single largest cost component in the operation of an airliner and this has driven airlines to substitute new for old aircraft in pursuit of fuel savings. Many manufacturers have upgraded their 20 year growth forecasts for aircraft production, which offers growth potential for Victrex in the years ahead. This year saw Boeing 787 production ramp up and the maiden flight of the Airbus A350, which is expected to see production ramp up from 2014, as well as qualification of a new grade of VICTREX PEEK with Airbus. Whether it be brackets or increasingly in other parts of the aeroplane, we have a number of short and long-term opportunities under development, expanding the use of PEEK based materials. With Boeing projecting a demand for more than 35,000 new aeroplanes over the next 20 years (valued at nearly $5 trillion) and forecasting the world fleet to double over the next two decades, we believe the growth potential in aerospace remains strong.

Focus on oil and gas – Delivering durable materials for extreme environments

NORSOK – Norsk Sokkels Konkurranseposisjon – standards are now recognised as the industry standard in oil and gas. The Norwegian petroleum industry has developed many amendments that have become vital to oil service companies' materials specification decisions. They raise the bar on the assessment of materials durability in the extreme environments that exist in oil and gas exploration and production. This is a vital step to ensure safe and reliable operation, without incident.

Victrex's commitment to the oil and gas industry can be seen in the investment in NORSOK compliance testing of VICTREX PEEK 450G. VICTREX PEEK 450G is the reference high performance polymer in the oil and gas industry, and has now been extensively tested to ensure compliance with NORSOK standards and in particular, ageing in a multiphase sour fluid. Our material suffered so little impact in the industry standard test that we repeated the test under far more extreme conditions at ten times the acid gas concentration. Despite this, our material passed with flying colours, demonstrating the outstanding durability of VICTREX PEEK in sour oil and gas environments.

Automotive

Durability, cost, fuel and weight reduction remain key trends in the global car industry. Major improvement in vehicle energy efficiency is only going to be possible through the development of powertrain and transmission technologies. VICTREX PEEK enables reliable solutions to these challenges. Our materials enable reduction of the wear associated losses and create design freedom to reduce overall vehicle weight. The production of passenger cars increased globally by 6.4% in 2012, to over 70 million cars. Europe, the US and Asia remain important geographic centres for car production and Victrex remains at the forefront of working with major manufacturers and their suppliers. As an example of our innovation, during the year we secured a number of awards including the Ringier Innovation Award 2013 for VICTREX Premium Wear Grade WG™ Polymers.

Electronics

Devices such as smartphones and tablets continue to reach an ever increasing percentage of the population. The challenge of higher functionality in an ever thinner, lighter, more durable device is supported by the adoption of high performance materials such as VICTREX PEEK. Examples of the applications using our materials include small space acoustics, ensuring high quality sound and durability from our Aptiv acoustic film, despite the smaller size of many consumer electronic devices. Providing our customers with innovative solutions which also deliver competitive advantage remains key. Despite a slower market in semiconductors this year, the market continues to show long-term growth, with growth concentrated in logic chips, driven by the boom in mobile connectivity. Market statistics suggest that smartphone growth was up nearly 50% during the first half of 2013, with more traditional PC and standard mobile devices losing ground.

Energy

Global oil and gas capital expenditure was up over 18% globally, but as an indicator of current drilling activity, US rig count was down and the short-term outlook remains softer. However, sustained high energy prices and a strong demand outlook combined with technology trends such as higher pressure, higher temperature and deeper water, mean that long-term opportunities remain attractive. Key drivers for the industry remain durability and increased yield – the ability to recover more energy – particularly given oil and gas reserves in the future will be recovered from more extreme environments. As explorers and producers operate in these areas, the demand and expectation on equipment lifetime has also increased. For example 'sea flooring' has meant equipment is now expected to last 25 years rather than five years, meaning less downtime and less costly intervention. Alongside our pioneering work on VICTREX pipes – another example of how we are moving further downstream in our Speciality Products business – we also continued to progress our partnership with Magma in using our materials in oil and gas risers, an opportunity which offers significant potential for us.

Future capacity

Whilst technological excellence remains key, the construction of our third PEEK plant in the UK, which is on plan and is due for completion in 2015, is an important enabler to support and deliver our future growth programmes across our markets.

Invibio Biomaterial Solutions

Invibio provides versatile PEEK based polymers to address the unmet needs of the long-term implantable medical device market. Our materials are extensively used across a number of applications including spinal fusion and motion preservation, arthroscopy, joint replacement, trauma, cardio-neuro and cranio-maxillo facial implants.

Martin Court
Managing Director
Invibio Biomaterial Solutions

	2013 £m	2012 £m	Change %
Revenue	**50.8**	50.5	1%
Gross profit	**44.7**	44.6	0%
Operating profit	**29.3**	29.2	0%

Invibio generated revenue of £50.8m, an increase of 1% over 2012 (£50.5m). This reflected a steady recovery in our spine business (3% up on 2012) during the second half year, following the effects of de-stocking and lower inventory levels amongst our customers during the first half year.

Gross margins remained strong at 88.0% (2012: 88.3%).

Sales, marketing and administrative expenses remained in line with prior year at £15.4m, resulting in an operating profit of £29.3m (2012: £29.2m).

Core market overview

The spine market generated sales of £39.3m, an increase of £1.1m (3%) on the prior year. This recovery was fuelled by sales improvement in the second half of the year due to a combination of continued global expansion and recovery following the de-stocking that impacted our business in the second half of 2012 and the first half of 2013.

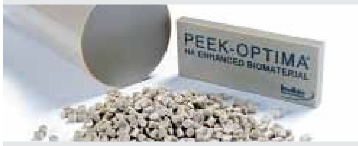
Emerging markets continue to be attractive for us, particularly China in dental and other emerging opportunities. Our growth strategy in Asia continues, with revenues up 14% to £4.1m (2012: £3.6m).

Our developing markets outside of spine reduced by 7% in 2013, principally as a result of the arthroscopy market where despite the demand for more radical solutions, several commercial opportunities have yet to be delivered.

Product and market development

Healthcare remains high up the news agenda and we expect it to remain so. One key area of focus in recent years has been the quality of materials and devices used to treat patients. Our priority at Invibio has always been and will continue to be about safe, consistent and high quality biomaterials for our customers and for patients.

We focus on growth opportunities around three horizons, 1, 2 and 3 – short term, medium term and long term.



PEEK-OPTIMA® HA Enhanced

Spine companies are actively looking for ways to differentiate their interbody product offering. Despite the fact that new clinical results continue to support PEEK performance in traditional spinal fusion cages, surgeons are interested in methods to enhance direct bone apposition. These are challenging times, however, and the industry needs to consider its desire to differentiate. In September 2013 Invibio launched its PEEK-OPTIMA HA Enhanced product. Surgeon feedback had indicated that a version of PEEK that enhances bone on-growth on all sides of the device could be more effective. Invibio has invested in this new grade that offers the same advantages of PEEK-OPTIMA and additionally a superior solution for bone apposition. With HA available across the whole device the opportunity for bone on-growth is virtually unmatched with alternative bone apposition technologies, such as coatings. In addition the PEEK-OPTIMA HA Enhanced product omits the extra processing time and expense of alternative bone on-growth technologies.

Invibio is the proven market leader in providing versatile and high performance PEEK based polymer solutions to the medical device market. With a strong track record and unrivalled expertise, our materials are used extensively across a number of core applications such as spinal fusion and arthroscopy, as well as in the newer and emerging opportunities such as dental, trauma and knee.

To succeed in the healthcare environment today, companies like Invibio need to provide much more than just biomaterials. At Invibio we are focused on working with surgeons to really understand their needs and the problems that they are trying to solve. By ensuring that we focus on the areas where our materials can provide real clinical benefits in terms of successful performance outcomes we can be sure that what we are providing will be attractive to medical device companies, surgeons and ultimately patients. With these areas identified, our expertise in manufacturing products and our talent in the regulatory arena help ensure that Invibio remains the partner of choice.

In Trauma, we are focused on addressing problems in relation to device fatigue life and the ability to accelerate healing. The use of composite materials to do this is an area of emerging growth. Composite device manufacturing represents new challenges and a new technology for the medical device industry, however, and this has prompted us to develop the ability to manufacture prototype parts to accelerate evaluation and adoption.

We have continued to strengthen our regulatory expertise globally, for example in Asia, where many of our customers are looking to penetrate and capture projected strong growth rates over the coming years, as many Western geographies are forecast to have steadier growth.

Spine

Long-term incremental growth in the spine market remains attractive, despite the relative maturity of 'core' spine and sales volumes being impacted through de-stocking of inventories by many medical device companies last year. Spinal implant procedures are forecast to grow in the years ahead, reflecting an ageing population and the need for innovative materials.

Geographical focus

In some geographies, spine remains a developing market and with our strong regulatory knowledge and expertise, there is an increased pace of regulatory approvals for 'newer' spinal applications. Given that the application of PEEK-OPTIMA® HA Enhanced is new to surgeons in these geographies, we have focused on education programmes in collaboration with our customers and with European spine surgeons, reaching more than 1,500 surgeons in China alone in the last year.

Emerging markets

In recent years, well publicised issues with metal on metal applications, for example in large diameter hip implants, have made news around the world. Growing safety concerns and regulatory scrutiny present both challenges and opportunities for Invibio.

Our activities in emerging markets this year were driven by JUVORA, our dedicated dental brand, which offers a certified dental disc, providing our customers and their patients with an effective metal-free dentures solution, with improved comfort and fit. During the year, we started to gain traction for our JUVORA brand across geographies, with over 30 agreements in place with customers and 60 labs passing through our certified training programme. The trends for the denture market are extremely encouraging and we believe that the JUVORA product is well positioned to be the material of choice for a significant patient population that could reach as many as 1.5 million denture applications per year.

Beyond our existing application portfolio, we have a strong pipeline of opportunities which we continue to focus on, using our regulatory expertise, market insight and technology leadership, to ensure we can capture real value from these markets including trauma (Horizon 2) and knee (Horizon 3), where our materials can deliver superior performance and accelerate healing, as well as offering durability and less complexity than many incumbent solutions. We also believe that in certain markets – knee, for example – the demand for more radical solutions offers us real opportunities.

Focus on dental – JUVORA

During the year, Invibio continued to drive its offering to the removable denture market. A separate business, JUVORA, was created to target this £5 billion market. The first product, the JUVORA Dental Disc, was released at the world's largest dental show. It marked an important milestone for the business, since the disc is actually classified as a medical device and has required European regulatory clearance (CE Mark), which Invibio has strong expertise in.

Since its release, over 60 dental laboratory customers from across the world have committed to being 'JUVORA certified partners'. These customers are being trained to use, market and offer dentures made using the JUVORA Dental Disc.

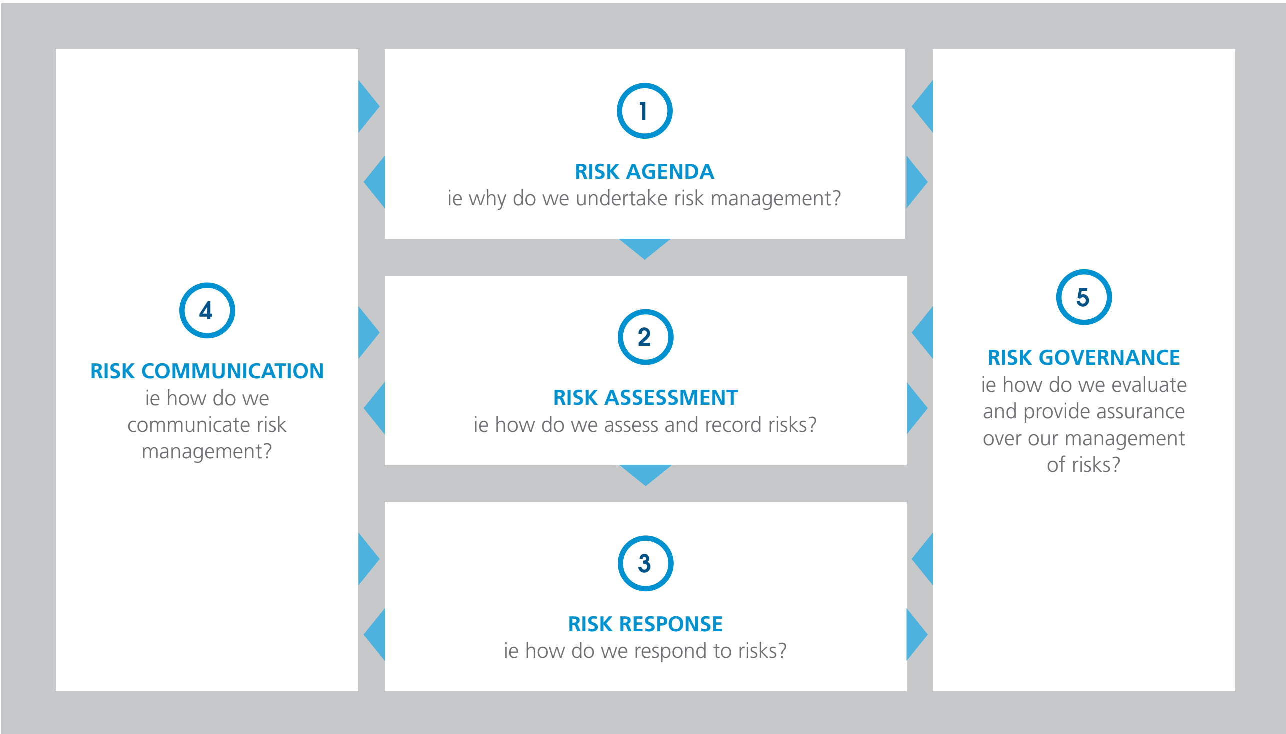
With the edentulous population increasing, strong lifestyle demand and willingness to pay, the growth opportunities for JUVORA are significant. The dental disc device also aligns with digital equipment that is sweeping into the dental sector. This allows our lab customers to evolve from the traditional methods of making metal denture frameworks, to personalised, comfortable and easily machined dental discs. The market opportunities remain significant, not just in typical geographies such as the US or Europe, but in emerging market opportunities like China, where dental patients are increasingly willing to pay based on 'lifestyle demand' and for a durable product.

Find out more at www.juvoradental.com.

JUVORA
DENTAL INNOVATIONS

Risk management

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 Board is also responsible for creating the framework for the Group's risk management to operate effectively. Read on to learn how Victrex operates an effective risk management framework.



1 RISK AGENDA Why do we undertake risk management?

Risk objectives

Victrex undertakes risk management with the objective of facilitating better decision making, together with the continuous improvement in the resilience, performance, sustainability and success of our business, whilst in turn providing better information to shareholders.

Risk strategy

Victrex's risk strategy is through an appropriate and embedded risk management culture and framework. The Board takes its responsibility seriously for creating the framework for the Group's risk management to operate effectively. This ensures that appropriate and proportionate resources are allocated to risk management, in order to ensure the activities of risk assessment, response, communication and governance are embedded in Victrex's processes. Our risk management framework is aligned to our organisational and management structure and accordingly roles, responsibilities and cross functional committees are in place at Group, business unit and project levels.

2 RISK ASSESSMENT How do we assess and record risks?

In identifying risks we consider both external factors, arising from the environment in which we operate; and internal factors arising from the nature of our business, our controls and processes and our decision making.

Analysis and recording of risks

Members of the Executive Management Team, or other management, own their respective risks and, with support from the Business Assurance function, seek to record the causes and consequences, together with mitigating factors to transfer the risk and utilise any independent assurance activity. Each risk is evaluated based on its likelihood of occurrence and severity of impact (on strategy, profit, regulatory compliance, reputation and/or people), at both a gross and a net level (i.e. before and after the effect of current lines of defence in place to mitigate or transfer the risk) and positioned on a risk ranking matrix. This approach allows the identification of the significant material risks, consideration of the effect of current lines of defence in mitigation or transfer, and ensures a consistent approach is adopted when assessing the potential effect on the Group.

Each risk is also assessed as to whether it is within the Group's risk appetite set by the Board. The strategic risk appetite for the business is defined in the business strategy and is reviewed annually. Management assesses whether net risks are within the business's risk appetite and this is recorded on the risk register and serves to identify when further actions can or need to be taken.

The risk owners are responsible for ensuring their risks are recorded in the appropriate project, business unit or Group level risk register, are evaluated appropriately and remain up to date.

Re-evaluation and challenge of risks

We seek to keep the risk registers up to date so as to remain relevant to our strategic objectives. The risk registers are therefore regularly reviewed, challenged, debated and risks escalated as appropriate, as described under 'risk communication'.

3 RISK RESPONSE How do we respond to risks?

As a result of our assessment and recording of current risks, an appropriate response is decided upon for each risk, ie whether to tolerate it, treat it further, transfer it or terminate the threat to the business. Appropriate actions to mitigate the risk further, transfer the risk to another party, for example an insurer, or alter the activities of Victrex, so as to remove the risk from our business, are also considered.

We continually challenge the efficiency and effectiveness of existing controls and always seek to improve our risk management framework. The risk owners and Business Assurance are required to allocate a status rating of appropriateness and effectiveness against each line of defence. This helps transparently identify the risk owners' measure of effectiveness of the mitigating factors and clearly identify those risks requiring a risk response thereby allowing focus on an appropriate action plan. This requirement allows the risk register to record and track the completion of improvement recommendations.

3 lines of defence explained

Management

1st line of defence

The day to day controls and processes put in place by management to mitigate the risks.

2nd line of defence

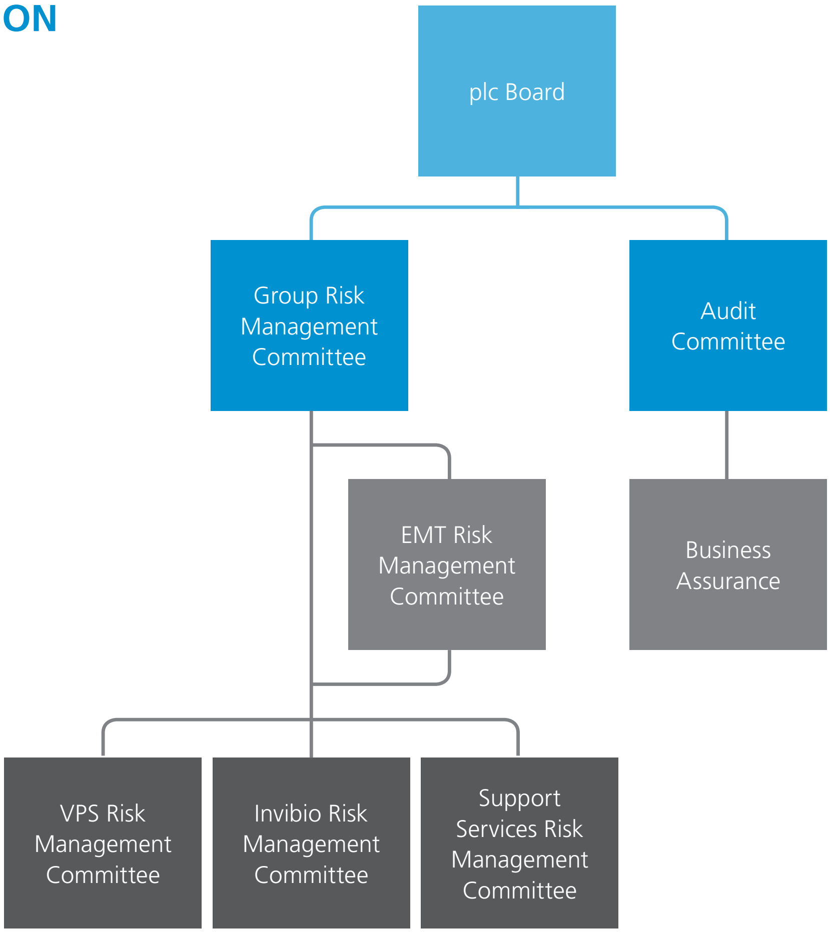
Management's oversight activities over its 1st line of defence controls and processes and risk management processes.

Audit Committee

3rd line of defence

Independent business assurance is 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 1st and 2nd lines of defence.

4 RISK COMMUNICATION
How do we communicate risk management?



At Victrex, our risk management framework is as follows:

Victrex plc Board

The Victrex plc Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and responsible for creating the framework for the Group's risk management to operate effectively. The Board annually undertakes a formal review of the effectiveness of the risk management framework, policy and procedures, the performance of the Group Risk Management Committee and approves the risk management policy. Twice yearly the Board reviews the key risks in the Group's risk register, thereby allowing it the opportunity to review the level of risk they are prepared to accept in pursuit of Victrex's strategic objectives.

Group Risk Management Committee

The Board is supported in its responsibilities by the Group Risk Management Committee, which is chaired by the non-executive Director Lawrence Pentz, and is responsible for ensuring that all significant risks facing the Group are reduced to an acceptable level. During the course of the year, the Group Risk Management Committee met quarterly. However, due to the strengthening of the risk management process over recent years, and the enhanced role of the Executive Management Team in that risk management process (see below), the Group Risk Management Committee will now meet twice yearly and will continue to report to the Board after each meeting. Such improvements in process help further embed risk management into our business. This Committee comprises the executive Directors, Managing Director of Invibio, General Counsel and Company Secretary, Head of Business Assurance, VPS Manufacturing Director and Global SHE Manager. The Group risk register is consolidated from those registers of the underlying risk management committees. The Group 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. This Group risk register, through its transparent recording of each risk, allows for monitoring by the Board, Audit Committee and Group Risk Management Committee of the third line of defence, which is the level of independent assurance provided over the first line (day to day controls and processes) and second line (management oversight activities).

EMT Risk Management Committee

The Executive Management Team ('EMT') Risk Management Committee, chaired by the Finance Director, reviews the Group risk register quarterly to ensure it remains relevant to the changing uncertainties threatening our business's strategic objectives. Feedback is provided to the Group Risk Management Committee twice yearly by the Finance Director. The EMT Risk Management Committee comprises the EMT membership in addition to the Head of Business Assurance and Global SHE Manager.

Business unit and Support Services Risk Management Committees

Risk management committees exist for each business unit and Support Services. These meet and report up to the EMT Risk Management Committee quarterly, and the Group Risk Management Committee twice yearly, via their respective Chairs, who are EMT Risk Management Committee members.

Business unit and Support Services Risk Management Committees continued

The business unit and Support Services Risk Management Committees comprise cross functional members of their respective Leadership Teams, in addition to the Head of Business Assurance and Global SHE Manager. The business unit and Support Services Risk Management Committees are responsible for ensuring that the specific risks facing that business unit and Support Services are reduced to an acceptable level.

Projects

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

Audit Committee

The responsibilities of the Audit Committee are explained on page 46. This responsibility includes reviewing the Group's system of internal control, including financial, operational, compliance and risk management, and includes reviewing the system's effectiveness. Such a 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 independent Business Assurance function supports the Audit Committee in its review of the effectiveness of the system of internal control, as do other independent assurance providers, for example the external auditor on matters identified during the course of its statutory audit work.

An area of current focus is the further development of co-ordinated, risk-based, independent business assurance activity. The inclusion of the status rating of appropriateness and effectiveness against each line of defence for high level risks provides improved transparency, focus and monitoring of where independent business assurance resource is required and being directed.

5 RISK GOVERNANCE
How do we evaluate and provide assurance over our management of risks?

Risk governance ensures procedures are in place to evaluate and provide risk assurance for the processes over the management of existing and emerging risks. In Victrex, the processes in place to support the risk governance component of our risk management framework include the following:

- The Board annually undertakes a formal review of the effectiveness of the risk management framework, policies and procedures, the performance of the Group Risk Management Committee and approves the risk management framework. Twice yearly the Board reviews the key risks in the Group's risk register, thereby allowing it the opportunity to review the level of risk the business is prepared to accept in pursuit of its strategic objectives. The Board reviews and approves the corporate strategy and the budgets and forecasts.
- The business unit and Support Services Risk Management Committees meet quarterly. Risk owners reassess the risks around achieving the strategic objectives, record their assessment of these risks in their respective risk registers, reassess the effectiveness of the mitigating factors currently in place and identify any risks requiring a further risk response. An appropriate action plan and tracking of progress to the completion of any risk improvement recommendations is also completed. The Chairman of each of these Risk Management Committees then communicates significant output, activities and emerging and evolving risks to the quarterly meetings of the EMT Risk Management Committee, which reviews these, and the risks in the Group 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 Group risk register enhances this risk governance aspect of our risk management framework. The Finance Director, on behalf of the EMT Risk Management Committee, then provides feedback on its risk management activities and its review of the Group risk register twice yearly to the Group Risk Management Committee, which considers these.
- There is a rolling programme of business assurance review carried out across the Group, co-ordinated by the Head of Business Assurance, who independently reports to the Chairman of the Audit Committee in relation to business assurance matters. The Audit Committee reviews the annual business assurance plan, its findings, effectiveness, allocation of appropriate resources and risk management activities and priorities. An area of current focus is the further development of co-ordinated, risk-based, independent business assurance activity. As reported previously, the inclusion of the status rating of appropriateness and effectiveness against each line of defence for high level risks provides improved transparency, focus and monitoring of where independent business assurance resource is required and being directed.

Principal risks

It is recognised that the Group's strategic objectives can only be achieved if risks are taken and managed effectively. The risks below are those considered principal to delivering our strategy and are specific to the nature of our business, although there are other risks that may occur and impact the Group's performance.

Risk area and description	Mitigation
Technological change Innovation and product leadership are key to our business and what differentiates Victrex. We provide innovative solutions to help our customers overcome their technological challenges. Innovation failings therefore could result in a lack of competitive advantage and products, erosion of margin and failure to achieve sustainable earnings.	We serve a diverse range of markets. With long-term megatrends such as energy efficiency, weight reduction and smaller and smarter electronics in our favour, we have a strong and diverse mix of new growth opportunities and we continue to develop a pipeline of new applications and investing to underpin our growth and deliver sustainable earnings growth for our shareholders. We are future thinkers, identifying the market need and capturing value as product leaders, with strong customer relationships, a partnership approach with both customers and end users and technical excellence. To advance our technology skills and knowledge, we invest in technological resources of both office and field-based commercial and technical specialists and global technical centres.
Recruitment and retention of the right people People continue to be our most valuable asset and our success depends on recruiting and retaining the right people in all areas of our business. Victrex relies heavily on the skills, experience and competence of our people to drive business development in our existing and new markets, as well as operate our assets safely and with a strong regard to the environment.	The Group-wide People Strategy ensures we have processes in plate 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 Management Team and business unit level. We continue to invest strongly in the development of our people through clear employee objectives and development plans, aligned to our strategy, and formal and informal training programmes on a global basis. We have succession plans in place for key roles and continue to work in developing our future leaders so that we are able to promote internally as well as sourcing talent externally. We operate an equal opportunities policy and regard this as a commitment to make full use of the talents and resources of all our employees, and to provide a healthy environment which will encourage good and productive working relationships within our global organisation.
Business continuity It is essential to ensure continuity of supply and service to our customers, that we can operate even if a significant incident has occurred. The Group's business is dependent on the ongoing operation of our various manufacturing facilities and hence a significant operational disruption could adversely affect our ability to make and supply products. Victrex operates in a manufacturing environment that is subject to numerous legislation and regulations where failure to operate safely and comply could adversely impact our employees, manufacturing capability or attractiveness of our business or products to various stakeholders. Our reputation as an ethical and trustworthy business partner is one of our most valuable assets and is critical to our success. It is important that we uphold our good reputation and can be trusted by investors, employees, customers, suppliers and partners.	We have implemented policies and procedures to efficiently and safely manage all our operations and to maintain our supply of products to our customers. In particular, we employ a dedicated and empowered Safety, Health and Environment ('SHE') department to assist line management and to provide expert guidance. Further information on SHE matters is in the Sustainability Report on page 23. We have in place robust and comprehensive business continuity plans which are regularly reviewed and monitored to ensure their continued effectiveness. Our 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 continue to work closely with our key suppliers to ensure we maintain appropriate stocks of key raw materials, which are located at a number of locations. Furthermore, our two PEEK plants are able to operate independently, thereby reducing the impact of any operational disruption on our ability to continue manufacturing products. Construction of our third PEEK plant, which is expected to be operational in 2015, is well underway. We are proactively embedding sustainability right at the heart of our business. For more details see our Sustainability Report on page 23.

Risk area and description	Mitigation
Environmental management We operate large manufacturing assets, with hazardous chemical processes and raw materials.	We actively control our environmental impact through the resources that we use to make our products and the processes that we operate. Our priorities are the efficient use of energy and waste minimisation, and we are proactively delivering safe and continuous improvement in these areas. Further detail is contained in the Sustainability Report on page 23.
Insufficient capacity Failure to maintain a secure supply of high quality products to our customers by, for example, an unexpected upsurge in demand or delays in the implementation of major capital expenditure programmes, could lead a capacity shortage and loss of earnings.	Our stocks of finished goods and raw materials, which are held in a number of locations worldwide, enable us to supply any short-term surges in demand. Furthermore, it is our policy to keep capacity well ahead of demand by continuous investment in our supply chain so that our customers can be confident that we can meet their requirements today and in the future. The current construction of our third PEEK plant will increase capacity by 2,900 tonnes to in excess of 7,000 tonnes.
Product liability We sell into highly demanding end use applications and often highly regulated markets. Any failure to supply our products in accordance with the specification could lead to loss of business and a potential product liability claim.	VICTREX PEEK polymer is manufactured within a quality management system approved to ISO 9001:2008. Invibio PEEK-OPTIMA polymer is additionally manufactured within the requirements of ISO 13485:2003, a system of good manufacturing practice often used by the pharmaceutical industry and by medical device manufacturers. There is a continuous improvement quality management process in place and the Group maintains appropriate levels of product liability insurance.
Changing global economic environment Exposure to changes and events outside the Group's control, such as external global economic conditions, markets or territories, as well as natural disasters, may impact the Group's performance and its ability to achieve its strategic objectives.	The diverse nature of the Group's markets, customers and the territories in which it operates, together with appropriate contingency planning, helps to mitigate the impact on the business of such changes and events.
Foreign currency risk The Group's results are reported in Sterling. Due to the Group's geographically diverse operations and export from the UK of 97% of sales, which are primarily denominated in US Dollar, Euro and Yen, fluctuations in exchange rates between Sterling and these currencies could cause profit and balance sheet volatility.	The Group's hedging policy to mitigate the short-term currency risk is managed by the Currency Committee and is detailed in the Corporate Governance Report on page 43.

Introduction from the Chief Executive

Our reputation as an ethical and trustworthy business partner is one of our most valuable assets and is critical to our success. It is important we uphold our good reputation and can be trusted by investors and also our employees, customers, suppliers and partners.

David Hummel
Chief Executive

Our sustainability policy

Victrex is an innovative world leader in high performance polymers and sustainability is about doing business the right way, to enhance our already strong position in the market. The Board remains committed to a very clear Sustainability Policy which will help us as we grow over the years ahead:

- the Board values the sustainability benefits that Victrex products and services provide to our customers, for example, energy efficiency;
- the Board values Victrex's continuous improvement to become a more sustainable Company, by being more efficient with the resources we use and, in doing so, reducing our impact on the environment and reducing costs;
- the Board believes sustainability is key to growth and continuous improvement, that it delivers value for stakeholders and that it gives Victrex a competitive advantage; and
- the Board is committed to development and delivery of a long-term sustainability strategy as a core part of the Victrex business strategy that is embedded in our culture.

Dear Shareholder,

I am delighted to introduce our Sustainability Report for the year, which covers in detail how we are proactively embedding sustainability right at the heart of our business and how we believe sustainability can help Victrex succeed in the future.

Whilst financial results remain an important measure of success, to be a truly successful global business, we are working hard to continuously improve our positive impact on the environment and society, and progressively embed sustainability within our business.

In last year's Annual Report, we covered how we were enhancing our corporate responsibility and sustainability strategy, with a clear focus on our supply chain, our manufacturing operations, our impact in existing markets, resourcing and social impact, research and development and the development of new markets. We have challenged and refreshed our key priorities and metrics, helping to promote new activities, as well as bringing many existing programmes of work together and improving communications on the successes we are delivering in this area. Over the year, we made considerable progress, including engaging with numerous key stakeholders, adopting new greenhouse gas emission reporting requirements, participating in the Carbon Disclosure Project for the first time and we formed a cross functional Sustainability Steering Group, chaired by a member of the Executive Management Team, and whose remit includes delivery of a range of sustainability programmes including, but not limited to:

- **Our Products and Services**
- **Our Environmental Impact**
- **Our Employees**
- **Our Stakeholders**
- **Our Communities**

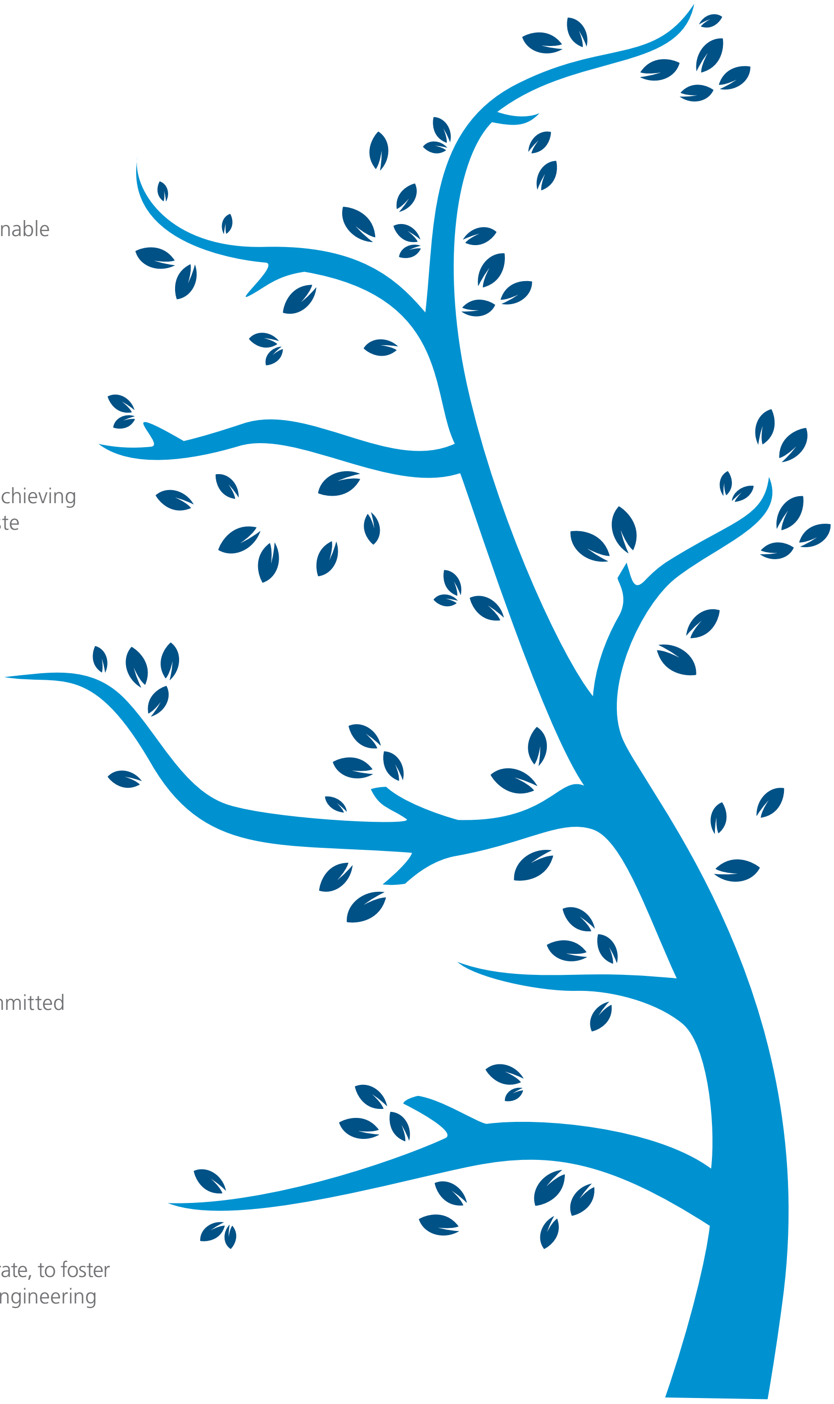
Acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business, helping us to maintain our competitive advantage. Our reputation as an ethical and trustworthy business partner is one of our most valuable assets and is critical to our success. It is important we uphold our good reputation and can be trusted by all of our stakeholders, not just investors, but our employees, customers, suppliers and partners. Our Victrex Global Code of Conduct ('Code') formalises the ethics that are fundamental to the way we already do business and is supported with key policies, including Anti-Bribery, Competition (Anti-Trust) and Data Protection. Through our Code of Conduct, which underpins our whole business, we demonstrate that we operate ethically, show integrity and act responsibly – simply the way we would expect others to work and to treat us. By complying with applicable laws, Company policies and this Code, we ensure that we conduct ourselves consistent with the highest ethical standards.

This has been a year of progress on our sustainability journey. Further detail can be found in the main body of the Sustainability Report, which I hope you find useful, informative and a measure of our performance so far.

David Hummel
Chief Executive
9 December 2013

Global Code of Conduct:
Learn about our Code of Conduct on page 25

Our sustainability priorities and where to find them in this report



Our Products and Services

To provide products and services to our customers that enable them to be more sustainable and competitive

page 26

Our Environmental Impact

To reduce the environmental impact of our activities by achieving the most efficient use of energy and minimisation of waste

pages 27–29

Our Employees

To attract, motivate and retain the best employees

pages 29–33

Our Stakeholders

To assure our investors and stakeholders that we are committed to long-term business sustainability

page 33

Our Communities

To positively contribute to the communities in which we operate, to foster good community relations and to promote science and engineering

pages 34–36

> Our success as a business rests on ensuring that the Company upholds the highest standards of integrity

Victrex Global Code of Conduct – doing business the right way

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

Acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business, helping us to maintain our competitive advantage. The Global Code of Conduct, further details of which can be found in the Corporate Governance section starting on page 41, 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.

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

Our three principles of ethical business conduct are:

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

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

Prompt Payment Code
Approved Signatory

> In Aerospace, VICTREX PEEK has helped to deliver up to 70% weight reduction versus metal

Our products and services

At Victrex, we enable many industries to deliver against their future challenges. In doing so, we are not only helping our individual customers solve problems, we are providing innovative and sustainable solutions across our markets, proving our real credentials in sustainability.

Our industries continue to be challenged to achieve higher performance with less: less material, less energy, less waste, less noise, less time, less cost. This drives the need for innovative designs using our materials and expertise to bring them to market. The unique combination of properties and physical forms of Victrex materials help customers deliver against these challenges. With proven expertise and over 30 years of experience, our customers choose to specify VICTREX PEEK in many of their applications, whether it be in aerospace to 'fly lighter', in automotive to 'reduce wear' and 'improve durability', in electronics to deliver 'thinner, smaller and smarter' devices, in energy to 'improve durability' and 'recover more', or in medical applications to help address an ageing global population.

We retain a strong and diverse development pipeline, with opportunities to target further market penetration or geographies through strategic marketing. Ultimately, we believe our products and services will continue to play an important role in delivering real and sustainable solutions for our customers and markets. New materials, new applications, new forms and new geographies will all play a part in Victrex's future. As evidence of our commitment in this area, our research and development spend once again increased this year, representing approximately 7% of Group revenue.

We also continue to focus on a sustainable supply chain, including our own 'upstream' production assets at Rotherham and Seal Sands in the UK, as well as how we can sustainably source our raw materials into the future.

Lift off with Less

One of the principal challenges of today is emissions reduction by the transport industry. The transport industry alone accounts for around 27% of all CO_2 emissions globally. All modes of transport are faced with the challenge of reducing their environmental impact and this is not just an individual market or individual country issue.

In aerospace, this environmental impact is felt most keenly in the shape of fuel consumption. Fuel cost is now the single most expensive component of the operating costs for airlines and has risen from around 15% to over 40% of total costs. This is where Victrex can help – providing innovative and sustainable solutions for our markets, with technological excellence in-built.

Aerospace engineers require lightweight, durable materials that enable system weight reduction which leads directly to fuel consumption savings.

In Aerospace, VICTREX PEEK has helped to deliver up to 70% weight reduction versus metal, whilst maintaining equivalent strength and stiffness. As an example, by removing 45kg (100lb) from each aircraft across a fleet of 500 can result in up to \$5m in annual fuel cost savings and 15,422 tonnes of CO_2 emission savings.

With proven expertise and real performance benefits, Victrex continues to show itself as the world leader in high performance polymer solutions, with over 30 years of experience in displacing metals, thermoset composites and other plastics in a growing number of industries, including the aerospace market.

Our priorities are the efficient use of energy and waste minimisation, and we are proactively delivering continuous improvement to address these areas

Our environmental impact

Victrex already delivers a positive benefit to the environment. Our products help our customers to make a sustainable difference by reducing their impact on the environment; for example, Victrex polymers help our aerospace and automotive customers to reduce the weight of their aircraft and vehicles to improve fuel efficiency and reduce CO_2 emissions.

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

Principal environmental impacts

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

Whilst our principal environmental impacts have not changed this year, we have enhanced what and how we report. We have reported data per unit of revenue to better align our indicators with our business strategy. In addition, to go beyond standard reporting and to demonstrate our progress in this area, we have reported absolute data.

This year CO_2 emissions are reported as separate indicators required as part of our greenhouse gas emissions report under the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013.

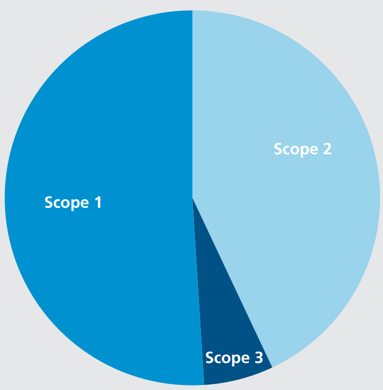
VICTREX GREENHOUSE GAS EMISSIONS 2013

Greenhouse gas (GHG) emissions

Our emissions have been calculated based on the GHG Protocol Corporate Standard. Emissions reported correspond with our financial year. We have included emissions from both our owned and leased assets for which we are responsible in the UK and overseas. This includes our manufacturing plant, technical centres and offices. No material emissions are omitted. Emissions have been calculated using data gathered to fulfil our reporting requirements under Climate Change Agreements on two of our manufacturing sites. Emission factors are from UK government conversion factor guidance current for the year reported.

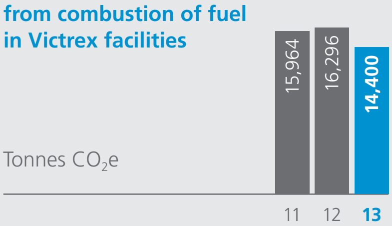
Emissions are predominantly from gas and oil combustion and electricity use on our manufacturing plant. Emissions from our overseas technical facilities and offices are low relative to those from our UK activities, hence our focus on UK metrics, reflecting our UK manufacturing footprint.

Tonnes of CO_2 equivalent



Scope 1

Direct emissions resulting from combustion of fuel in Victrex facilities



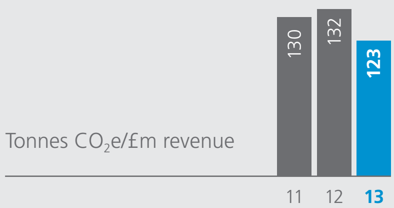
Scope 2

Indirect emissions resulting from electricity purchased by Victrex

Scope 3

Indirect emissions from related activities such as transport of goods and employee travel

Intensity measurement (scope 1 and 2)

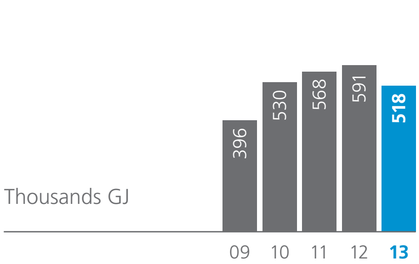


Our environmental impact continued

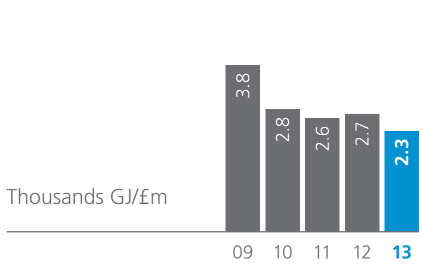
Energy use (UK Operations)

In line with previous reporting, energy use is reported for our UK manufacturing sites. The results this year are influenced by an improved method for calculating energy consumption at one of our manufacturing sites. Without this effect energy usage would still have reduced. Energy is a priority sustainability target for us whilst polymer manufacture is an energy intensive industry and we have an ongoing programme of work to identify how we can use energy more effectively.

Primary energy



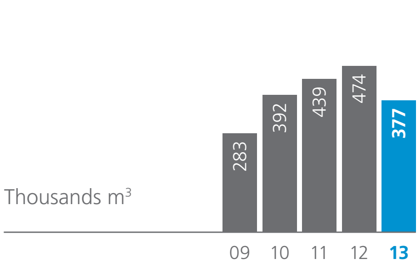
Primary energy unit revenue



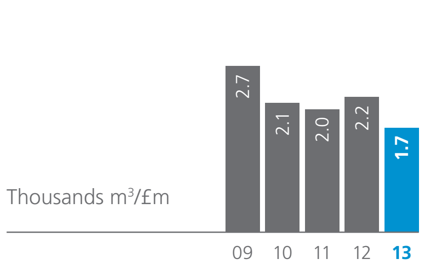
Water (UK Operations)

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

Water usage



Water usage per unit of revenue

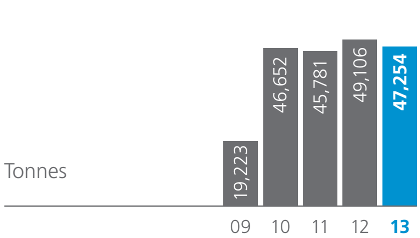


Waste (UK Operations)

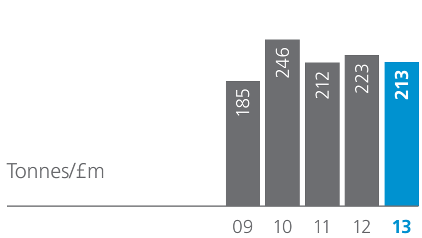
Whilst our manufacturing process generates hazardous waste, we work closely with licensed waste service providers to ensure that it is recovered, recycled or disposed of with minimal environmental impact. This is demonstrated by the metrics on disposal to landfill.

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 – an example of the innovative thinking we have across our sustainability agenda.

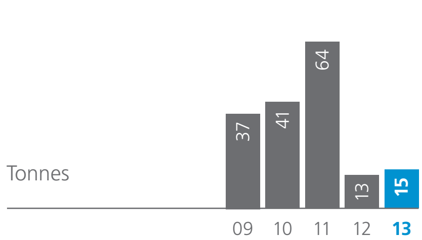
Hazardous waste produced tonnes



Hazardous waste produced per unit revenue



Hazardous waste disposed to landfill



Compliance

Victrex is proactively staying well ahead of environmental standards.

Our manufacturing plants, which are all in the UK, are regulated under Environmental Permitting Regulations and, as such, are subject to close regulatory monitoring of environmental emissions. In 2013 our routine monitoring confirmed that all our UK manufacturing plants were being operated within agreed consent limits. We work closely with the UK Environment Agency on new projects to ensure that best available techniques ('BAT') are adopted during new plant design.

We continuously monitor and report our emissions performance and data. During the year there was one notifiable event. At our Rotherham manufacturing site, during plant commissioning, there was a short duration release of NOx gas; no harm to the environment was caused. There were no other notifiable events at any of our other 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.

REACH

We have well established arrangements in place to manage compliance with REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals Regulations). We also have arrangements in place to ensure that the raw materials involved in our manufacturing process are compliant and that REACH will not adversely impact on 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.

Our employees

Our continued business success is a reflection of the quality and skills in our talented and diverse global workforce. In a competitive global market, ensuring that we attract, motivate and retain our people remains key for Victrex. Our talent strategy is led by the Chief Executive, supported by the Group Human Resources Director and the Managing Directors of each business unit.

Employee breakdown

We continue to invest to support our future growth. This year we recruited 93 new employees to the Victrex team, as well as promoting internal talent within the business. We also celebrated our 20th anniversary this year, with employee numbers increasing from around 60 in 1993 to 670 now – strong evidence of the growth our business has delivered and with it, job creation.

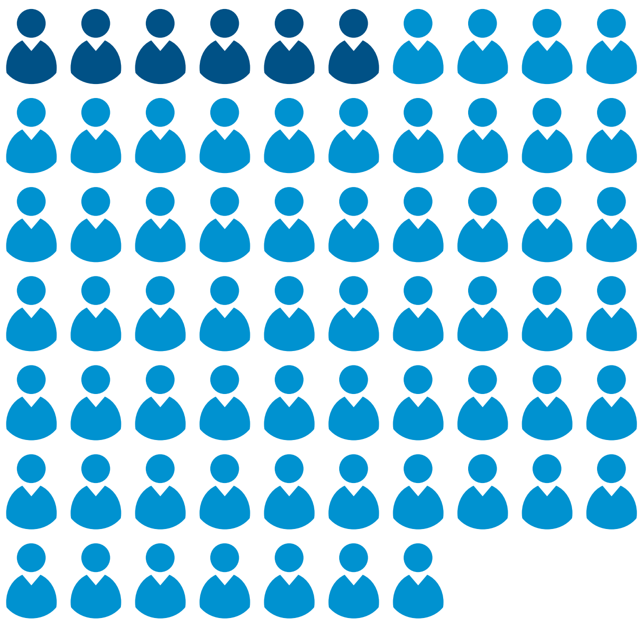
As evidence of the diversity of our business – beyond our Board and Executive Management Team – which has continued to strengthen and diversify, our gender breakdown continues to show changes across the business. Approximately 80% of our employees are male and 20% female. On our Executive Management Team, one quarter of the team is female.

Victrex creating jobs

Employees

60
1993

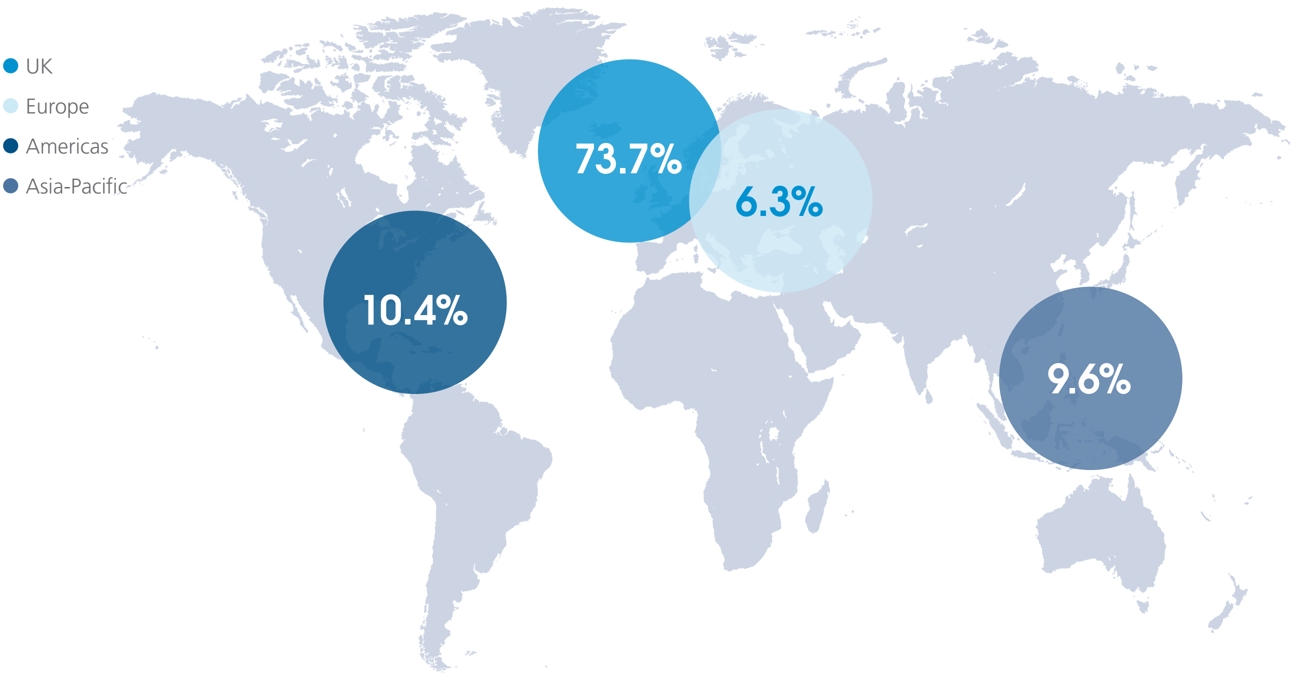
670
2013



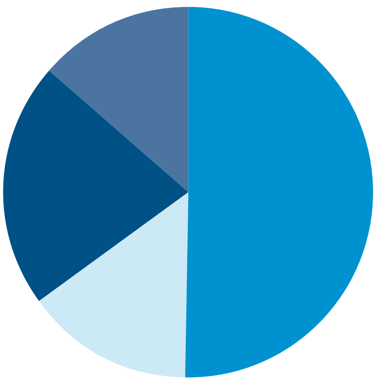
Our employees continued

Employee breakdown continued

Regional breakdown



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



	2013	2012
Operations	**324**	304
Technical	**96**	88
Commercial	**138**	137
Administration	**86**	78
Total	**644**	607

Following the development and implementation of the Group-wide people strategy in 2012, 2013 has seen the roll out of Organisational Effectiveness programmes in each of our key functional areas. This will ensure that we have the right people in the right roles to meet the needs of the business today and as we grow. These changes have enabled us to standardise and streamline activities whilst creating specialisation where appropriate, enabling enhanced career progression and succession planning.

> **We are continuing to develop our performance review process to ensure we reflect our high performance culture**

We continue to invest in the training of all our employees, through both an informal and formal route. Assessment of individual training needs comprises a key element of the annual appraisal process which is undertaken by all employees. This year has seen us roll out programmes globally across different employee groups. We are continuing to develop our performance review process to ensure we reflect the high performance culture within Victrex.

Diversity

In Victrex, diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking style, experience and education. We believe that the wide array of perspectives that result from such diversity promotes innovation and business success. We operate an equal opportunities policy and regard this as a commitment to make full use of the talents and resources of all our employees, and to provide a healthy environment which will encourage good and productive working relationships within the organisation.

Despite being an asset-based business, Victrex is a solutions provider and our differentiator – beyond being a manufacturer – is the strong research and development skills to ensure we continue to lead the way in product development. Victrex relies heavily on the skills, experience and competence of our employees to produce our products safely and efficiently, develop innovative new products and support business development in our existing and new markets.

We seek to:

- provide a clean, safe working environment which meets all legislative requirements and to provide all the necessary training support for employees to operate safely within it;
- provide appropriate remuneration for work carried out and equal opportunities for development and career advancement;
- be intolerant of any unacceptable working practices such as any form of discrimination, bullying or harassment;
- prohibit illegal activities on our sites; and
- promote fair, ethical and transparent business practices both within our business and in dealings with external stakeholders.

20 years and more to come: Victrex employees and guests celebrate our 20 year anniversary

Our employees continued

Health and wellbeing

Victrex places a high priority on the health and wellbeing of employees and promotes this in a number of ways. Occupational health and private medical services are available for all employees. In addition to this, 2013 has seen the roll out of a number of other health and wellbeing services to employees and their immediate family members. These services include an advisory service and online interactive portal, access to expert medical information, advice and recommendations, a bereavement and counselling service, and a probate helpline. These free, confidential, easy to access services are provided as an employee benefit and are designed to help employees lead a happy and fulfilling life.

Alice Matthews
Victrex employee

'It's a great job seeing product development from start to end'

Involvement

The Group places considerable emphasis on two-way communication and involving our employees in the business. We have a number of channels to keep employees informed on matters relating to the performance of the Group or relating directly to them as employees, formally through the Staff Committee, Union Partnership Meetings or via quarterly global staff presentations, email communication and the Group intranet to which all global employees have access.

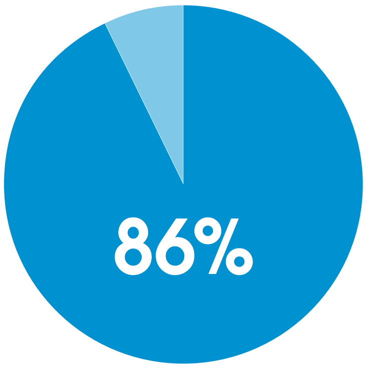
The Company supports employee share ownership and, where practical, offers the opportunity to participate in share schemes. As at 30 September 2013, approximately 86% (2012: 93%) of employees worldwide were participants in employee share schemes, principally as option holders under the Company's employee share option schemes.

We also sponsor pension plans for employees throughout the world. Details of the Group's principal pension schemes are set out in note 14 to the financial statements.

We believe it is important to recognise and reward long serving employee's loyalty and commitment to the business. During the year the Long Service Policy was extended globally with 10, 20, 30 and 40 years being formally marked with a presentation and gift. In 2013 27 employees received a long service award.

Largely as a result of the above approaches, Victrex has low voluntary employee turnover.

Participation in employee share schemes



2013	2012	2011
86%*	93%	85%

* Excludes recruitment during 2013

Voluntary employee turnover

2%

2013	2012	2011
2%	3%	3%

We have a strong risk management culture and believe that good health and safety management is just one part of it

Occupational health and safety

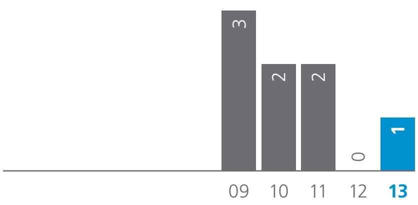
Protecting the occupational safety and health of all our employees along with contractors and visitors to our sites remains the highest priority for Victrex and we have a strong track record.

In 2013 the Group was again recognised for its strong health and safety performance. We received the Royal Society for the Prevention of Accidents ('RoSPA') Order of Distinction award, in recognition of sustained occupational health and safety achievement after winning 16 consecutive Gold Awards.

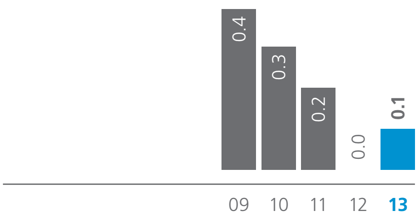
Despite our track record, we set targets to drive continuous safety, health and environment ('SHE') performance improvement. During the year, there was only one employee with an over-7-day reportable injury and the frequency of injuries remains low. There were no cases of reportable ill health. This has been achieved by establishing and maintaining a strong health and safety culture throughout the business, in particular regular safety audits are completed by Directors and managers, annual workplace safety training has been delivered to all operations teams, and health and safety learning is shared across the business. We have a strong 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 that of our employees'. There has been significant contractor activity on major projects during the year and over 170,000 man-hours have been worked with no contractor reportable injuries. This 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.

Employee reportable injuries



Employee reportable injury rate per 100,000 hours worked



Man-hours worked with no contractor reportable injuries

170,000

Cases of reportable ill health

0

Our stakeholders

As an innovative world leader in high performance polymers, and as a successful global business, we continuously work to meet the expectations of our key stakeholders on sustainability issues including our customers, end users and suppliers. This year, we have engaged with customers, employees, investors, community organisations, sustainability consultants, suppliers, regulatory bodies and rating agencies, understanding what we do well and what areas we can improve. We remain committed to regular engagement with key stakeholders, so we can ensure our strategy aligns with their needs and expectations.

We also engage in two-way dialogue, for example hosting meetings with ethical investors or working with trade associations and industry to understand how Victrex can become a better business. At an individual level, our Directors are involved in a variety of education and professional bodies. In March, we signed up to be part of the Cogent Science Industry partnership, which is setting apprenticeship standards for technicians. We also completed our first year as a member of Business in the Community ('BITC'), looking at how we can continue playing an active role in the community.

> We continue to invest in recruiting and developing young people through our advanced apprenticeship programme

Our communities

Working with the local communities where we operate is a key focus for us, helping to ensure that the Victrex name is synonymous with good business, but also helps us to establish our employer brand and reputation, in turn helping us to secure the right skills for our future development. Over the last year Victrex has participated in a range of activities within the local communities where we operate including charitable giving, offering apprenticeships, awareness in schools, advancement of research work at universities and offering work experience to students of all ages at varying stages of their academic careers.

We continue to invest in recruiting and developing young people through our advanced apprenticeship programme. This scheme is based on national standards, is fully monitored and trains apprentices in process, mechanical or electrical technician skills. Currently there are ten apprentices participating in the apprenticeship scheme. All of our recent apprentices joined the Company as employees on a permanent basis.

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 £81,224 (2012: £59,735) during the year. No political donations were made (2012: £nil).

Number of apprentices in our apprenticeship scheme

10

Victrex was named in the top 20 Most Admired Companies in the UK by Management Today magazine

Promoting safety awareness

The management team leading the Victrex Powder Plant 3 construction and their principal contractor have taken a proactive approach to safety and reporting. The construction team is encouraged to report both hazards and good safety practices. Dependent on the number of reports submitted, a sum is donated to employee nominated charities on a quarterly basis. This team also reached out to a primary school in the local community to promote safety awareness. A member of the Safety, Health and Environment ('SHE') team gave a presentation to year 6 pupils at the school. Children were then invited to design safety posters to be displayed onsite. Six winning entrants were invited to site to see their posters in situ and to meet the Victrex team. All competition entrants were given small prizes and a cash donation was made to the school.

Safety first:
Pupils from Stanah Primary School with their safety poster campaign

Skills development

Joshua Bucknall, our second year engineering apprentice based at Hillhouse, our UK HQ, was awarded the Student of the Year award at Blackpool and Fylde Technical College whilst studying for a BTEC National Diploma in Engineering. This prestigious award was presented to Joshua by his course tutor Dave Gilmartin and Damian Johnson, Victrex Hillhouse Engineering Manager, during the annual awards presentation at the college. Joshua had previously won Springfields' Gareth Jobes Endeavour Award 2012 and this award is further recognition of Joshua's dedication, outstanding effort, commitment and quality of work.

“

Victrex hosts quarterly employee events to raise money for charity

Employee fundraising

Following the successful opening and launch of the newly built head office and technical centre in October 2012, quarterly employee events to encourage employee networking and to raise money for charity were introduced. All employees based on the Hillhouse site were invited to attend informal lunches provided by the company. During the year a total of £1,128 was donated to charity through employee donations.

Student of the Year:
Joshua Bucknall
Engineering apprentice

Employee fundraising:
Victrex employees at one of our fundraising lunches

Our communities continued

Training

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

The 2012 recipient was Instrument and Electrical Tradesperson, Matthew Kenny. Matthew was chosen due to his professional behaviour, dedication and the outstanding quality of his work. Pictured below is Matthew being presented with the trophy by Karl Thompson, Shaun's father.

Future initiatives

As we have developed our Sustainability Strategy, we have reviewed our approach to how we connect with our communities. Our focus is getting young people interested and excited about science, technology and engineering. To support this we have agreed a partnership with Catalyst Science Centre in Runcorn and are working with them to build an exciting, interactive exhibition, which we will then support local schools to attend.

> "Our focus is getting young people interested and excited about science, technology and engineering

Training success:
Matthew Kenny receiving the Shaun Thompson Young Person of the Year Award

Building foundations for the long-term success of the Company.

Governance

Governance

Introduction from the Chairman

To our shareholders and stakeholders

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

Our Corporate Governance Report is set out on pages 41 to 47. This section of the annual report sets out how we manage the Group and comply with the provisions of the UK Corporate Governance Code. It also outlines any governance initiatives undertaken in the year. Key areas of focus this year include succession planning, strengthening our management team and governance structures to resource our business to drive forward delivery of our strategy and evaluating the management of board meetings (including the quantum and appropriateness of information received).

The updated Corporate Governance Code of September 2012 ('the Code') brought some additional reporting and compliance requirements. These include enhanced consideration of matters such as board diversity and extra reporting requirements for Audit Committees. We have given these matters our fullest attention at Board and the appropriate Committee meetings.

We remain cognisant of the strong relationship between ethics and governance and the role the Board plays in demonstrating ethical leadership. In the current year, we have launched our Victrex Global Code of Conduct. This formalises on a global basis, the ethics that are fundamental to the way we already conduct our business. We believe that this demonstrates our commitment to operating ethically, demonstrating integrity and acting responsibly for both our shareholders and wider stakeholders. Further information on ethics and social responsibility is contained in our Sustainability Report on pages 23 to 36.

As part of our annual Board evaluation, we assessed how we work as a Board, our skills, our diversity and how we operate. The process we undertook and planned actions are covered on page 44.

Finally, I am pleased to report that except in one limited respect, we have complied in full with the provisions of the Code. Our Statement of Compliance is set out on page 41.

Anita Frew
Chairman
9 December 2013

Board of Directors

Anita Frew
Non-executive Chairman BA MPhil (1)
Anita Frew was appointed to the Board in 2000 and became Chairman in 2008. She is also Chairman of the Nominations Committee. Anita has over 15 years' experience as a plc director and has been a non-executive director of industrial and financial companies for over 12 years. She was formerly a non-executive director of Northumbrian Water, executive director at Abbott Mead Vickers plc, Director of Corporate Development at WPP Group plc, and held various investment and marketing roles at Scottish Provident and Royal Bank of Scotland in her early career.

In addition to Victrex, Anita currently serves on the board of three FTSE 100 companies. She is senior independent director of Aberdeen Asset Management plc and a non-executive director of IMI plc and Lloyds Banking Group plc.

David Hummel
Chief Executive BSc (4)
David Hummel assumed responsibility for VICTREX PEEK worldwide in 1992 and has more than 25 years of experience of the global high performance polymer industry. Formerly with Diamond Shamrock, GE Plastics and ICI, David was appointed to the Board in 1993 following the successful MBO of Victrex from ICI. He has served as Chief Executive of Victrex since that time, overseeing strategic decision making and day to day management and leadership of the business.

Steve Barrow
Finance Director BSc FCA (4)
Steve Barrow was appointed as Group Finance Director in October 2011, from his previous position as Finance Director for the VPS business unit. Steve joined Victrex from KPMG in 1995 to lead and develop the finance function for the Group. Steve has been a key member of the Group Senior Management team for many years, developing an in-depth knowledge of the business and playing an active role in strategy and organisational development. Steve is Chairman of the Currency Committee.

Tim Cooper
Executive Director BA Hons (4)
Tim Cooper was appointed to the Board in October 2012, and continues in the position of Managing Director of VPS, a position he has held since joining Victrex in January 2010. Tim has over 30 years of international business management and commercial experience, having held senior leadership positions in a number of industries. Prior to joining Victrex, Tim was with Umeco Plc, initially as managing director of Aerovac Systems Ltd, later as group managing director of Umeco Composites Process Materials. He was also 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.

Patrick De Smedt
Non-executive Director BSc MSc (1, 2, 3)
Patrick De Smedt was appointed in 2008 and is Chairman of the Remuneration Committee. His career includes over 20 years with Microsoft Corporation, culminating in his appointment as Chairman of Microsoft Europe, Middle East and Africa in 2003. Patrick has previously worked with early stage ventures in addition to large, established multi-nationals. He has an in-depth knowledge of international markets, technology and diverse industry sectors.

Patrick is senior independent director of Morgan Sindall plc and Anite plc, and non-executive director of Easynet Global Services Ltd.

He is an investor in several European technology companies.

Giles Kerr
Non-executive Director BA FCA (1, 2, 3)
Giles Kerr was appointed in 2006. Giles is Chairman of the Audit Committee and Senior Independent Director. Giles has a strong financial background and commercial experience within the pharmaceutical industry. He has formerly held the position of finance director at Amersham plc and was previously a partner at Arthur Andersen.

Giles is the finance director of Oxford University and non-executive director of Elan Corporation plc, BTG plc and Senior plc.

Pamela Kirby
Non-executive Director BSc PhD (1,2,3)
Pamela Kirby was appointed in 2011. Pamela has detailed knowledge of the international pharmaceutical industry, and was formerly CEO of Quintiles Transnational Corporation based in North Carolina, USA. Pamela has also held a number of other senior positions in the international pharmaceutical industry, including AstraZeneca plc, where she was a regional director and F.Hoffmann-La Roche Ltd., where she was their director of strategic marketing and business development. She was previously non-executive chairman of Oxford Immunotec Limited and non-executive director of Novo Nordisk A/S.

Pamela is chairman of Scynexis Inc, a non-executive director of Smith and Nephew plc and DCC plc and senior independent director of Informa plc.

Lawrence Pentz
Non-executive Director BS ChE MBA (1, 2, 3, 4)
Lawrence Pentz was appointed in 2008 and is Chairman of the Risk Committee. He has over 30 years' service within multi-national corporations in a variety of operational and general management positions. He has extensive experience in developing strategy for and successfully leading international growth businesses. Lawrence 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.

Lawrence is an executive director of Johnson Matthey Plc, responsible for their process technologies and fine chemicals divisions.

Suzana Koncarevic
General Counsel and Company Secretary BBus LLB MBA (4)
Suzana Koncarevic was appointed to the position of General Counsel and Company Secretary in April 2012. Suzana has a corporate and commercial law background, having previously held the position of general counsel and company secretary at Speedy Hire plc. She has also held the position of senior legal adviser at United Utilities Group plc. Suzana's career also includes previous experience as a corporate lawyer at both Herbert Smith in London and DLA Phillips Fox in Sydney, Australia.

Key to committees
1 Nominations Committee
2 Audit Committee
3 Remuneration Committee
4 Risk Management Committee

Executive Management

A strong management team is in place to support our future growth.
Picture above: Victrex's Executive Management Team (left to right) Martin Court, Kenny Gilmour, John Devine, Carolyn MacNab, Suzana Koncarevic, Tim Cooper, David Hummel, Steve Barrow

Our executive team oversees the implementation of the strategy set by the Board. It comprises the Chief Executive, Group Finance Director and Managing Director of VPS, who are executive Directors, our General Counsel and Company Secretary (their biographies are on pages 38 and 39) and the following executives:

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

Kenny Gilmour BEng
Operations Director
Kenny joined Victrex in 2010 from Hempel Paints where he was Supply Chain Director for the Middle East region, based in Dubai. Prior to this he was Manufacturing and Supply Chain Director for the European Operations of Arch Chemicals. Kenny has also worked with ICI, AstraZeneca and Avecia and his experience includes leadership roles in engineering, project management, operations and supply chain. Kenny was also Managing Director of a private equity backed SME operating in the UK life sciences sector. He holds a BEng in Mechanical Engineering from Heriot-Watt University.

John Devine BSc PhD
Emerging Business Director
John joined the Company in 1999. He has held a number of internal senior roles including Marketing and Technology Director at Invibio. He is a named inventor on a number of patented inventions, is a frequent contributor to papers at key biomaterials and industry conferences, and has authored numerous peer reviewed articles. John has previously held roles in research and development with Invibio and in product development with Victrex. He holds a doctorate in the field of organic polymer synthesis and structure property relationships from the University of St. Andrews and a degree in chemistry from the University of Glasgow.

Carolyn MacNab BA Hons, MSc, FCIPD
Group Human Resources Director
Carolyn was appointed Group HR Director of Victrex in February 2013. Prior to joining Victrex, Carolyn held the position of Global HR Director at The LateRooms Group, part of Tui Travel Plc. Over her career Carolyn has held both commercial and HR leadership positions in a variety of industries and organisations such as GUS plc and SSL plc (latterly Reckitt Benckiser). Carolyn holds a degree in Business Studies and an MSc in Strategic Human Resource Management.

Corporate governance

The Board recognises the importance of sound governance and its role in achieving sustainable growth. Maintaining and reviewing governance structures is an essential part of its programme of business.

In summary

- The Board confirms that the Company has complied with the Code except for the provision relating to the re-tendering of the external audit every ten years.
- The Board is focused on diversity and our current female representation on the Board is 25%. Our Chief Executive's Committee (the EMT) also has 25% female representation.
- Satisfactory engagement with shareholders, both institutional and private, is a key objective of the Board. The Board is committed to the regularity of investor days to keep the market up to date with our strategy and ambitions. The AGM provides private investors an opportunity to meet informally with the Board and key executives.
- A robust internal Board and Committee evaluation process was carried out during the year. In 2014 an externally facilitated evaluation is due to take place in line with corporate governance best practice.

For more information visit www.victrexplc.com

Statement of compliance

A detailed review has been performed of the Company's compliance with the 'Code' issued by the Financial Reporting Council ('FRC') in September 2012. We have been mindful to ensure that we comply not just with the principles of the Code but also the spirit of the Code. In assessing our approach, we have had regard to the FRC guidance on Board Effectiveness (March 2011) and the FRC guidance on Audit Committees (September 2012).

This report, together with the Directors' Remuneration Report on pages 48 to 61, 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 2013 and from that date up to the date of publication of this Annual Report.

The Company has not complied in full with part of Code provision C.3.7, which provides 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. In addition, for the 2013 financial year, we have a new audit partner along with a number of new audit team members. Further information on this is contained in the Audit Committee Report on page 46.

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 38 and 39.

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.

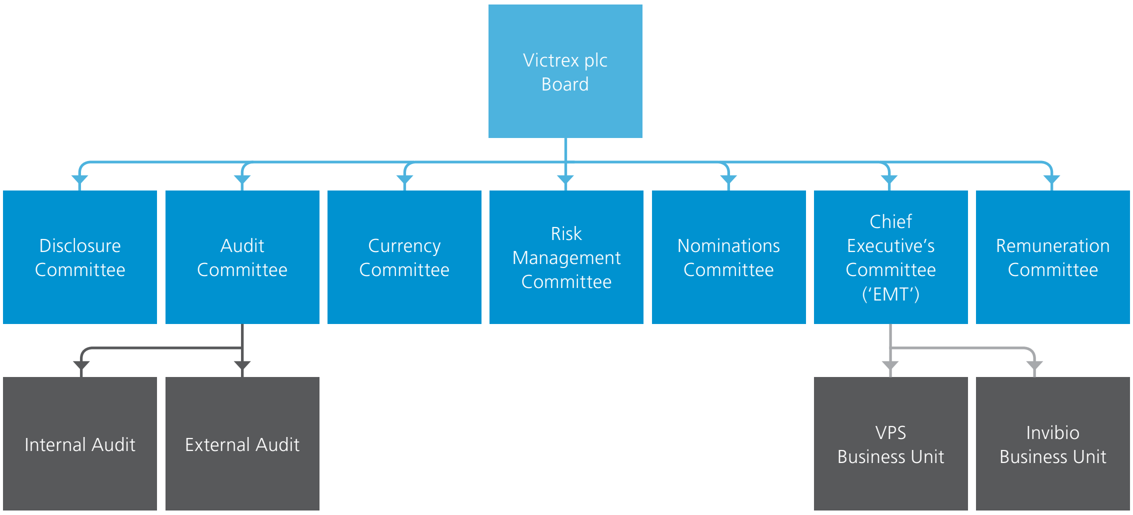
The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman is also responsible for creating the right board dynamic and for promoting a culture of openness and debate, in addition to ensuring constructive and productive relations 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.

The offices of the Chairman and the Chief Executive are separate and clearly distinct. The division of their responsibilities is set out in writing and has been approved by the Board. There is no Deputy Chairman.

Our Senior Independent Director, Giles Kerr, acts as a sounding board to the Chairman and serves as an intermediary for other Directors when necessary. He is also available to shareholders should they have any concerns, where contact through the normal channels is inappropriate. He is also responsible for leading the review of the Chairman's performance, as part of the annual Board evaluation and this is discussed further on page 44. 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.

Corporate governance framework



Leadership continued

Operation of the Board

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

The Board's agenda is determined against a pre-planned programme of business to ensure that, in addition to the day to day matters requiring its consideration, all relevant issues come to the Board for its review at appropriate times.

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, Board effectiveness and evaluation, and shareholder feedback reports from brokers and analysts.

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;
- major investments; and
- disposals and entering into strategic alliances, joint ventures and partnerships.

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

Board committees

The Board has delegated certain responsibilities to Board committees namely:

- the Nominations Committee;
- the Audit Committee;
- the Remuneration Committee;
- the Risk Management Committee;
- the Currency Committee; and
- the Disclosure Committee.

The Nominations, Audit and Remuneration Committee reports are described on pages 46 to 61 and the Risk Management, Currency and Disclosure Committees on page 43. These Committees operate under clearly defined terms of reference and report to the Board at each Board meeting via the Committee Chairmen. The terms of reference are reviewed at least annually, with any revisions proposed by the respective Committees and then approved by the Board. The Board has provided its Committees with sufficient resources to undertake their duties, including access to the services of the Company Secretary and external advisors, where appropriate.

Attendance at meetings

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

♦ Attended ◊ Not attended

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	♦♦♦♦♦♦	♦♦♦	♦♦♦♦♦	♦♦
Chairman				
Anita Frew	♦♦♦◊♦♦	n/a	n/a	♦♦
Executive Directors				
David Hummel	♦♦♦◊♦♦	n/a	n/a	n/a
Steve Barrow	♦♦♦♦♦♦	n/a	n/a	n/a
Tim Cooper	♦♦♦♦♦♦	n/a	n/a	n/a
Non-executive Directors				
Giles Kerr	♦♦♦♦♦♦	♦♦♦	♦♦♦♦♦	♦♦
Patrick De Smedt	♦♦♦♦♦♦	♦♦♦	♦♦♦♦♦	♦♦
Lawrence Pentz	♦♦♦♦♦♦	♦♦♦	♦♦♦♦♦	♦♦
Pamela Kirby	♦♦♦♦♦♦	n/a	♦♦♦♦♦	♦♦

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

Leadership continued

Risk Management Committee

Chairman – Lawrence Pentz

The Risk Management Committee ('the RMC') is chaired by Lawrence Pentz and comprises the executive Directors, Managing Director of Invibio, the General Counsel and Company Secretary, Head of Business Assurance, VPS Manufacturing Director and global SHE Manager. The RMC is responsible for ensuring that all significant risks facing the Group are reduced to an acceptable level.

Full details of the way the risk management framework operates at Victrex are given on pages 17 to 20.

During the course of the year, the RMC met quarterly and reported to the Board formally twice. However, due to the strengthening of the risk management process over recent years, and the enhanced role of the EMT in that risk management process, the Group RMC will now meet twice yearly and report to the Board after each meeting.

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

During the year, the RMC sub-committees met quarterly and reported directly to it. These comprise cross functional members of their respective Leadership Teams, in addition to the Head of Business Assurance and the global SHE Manager.

Disclosure Committee

Chairman – Anita Frew, David Hummel or Steve Barrow

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 a number of senior finance executives. 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. No meetings were called in the year ended 30 September 2013.

Currency Committee

Chairman – Steve Barrow

The Currency Committee is chaired by the 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.

Currently, the Group exports 97% of sales from the UK. These sales are primarily denominated in US Dollar, Euro and Yen. Group hedging policy is to defer the impact on profits of currency movements by hedging:

- a minimum of 90% and a maximum of 100% of projected transaction exposures arising from trading in the forthcoming six month period; and
- a minimum of 75% and a maximum of 100% of projected transaction exposures arising in the following six month period.

Profitability can 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.

The impact of this hedging policy is disclosed in notes 13 and 21 to the financial statements.

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

Leadership continued

The Chief Executive's Committee

In discharging his responsibilities, the Chief Executive is assisted by the Executive Management Team ('the EMT'). The EMT comprises the Chief Executive, the Finance Director, the Managing Director of VPS and other senior executives as outlined on page 40. 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 EMT meets on a monthly basis.

Board effectiveness

Composition, independence and diversity of the Board

The Board comprises a non-executive Chairman, four other non-executive Directors and three executive Directors, following the appointment of Tim Cooper in October 2012. The Code requirement that at least half the Board should be independent non-executive Directors has continued to be met. The non-executive Directors (including the Chairman, Anita Frew, upon her appointment as Chairman on 1 October 2008) are all considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The composition of the Board is intended to ensure that its membership represents a mix of backgrounds and experience that will enhance the quality of its deliberations and decisions. Diversity in board composition is an important driver of board effectiveness. In looking for prospective directors, there is regard to the skills of the Board at that time and the need to address longer-term succession and business priorities. The annual formal evaluation of the Board, Board Committee and individual Directors' performance 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 25% and is therefore aligned with 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 we are committed to ensuring an appropriate level of gender diversity, in particular at senior management level. There is a commitment in the Company to support women in overcoming barriers they face in rising to the top of the management structure. The female representation on the EMT (our Chief Executive's Committee) is 25%. Further information on the total female representation on our workforce is provided in our Sustainability Report on page 29.

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 31.

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 2014 and the Notice of AGM on page 94 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 62.

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 38 to 39, 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.

As part of our new Global Code of Conduct, an updated Conflict of Interests Policy has been approved by the Board in July 2013. It applies to all Group employees, including Directors, and outlines financial, supplier and personal conflicts of interest which must be avoided to ensure that we act responsibly, ethically and with integrity.

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 2013, an internally facilitated Board evaluation was conducted. The evaluation considered a range of factors including the balance of skills and experience, independence of the Board, board diversity and relations between executive and non-executive Directors. The review was carried out by the Chairman, supported by the Company Secretary, and combined a detailed questionnaire with in-depth interviews on a one to one basis with Board members. The Senior Independent Director, Giles Kerr, conducted the effectiveness review of the Chairman. The results of the review demonstrated improvements in areas identified in 2012, including devoting more Board time to discussing strategic matters and composition of the Board. A significant amount of Board time was devoted this year to strategic matters, including a two-day strategy session between the Board and senior management. Board composition was also strengthened with further executive representation, with the appointment of Tim Cooper last October bringing additional capability to drive delivery of our strategy.

Internal evaluations were also carried out on the Audit, Nominations, Remuneration and Risk Committees to ensure these committees continue to operate effectively.

The 2013 evaluation process concluded that the Board and its Committees remain effective in fulfilling their responsibilities appropriately and that each Director continues to demonstrate a valuable contribution. Areas identified as requiring more Board time in the next financial year were succession planning, in particular for senior management, and more technical briefings for Directors. Succession planning will be a key area of focus for the Nominations Committee during 2014 and the Board will be given more opportunities to avail of technical briefings.

Executive Directors' performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive, except in the case of his own performance review. The Chairman's performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive.

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

Future reviews

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

The 2011 evaluation was the last externally facilitated Board evaluation and thus an external evaluator will be appointed in 2014 to conduct this process.

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,

Board effectiveness continued

Induction and training continued

attending results and broker briefings and opportunities to visit the Group's operations outside of the UK. New executive Directors also receive an induction focused on their new role and wider responsibilities and include briefings on areas such as Directors' duties and corporate governance guidelines and best practice.

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

Information and support

It is paramount that the Board members' time is used in an effective and focused manner and thus we undertook two initiatives during the year. First, we reviewed and streamlined the type of information provided to the Board with a view to ensuring that the right high quality information with the appropriate level of focus is delivered at each meeting. Second, we introduced a new Board Portal, which facilitates efficient and timely delivery of information and Board packs to the Board.

The Board receives sufficient management information and reports on the right strategic and operational matters on a timely basis. Briefings by operational management also take place regularly to enhance the Board's understanding of the business. In addition, the Board gains valuable insight into the activities of the business by visiting the operational sites including the main operational site in Lancashire.

The Group's two business units each submit monthly executive commentaries of financial and non-financial reports through a standardised reporting process to the Board. Head Office Group functions are consolidated with these business units and the resulting Group position is reported monthly in a Group executive commentary to the Board. The Group has a comprehensive process of annual budgeting and regular forecasting linked to the Group's business objectives and strategic plan.

Directors can also take independent professional advice where necessary at the Company's expense and have access to the services of the Company Secretary.

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 63.

Accountability

Financial and business reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects.

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 63.

Risk management and internal control procedures

The Board, supported by the Audit and Risk Management Committees, is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and for maintaining sound risk management and internal control procedures. 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 independent Business Assurance function supports the Board in its review of the effectiveness of the system of internal control. There is a rolling programme of business assurance review carried out across the Group, co-ordinated by the Head of Business Assurance, who independently reports to the Chairman of the Audit Committee in relation to business assurance matters. The Audit Committee reviews the annual business assurance plan, its findings, effectiveness, allocation of appropriate resources and risk management activities and priorities.

The Audit Committee oversees whistleblowing arrangements, by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. As part of the Global Code of Conduct, the Whistleblowing Policy has been updated this year for best practice.

The Board and Audit Committee have reviewed the effectiveness of the internal control system, including financial, operational and compliance controls, and risk management in accordance with the code. We confirm that the Group has complied with the Code provisions on internal control by operating throughout the year ended 30 September 2013 (and up to the date of approval of this Annual Report) those procedures necessary to implement the recommendations of the Turnbull Committee and by reporting in accordance with these recommendations.

Further details of the risk management framework operating at Victrex are given on pages 17 to 20, which include details of the principal external market and business specific uncertainties faced by the business, a risk description and mitigating factors.

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 FD and Head of Investor Relations (a new appointment in this financial year) leading these relationships.

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

Institutional investor relations activity is normally concentrated in the periods following the announcement of the interim and final results. More broadly based presentations and site visits are arranged when there is a sufficient demand to make them cost effective. The Board is also committed to the regularity of investor days to keep the market updated on our strategy and growth plans, alongside our financial reporting. An investor day took place on 10 October 2013.

The AGM provides the Board with an opportunity to meet informally and communicate directly with private investors. Voting at the AGM is conducted by way of a show of hands in order to encourage questions from and interaction with private investors. Proxy votes lodged on each AGM resolution are announced at the meeting and published on the Company's website.

We have also developed Victrex's Investor Relations website – www.victrexplc.com – to ensure we are in line with publicly listed peers in providing accessibility of information for our shareholders, large and small.

Nominations Committee Report
Chairman – Anita Frew

Membership
The Nominations Committee comprises all of the non-executive Directors and is chaired by the Company Chairman Anita Frew.

The Committee met on two occasions during the year.

Responsibilities
The Committee is responsible for regularly reviewing the structure, size and composition of the Board, including Board diversity, succession planning and identifying and recommending appropriate candidates for membership of the Board when vacancies arise.

In considering an appointment, the Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for a particular appointment. Internal candidates are considered where appropriate and this most recently applied for the appointment of Tim Cooper in October 2012. External search consultants are also used to identify appropriate candidates. In the current year, Egon Zehnder was appointed. It has no connection with the Company.

The Nominations Committee also reviews the time required from each non-executive Director and any other significant commitments of the Chairman. The 2013 review found the non-executives' time commitments to be sufficient to discharge their responsibilities effectively.

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

The Nominations Committee is also responsible for senior management succession planning to ensure the identification and development of senior management with potential for Board and EMT positions. The 2013 Board evaluation highlighted that members desired more Committee time to be devoted to succession planning in general both at a Board and senior management level. Focus, therefore, in the short term will be to strengthen existing succession plans at all levels within the organisation as follows:

- identify 'at risk' areas across the business;
- ensure an appropriate succession pipeline for senior executives and business critical roles and provide a structured process for developing and mentoring these successors; and
- ensure that talented individuals have the opportunity to develop and maximise their potential.

Key activities undertaken by the Committee in the current year included phase one of a detailed review of talent management and succession planning across the Group, and subsequent to the year end, the appointment of Louisa Burdett who replaces Steve Barrow as Group Finance Director in January 2014.

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 25% and is therefore aligned with that minimum representation level by 2015 as recommended by the Davies Review. We also recognise the importance of diversity in general at Board level and our Board members comprise a number of different nationalities with a wide range of experience from a variety of business backgrounds.'

Audit Committee Report
Chairman – Giles Kerr

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

The Audit Committee is chaired by Giles Kerr, a qualified Chartered Accountant with significant relevant financial experience, and comprises Lawrence Pentz, Patrick De Smedt and (effective from 1 October 2013) Pamela Kirkby.

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

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

- review the financial statements (half-yearly and annual reports) and announcements relating to the financial performance of the Company;
- review and challenge actions and judgements of management in relation to interim and annual statements;
- review the effectiveness of the internal audit function;

Responsibilities continued

- review the Committee's terms of reference, carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee;
- all matters associated with the appointment, terms, remuneration and performance of the external auditor and for reviewing the scope and results of the audit and its cost effectiveness; and
- report to the Board on how it has discharged its responsibilities, including an assessment of whether the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Key objectives

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

External audit

Non-audit services

To further safeguard the independence and objectivity of the external auditor, non-audit services provided by the external auditor, KPMG, were authorised in accordance with the non-audit services policy. This policy is outlined in an appendix to the Committee terms of reference, which are published on our website. This policy places constraints on the quantum and type of services undertaken by our auditor with the aim of protecting the independence and objectivity of our auditor. Non-audit fees for the year ended 30 September 2013 were £63,000 (2012: £47,000). The non-audit fees related to taxation and pension compliance work. Alternative providers were considered but not deemed practical in the specific circumstances. No approval was given to any non-audit services not in accordance with the APB's Ethical Standards for Auditors.

Appointment, independence and effectiveness

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

KPMG was re-appointed as auditor at the 2013 AGM. KPMG has been our auditor since 1993 during which time the audit has not been to tender. There are no contractual obligations that restrict the Committee's choice of external auditor.

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

The Committee considered the length of KPMG's tenure and the results of the detailed questionnaire when assessing their continued effectiveness, independence and re-appointment. The Committee continues to consider KPMG to be independent and when considering the most suitable timing for a future audit tender, took account of FRC guidance concerning the alignment of the tender date with the rotation of the audit partner and the report from the Competition Commission, which is expected to result in mandatory tendering at least every ten years. As a new audit partner was introduced in 2013, 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 2014. This will continue to be assessed on an annual basis considering the provisions outlined in the revised UK Corporate Governance code in respect of external audit tendering and the recent changes resulting from the Competition Review.

Financial reporting

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

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

To aid our review, the Committee considers reports from the Group Finance Director and Group Financial Controller and also reports from the external auditor on the outcomes of its half-year review and annual audit. As a Committee we support KPMG in displaying the necessary independence and objectivity its role requires.

The primary areas of judgement considered by the Committee in relation to the 2013 financial statements and how these have been addressed are listed below. In concluding that the below list represented the primary areas of judgement, the Audit Committee considered a report by management which referenced both quantitative and qualitative judgement factors across each significant account balance, assessing the impact on the user of the financial statements. These are also areas of higher audit risk and accordingly KPMG reported to the Committee on and the Audit Committee discussed these judgements.

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

Internal control and internal audit

The Audit Committee also considers the results of internal control reviews and reviews the effectiveness of the internal audit function. There is a rolling programme of internal control reviews carried out across the Group by the internal audit function, supported by other independent assurance providers. The Head of Business Assurance, as appointed by the Committee, has responsibility for internal audit and independently reports to the Chairman of the Audit Committee in relation to internal control matters. The Audit Committee receives these reviews from the internal audit function, reviews its findings, annual audit plan, effectiveness, allocation of appropriate resources and risk management activities and priorities (which are performed under the governance of the risk management committee as outlined on page 43). The Committee also reviews the Group's Whistleblowing Policy, which was updated during the year as part of the Global Code of Conduct.

Remuneration Committee Report

Chairman of the Remuneration Committee – Patrick De Smedt

Annual Statement

Dear Shareholder

This has been a demanding but productive year for the Remuneration Committee. We remain focused on ensuring that our policies and procedures are right for our business and are capable of driving and incentivising our executives to create long-term value for our shareholders. The focus of the executives this year has been on further strengthening the organisation and ensuring effective execution of our market-led growth strategies.

Pay for performance

We believe in rewarding our executives based on their individual performance and on the value created for our shareholders. The variable elements of executive remuneration are focused on simple and transparent measures of profit before tax, EPS growth and key strategic objectives. Our bonus and long-term incentive structures are based on challenging targets, which we believe are in line with market best practice. These are outlined on pages 49 and 50.

Our executives performed well against their own stretching individual performance targets and were entitled to receive a bonus for their performance. However, they offered to freeze both their salary for the forthcoming year and to waive that bonus entitlement in the current year, as the Company's targeted profit growth was not achieved. The Committee accepted this offer.

Our 2010 LTIP award, which is based on a combination of total shareholder return and earnings per share growth, vested at 16.56% of the total award, once again demonstrating the challenging targets we set as a business.

Clarity and openness in disclosure

The Committee strives to operate and demonstrate best practice in the area of executive remuneration and disclosure. This year, we have embraced the new disclosure requirements under the UK Government's reforms on directors pay 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 and changes in respect of directors' remuneration;
- a Directors' Remuneration Policy setting out the forward-looking remuneration policy for the Company's Directors, which will operate from 1 October 2013; and
- an Annual Report on Remuneration, providing details of how the policy for 2014 will be operated and the remuneration earned by the Company's Directors in relation to the year ended 30 September 2013.

At the forthcoming AGM on 4 February 2014, the Directors' Remuneration Policy will be subject to a binding shareholder vote and the Annual Report on Remuneration will be subject to an advisory shareholder vote. In future years, the Directors' Remuneration Policy will be subject to a binding vote every three years (sooner if changes are made to the policy) and the Annual Report on Remuneration will be subject to an annual advisory vote.

Remuneration policy for 2014

The Remuneration Committee continually reviews the senior executive remuneration policy to ensure it promotes the attraction, motivation and retention of the high quality executives who have been key to delivering the Company's strategy in the past and who will be key to delivering sustainable earnings growth and shareholder return in the future.

The Committee's most recent conclusions are that the existing senior executive remuneration policy remains appropriate and should continue to operate for 2014 without major changes. Specifically, the Committee concluded that:

- basic salary levels remain appropriately positioned in the market;
- the structure and quantum of the annual bonus continues to be appropriate and aligned to shareholders' interests; and
- the long-term incentive grant policy, whereby options are granted annually with staggered vesting over 3, 4 and 5 years based on earnings per share and relative total shareholder return performance conditions, provide a strong alignment between the senior executive team and shareholders.

Alignment with shareholders

We are mindful of our shareholders' interests and are keen to ensure a demonstrable link between reward and value creation. In addition to the matters set out in this report, alignment with shareholder interest is further demonstrated by the operation of share ownership guidelines and the inclusion of a clawback provision in LTIP awards.

We are very proud of the support we have received in the past from our shareholders, with 99.8% approval for our 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
9 December 2013

Directors' remuneration policy

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

Policy overview

The Company aims to provide a remuneration structure that is aligned with shareholder interests and, as such, is competitive in the marketplace to attract, retain and motivate executive Directors of superior calibre in order to deliver continued growth of the business.

Company policy is that performance related components should form a significant portion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that represent the best interests of shareholders.

Consideration of shareholder views

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

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

Consideration of employment conditions elsewhere in the Group

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

Summary remuneration policy

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

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	To provide competitive fixed remuneration To attract and retain executive Directors of superior calibre in order to deliver growth for the business Intended to reflect that paid to senior management of comparable companies	The basic salary for each executive Director is reviewed annually by the Remuneration Committee Individual salary adjustments take into account each executive Director's performance against agreed challenging objectives and the Group's financial circumstances, as well as comparing each executive Director's basic salary to senior management in the Group and relative to the external market	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role Current salary levels are set out on page 54	Not applicable
Benefits	To provide market consistent benefits, including insured benefits to support the individual and their family during periods of ill health, accidents or death Car or car allowances to facilitate effective travel	Current benefit provision includes a company car or car allowance and private medical insurance. Other benefits may be payable where appropriate	Not applicable	Not applicable
Bonus	Incentivises annual achievement of performance targets Maximum bonus only payable for achieving demanding targets	Not pensionable Paid in cash up to 100% of salary Any bonus in excess of 100% of basic salary (currently the CEO only) deferred into shares Clawback provisions apply in the event of material misstatement of results and/or an error in the calculation of the bonus outcome	Up to 125% of salary	A combination of growth in Group profit before tax and executives' personal performance achievement level. The bonus for personal performance is payable only if, in the opinion of the Remuneration Committee, there was an improvement in the underlying financial and operating performance of the Group during that financial year

Directors' remuneration policy continued
Summary remuneration policy continued

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

Directors' remuneration policy continued
Summary remuneration policy continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Pension	To provide retirement benefits	Defined benefit, defined contribution and/or salary supplement arrangements Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group may provide benefits through the provision of salary supplements	Defined benefit contribution 25% of salary when defined contribution arrangement/salary supplements	Not applicable
Non-executive Director fees	Reflects time commitments and responsibilities of each role Reflects fees paid by similarly sized companies	Cash fee paid Fees are reviewed on an annual basis	As per executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase in the non-executive Director market and for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role Current fee levels are set out on page 54	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 for 2014 is set out in the Annual Report on Remuneration on page 54.

(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, details of which are provided on page 87.

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 (further details of which are provided on page 56) were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is monitored on the Committee's behalf by New Bridge Street whilst the Group's EPS growth is derived from the audited financial statements.

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

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

(7) As highlighted above, the Company has a share ownership policy which requires the executive Directors to build up and maintain a target holding equal to 100% of base salary. Details of the extent to which the executive Directors had complied with this policy as at 30 September 2013 are set out on page 59.

(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 continued

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the executive Directors' remuneration packages varies at different levels of performance under the 2014 policy, both as a percentage of total remuneration opportunity and as a total value:

Notes

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

(2) The value of benefits receivable in 2014 is taken to be the value of benefits received in 2013 (as calculated under the Directors' Remuneration table, set out on page 55).

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

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

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

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

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

Service contracts for executive Directors

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

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

Directors' remuneration policy continued

Approach to recruitment and promotions

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

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

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

Approach to leavers

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

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

Non-executive Directors

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

Annual Report on Remuneration

Implementation of the remuneration policy for the year ending 30 September 2014

A summary of how the Directors' Remuneration Policy will be applied during the year ending 30 September 2014 is set out below.

Basic salary

The Remuneration Committee agreed to freeze executive Director base salary levels for 2014.

	2014	2013	% increase
D R Hummel	$707,250	$707,250	0%
A S Barrow	£246,000	£246,000	0%
T J Cooper	£260,000	£260,000	0%

The Group's employees are, in general, receiving pay rises ranging from 2.5% to 4% depending on promotional increases and individual performance.

Pension arrangements

A S Barrow will continue to participate in the defined benefit section of the Group's UK pension scheme until 9 February 2014, as detailed on page 60. T J Cooper will continue to participate in the defined contribution section of the Group's UK pension scheme as will L Burdett upon commencement of employment. Members of the UK pension scheme are entitled to life assurance cover of four times salary and a retirement pension subject to the scheme rules; if a member dies whilst in pensionable service, a surviving spouse and dependants are entitled to a pension subject to the scheme rules. D R Hummel will continue to participate in a defined contribution scheme and a life assurance plan operated in respect of the Group's US employees. The Group's contribution to his pension scheme and associated salary supplement remain at 25% of salary. Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group will continue to provide benefits through the provision of salary supplements.

Annual bonus

The maximum bonus potential for the year ending 30 September 2014 will remain at 125% of salary for the Chief Executive and 100% of basic salary for the Finance Director and VPS Managing Director. Awards are determined based on a combination of both the Group's financial results, being growth in Group profit before tax, and an executive's personal performance achievement level. For the achievement of growth in Group profit before tax at or above the threshold target, a multiplier, based on personal performance, will apply to the outturn, which can either increase the payout level or reduce it to nil. Maximum bonus will only be payable when both the financial results of the Group and the Executive's individual performance against objectives have significantly exceeded expectations. The bonus will be payable only if, in the opinion of the Remuneration Committee, there is an improvement in the underlying financial and operating performance of the Group during the year ending 30 September 2014. Deferral into shares for any part of the Chief Executive's bonus above 100% of salary and the claw back provisions for all executive Directors will continue to apply.

Long-term incentives

Consistent with past awards, the extent to which LTIP awards which will be granted in 2014 will vest will be dependent on two independent performance conditions with 50% determined by reference to the Company's total shareholder return ('TSR') and 50% determined by reference to the Group's earnings per share ('EPS'), as follows:

- the TSR element of an award will vest in full if the TSR ranks in the upper quartile, as measured over the three year period, relative to the constituents of the FTSE 250 Index excluding investment trusts at the beginning of that period. This element of the award is reduced to 25% on a pro-rata basis for median performance and is reduced to nil for below median performance; and
- the EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three year period. This element of the award is reduced to 20% on a pro-rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

As set out in the Directors' Remuneration Policy Report, awards granted from December 2013 onwards will be subject to clawback provisions.

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. A summary of current fees is shown in the table below.

No fees increases were awarded for the 2013/2014 financial year.

Provision	2014	2013	% increase
Chairman	£153,750	£153,750	0%
Base fee	£44,075	£44,075	0%
Additional fees:			
Senior Independent Director	£4,000	£4,000	0%
Committee Chair fees	£6,000	£6,000	0%

Annual Report on Remuneration continued

Remuneration received by Directors for the year ended 30 September 2013

Directors' remuneration for the year ended 30 September 2013 was as follows:

	Salary and fees[1] £	Taxable benefits[2] £	Pension[3] £	Annual bonus[4] £	Long-term incentives[5] £	Other[6] £	Total £
D R Hummel							
2013	**463,020**	**5,447**	**134,957**	**—**	**105,864**	**—**	**709,288**
2012	445,538	5,316	114,150	92,296	874,939	—	1,532,239
A S Barrow (appointed 6 October 2011)							
2013	**246,000**	**10,319**	**88,700**	**—**	**22,486**	**—**	**367,505**
2012	236,985	8,388	72,436	38,347	242,529	—	598,685
T J Cooper (appointed 4 October 2012)							
2013	**256,905**	**14,328**	**46,343**	**—**	**23,961**	**—**	**341,537**
2012	n/a	n/a	n/a	n/a	n/a	—	n/a
P Bream (resigned 6 October 2011)							
2013	**—**	**—**	**—**	**—**	**29,935**	**—**	**29,935**
2012	3,934	26	1,200	—	—	325,000	330,160
A M Frew							
2013	**153,750**	**—**	**—**	**—**	**—**	**—**	**153,750**
2012	150,000	—	—	—	—	—	150,000
G F B Kerr							
2013	**54,075**	**—**	**—**	**—**	**—**	**—**	**54,075**
2012	53,000	—	—	—	—	—	53,000
P J M De Smedt							
2013	**50,075**	**—**	**—**	**—**	**—**	**—**	**50,075**
2012	49,000	—	—	—	—	—	49,000
P J Kirby							
2013	**44,075**	**—**	**—**	**—**	**—**	**—**	**44,075**
2012	43,000	—	—	—	—	—	43,000
L C Pentz							
2013	**50,075**	**—**	**—**	**—**	**—**	**—**	**50,075**
2012	49,000	—	—	—	—	—	49,000

Notes

1. Salary and fees

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

2. Taxable benefits

The taxable benefits for A S Barrow and T J Cooper comprise eligibility for a company car and membership of BUPA, covering themselves and their immediate families.

3. Pensions

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

Annual Report on Remuneration continued

Remuneration received by Directors for the year ended 30 September 2013 continued

4. Annual bonus payments

There were no bonus payments made to Directors as they waived their entitlement to receive bonus payments as set out below.

The annual bonus outturn presented in the table was based on performance against growth in Group profit before tax targets (up to 80% of maximum) as measured over the 2013 financial year.

		Growth in Group profit before tax			
	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	100	94.5	20	94.6	0.6
A S Barrow	80	94.5	20	94.6	0.4
T J Cooper	80	94.5	20	94.6	0.4

The remaining 20% of annual bonus potential was based on individual and strategic objectives (up to 25% of salary for D R Hummel and 20% of salary for A S Barrow and T J Cooper). Performance against these targets, which relate to strategic and organisational development of the Group, acceleration of overall growth strategy and development and strengthening of the management team, was assessed at the year end, although the executive Directors elected to waive their rights to receive any bonus under these targets and the PBT target disclosed above.

5. Vesting of LTIP awards

The LTIP award granted on 13 December 2010 was based on performance to the year ended 30 September 2013. The performance targets for this award, and actual performance against those targets, was 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	83.8p EPS	101.1p EPS	86.5p EPS	16.56%
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	69.2% TSR	120.3% TSR	51.7% TSR	0%
				Total vesting	16.56%

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

Executive	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Dividend[1] equivalent on shares to vest £	Estimated value[2] £
D R Hummel	36,826	6,097	30,729	9,075	105,864
A S Barrow	7,823	1,295	6,528	1,928	22,486
T J Cooper	8,333	1,380	6,953	2,054	23,961
P E Bream	10,416	1,724	8,692	2,567	29,935

Notes

(1) Final amounts relating to dividend equivalents payable on LTIP awards over the three year period ended 13 December 2013. Further dividend equivalents will accrue on the second and third tranches of the awards which will vest on the fourth and fifth anniversary of grant respectively.

(2) The estimated value of the vested shares is based on the average share price during the three months ended 30 September 2013 (£15.875).

The awards will normally vest in three equal tranches on the third, fourth and fifth anniversary of grant date.

6. Other

P E Bream received contractual payments, during the year ended 30 September 2012, in lieu of notice, totalling approximately £325,000 which broadly comprised one year's salary and pension contributions at 25% of basic salary.

Annual Report on Remuneration continued

Long-term incentives granted during the year (audited)

On 12 December 2012, the following LTIP awards were granted to executive Directors:

Executive	Type of award	Basis of award granted	Share price at date of grant	Number of shares over which award was granted	Face value of award £000	% of face value that would vest at threshold performance	Vesting determined by performance over
D R Hummel	Nil cost option	125% of salary of $707,250	£15.53	35,349	£548,970	22.5%	Three financial years to 30 September 2015
A S Barrow	Nil cost option	100% of salary £246,000	£15.53	15,840	£245,995	22.5%	
T J Cooper	Nil cost option	100% of salary £260,000	£15.53	16,742	£260,003	22.5%	

Outstanding share awards

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

Executive	Scheme	Grant date	Exercise price	No. of shares at 1 October 2012	Granted during the year	Vested during the year	Lapsed during the year	No. of shares at 30 September 2013	End of performance period	Exercise period
D R Hummel	LTIP	16/02/2009	Nil	61,879	—	30,939	—	30,940	30/09/2011	16/02/2012 – 16/02/2019
	LTIP	14/12/2009	Nil	49,741	—	16,580	—	33,161	30/09/2012	14/12/2012 – 14/12/2019
	LTIP	13/12/2010	Nil	36,826	—	—	—	36,826	30/09/2013	13/12/2013 – 13/12/2020
	LTIP	12/12/2011	Nil	48,301	—	—	—	48,301	30/09/2014	12/12/2014 – 12/12/2021
	LTIP	12/12/2012	Nil	—	35,349	—	—	35,349	30/09/2015	12/12/2015 – 12/12/2022
A S Barrow	LTIP	16/02/2009	Nil	30,242	—	15,121	—	15,121	30/09/2011	16/02/2012 – 16/02/2019
	LTIP	14/12/2009	Nil	13,788	—	4,596	—	9,192	30/09/2012	14/12/2012 – 14/12/2019
	LTIP	13/12/2010	Nil	7,823	—	—	—	7,823	30/09/2013	13/12/2013 – 13/12/2020
	LTIP	12/12/2011	Nil	21,622	—	—	—	21,622	30/09/2014	12/12/2014 – 12/12/2021
	LTIP	12/12/2012	Nil	—	15,840	—	—	15,840	30/09/2015	12/12/2015 – 12/12/2022
	SAYE	09/01/2009	£3.48	4,655	—	—	—	4,655	n/a	01/03/2014 – 31/08/2014
T J Cooper	LTIP	15/02/2010	Nil	13,487	—	4,495	—	8,992	30/09/2012	15/02/2013 – 15/02/2020
	LTIP	13/12/2010	Nil	8,333	—	—	—	8,333	30/09/2013	13/12/2013 – 13/12/2020
	LTIP	12/12/2011	Nil	11,459	—	—	—	11,459	30/09/2014	12/12/2014 – 12/12/2021
	LTIP	12/12/2012	Nil	—	16,742	—	—	16,742	30/09/2015	12/12/2015 – 12/12/2022
	SAYE	27/01/2011	£11.78	1,292	—	—	—	1,292	n/a	01/03/2016 – 31/08/2016

All LTIP awards are subject to the EPS and TSR conditions set out in the 'Vesting of LTIP awards' section, set out on page 56.

Annual Report on Remuneration continued

Payments to past Directors (audited)

No payments were made to past Directors. However, for completeness and as disclosed last year, P E Bream (resigned 6 October 2011) will receive 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 will vest on 13 December 2013, 575 shares will vest on 13 December 2014 and 574 shares will vest on 13 December 2015 together with the relevant dividend equivalent shares.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 30 September 2013.

On 7 November 2013, the Company announced that A S Barrow will stand down from the Board on 31 January 2014 and will cease employment on 31 May 2014 following a handover period. Details of the remuneration arrangements in connection with his departure are as follows:

- a payment of salary in lieu of notice will be payable to reflect the unexpired portion of the 12 month notice period, which commenced on 7 November 2013. Based on a cessation date of 31 May 2014 the payment, which is subject to mitigation in the event of alternative employment, will be £107,862;
- there will be no entitlement to an annual bonus or long-term incentive award for the 2014 financial year;
- in respect of outstanding long-term incentive awards which are due to vest before cessation, consistent with the default treatment under the rules, the final tranche of the February 2009 awards (over 15,121 shares), second tranche of the December 2009 awards (over 4,596 shares) and first tranche of the December 2010 awards (over 432 shares) will continue to vest on their normal vesting dates in February 2014, December 2013 and December 2013 respectively; and
- in respect of the remaining outstanding awards granted under the long-term incentive plan:
  - as a result of the Remuneration Committee exercising its discretion to treat A S Barrow as a good leaver for the December 2009 and December 2010 awards given that the performance periods of these awards have been completed, the final tranche of the December 2009 awards (over 4,596 shares) and second and third tranches of the December 2010 awards (over 863 shares) will continue to vest on the normal vesting dates post cessation. The value of these shares based on the share price at the date of the 7 November 2013 announcement (£16.14), is £88,108; and
  - consistent with the default treatment under the rules, awards granted in December 2011 (over 21,622 shares) and 2012 (over 15,840 shares) will lapse in full at cessation.

Further details in respect of the number and value of shares received under the long-term incentive awards will be disclosed in future remuneration reports.

Appointment of new Finance Director

Following the announcement that A S Barrow will be stepping down from the Board on 31 January 2014, L Burdett will be appointed to the Board as Finance Director from 31 January 2014. A summary of the main components of L Burdett's remuneration, which are consistent with the existing executive Director remuneration policy, will be as follows:

- salary: £300,000 per annum;
- annual bonus: up to 100% of salary per annum;
- long-term incentives: up to 100% of salary per annum;
- pension: 12% of salary as pension contributions up to the annual earnings limit and 25% of salary as salary supplement above the annual earnings limit; and
- benefits: car allowance and other benefits in line with the Group's policy. In addition, the Committee has agreed that the Company will meet relocation expenses as appropriate.

The Remuneration Committee confirms that it is of the view that the package agreed with L Burdett is appropriate and that the Company is not paying in excess of the amount required to facilitate her recruitment.

Annual Report on Remuneration continued

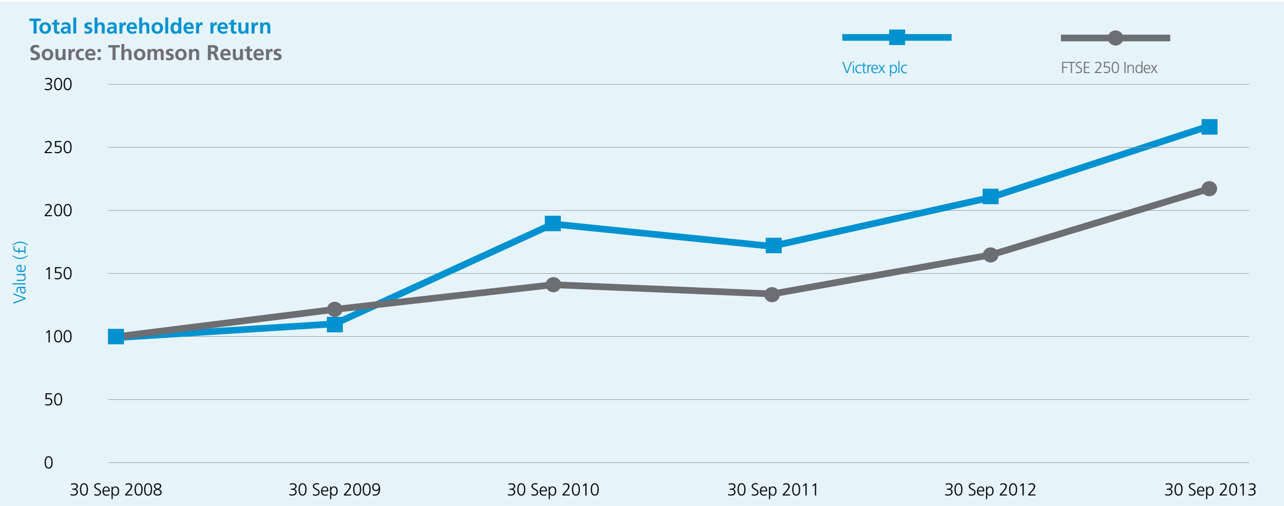
Statement of Directors' shareholdings and share interests (audited)

Director	Beneficially owned at 1 October 2012	Beneficially owned at 30 September 2013	Outstanding LTIP awards	Outstanding deferred share awards	Outstanding share awards under all employee share plans	Shareholding as a % of salary at 30 September 2013
D R Hummel	3,405,465	3,082,548	184,577	—	—	11,314%
A S Barrow	8,945	19,399	69,598	—	4,655	126%
T J Cooper	199	1,482	45,526	—	1,292	9%
A M Frew	14,184	14,184	—	—	—	n/a
G F B Kerr	2,500	2,500	—	—	—	n/a
P J M De Smedt	2,000	2,000	—	—	—	n/a
P J Kirby	—	3,000	—	—	—	n/a
L C Pentz	2,000	2,000	—	—	—	n/a

Executives 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. At 30 September 2013, both D R Hummel and A S Barrow had met the shareholding requirement.

Performance graph and table

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



This graph shows the value, by 30 September 2013, of £100 invested in Victrex plc on 30 September 2008 compared with the value of £100 invested in the FTSE 250 Index on the same date. The other points plotted are the values at intervening financial year ends.

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	2009	2010	2011	2012	**2013**
Total remuneration	£598,306	£1,357,393	£2,382,086	£1,532,239	**£709,288**
Annual bonus (%)	0%	81.3%	71.5%	17.28%	**0%***
LTIP vesting (%)	23.68%	91.23%	100%	100%	**16.56%**

* The Chief Executive waived his bonus entitlement for FY2013.

Annual Report on Remuneration continued

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary, benefits and annual bonus between the financial year ended 30 September 2012 and 30 September 2013, compared to that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2012	2013	% change
Salary			
Chief Executive (£000)	446	463	4
UK employee average (£000)	42	44	5
Benefits			
Chief Executive (£000)	5	5	—
UK employee average (£000)	1	1	—
Annual bonus			
Chief Executive (£000)	92	—	n/a*
UK employee average (£000)	2	2	—
Average number of UK employees	452	475	5

* There were no bonus payments made to Directors as they waivered their entitlement to receive bonus payments as detailed on page 56.

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

Relative importance of spend on pay

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

	2012	2013	% change
Staff costs (£m)	41.0	43.7	7
Dividends (£m)*	31.4	36.4	16
Tax (£m)	22.6	21.7	(4)
Retained profits (£m)	71.9	72.9	1

* 2013 includes a proposed final dividend of 32.65p.

£1.8m (2012: £2.0m) of the staff costs figures relate to pay for the executive Directors. This is different to the aggregate of the single figures for the year under review due to the way in which the share-based awards are accounted for.

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

Pensions (audited)

During the year under review D R Hummel and T J Cooper received pension contributions of 25% and 12% of basic salary into defined contribution arrangements, operated in respect of the Group's USA employees and UK employees respectively.

A S Barrow received contributions into the Group's defined benefit arrangements. However, following the announcement that A S Barrow will cease employment on 31 May 2014, he has elected to cease being a member of the defined benefit pension scheme with effect from 9 February 2014 at which time he will become a deferred member of the scheme. Under the defined benefit plan, A S Barrow would have received a pension at the normal retirement age (62 years) of 58.3% of final pensionable salary. During the period 10 February to 31 May 2014 A S Barrow will be paid in lieu of the employer's pension contributions which would otherwise have been paid into his pension.

A supplemental pension, representing the value of the state pension, is payable between the age of 62 and the State Retirement age:

Executive	Accrued pension as at 30 September 2012	Increase in accrued pension during the year (including inflation)	Increase in accrued pension during the year (excluding inflation)	Accrued benefit as at 30 September 2013	Transfer value of increase in accrued pension during the year	Date benefit receivable (based on normal retirement age)
A S Barrow	£41,809	£4,261	£3,341	£46,070	£143,960	28/03/2030

The transfer value as at 30 September 2013 was £808,449 (2012: £664,489).

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

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

Annual Report on Remuneration continued

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 Remuneration Committee. The members of the Remuneration Committee (all of whom were independent non-executive Directors) during the year under review were as follows:

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

Biographical information on the Committee members and details of attendance at the Committee's meetings during the year are set out on pages 38, 39 and 42.

The Remuneration Committee has access to independent advice where it considers it appropriate. The Committee seeks advice relating to executive remuneration from New Bridge Street ('NBS'), part of Aon plc, whom the Committee appointed. NBS provides no other services to the Company, although another part of the Aon plc group provides insurance broking and consultancy services. The Committee is entirely comfortable that the provision of these services does not in any way prejudice NBS's position as independent advisors to the Committee. NBS 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 the NBS for providing advice in relation to executive remuneration over the financial year under review was £65,512 of which £23,412 relates to fees for the share plan implementation.

Statement of voting at general meeting

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

	2013 AGM	
Votes cast in favour*	64,897,845	99.8%
Votes cast against	136,717	0.2%
Total votes cast	65,034,562	100%
Abstentions	622,411	

* Does not include Chairman's discretionary votes.

Directors' report

Suzana Koncarevic
Company Secretary

The Directors present their Annual Report and Accounts to shareholders for the year ended 30 September 2013.

Principal activity

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

Strategic report

Pursuant to sections 414A–D Companies Act 2006, the business review has been replaced with a strategic report, which can be found on pages 4 to 36. This report sets out the development and performance of the Group's business during the financial year, the position of the Company at the end of the year and a description of the principal risks and uncertainties facing the Company.

Research and development

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

Results and dividends

Group profit after tax for the year was £72.9m (2012: £71.9m).

The Directors recommend the payment of a final dividend of 32.65p per ordinary share on 21 February 2014 to all shareholders on the register on 7 February 2014. This makes a total dividend of 43.0p per ordinary share for the year (2012: 37.4p per ordinary share).

Post balance sheet events

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

Related party transactions

The Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in which any Director is or was materially interested in the periods.

Share capital

Details of the Company's share capital and reserve for own shares are given in note 17. During the year 299,067 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 16.

Rights and obligations attaching to shares

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

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

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

Own shares held

Details of own shares held are given in note 17 to the financial statements.

At the 2013 Annual General Meeting ('AGM'), shareholders renewed the Company's authority to make market purchases of up to 8,450,807 of its own ordinary shares (representing 10% of the issued share capital of the Company as at 7 December 2012). No market purchases of the Company's own shares were made during the year, with the exception of those purchased by employee trusts as detailed in note 17. At the forthcoming AGM the Board will again seek shareholders' approval to renew the annual authority for the Company to make purchases of its own shares through the market.

AGM

The notice of the 2014 AGM of the Company is given on pages 94 and 95.

Directors

Details of the Directors of the Company are given on pages 38 and 39. Details of Directors' interests in shares are provided in the Directors' Remuneration Report on page 59.

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

Appointment and replacement of Directors

The Articles of Association of the Company provide that the number of Directors shall be not more than ten and not fewer than two, unless otherwise determined by the Company by Ordinary Resolution. Directors may be appointed by an Ordinary Resolution of the members or by a resolution of the Directors.

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

Powers of the Directors

The powers of the Directors are determined by the Company's Articles of Association, the Companies Act 2006 and any directions given by the Company in general meeting. The Directors have been authorised by the Articles of Association to issue and allot ordinary shares and to make market purchases of shares. These powers are

Major interests in shares

The Company has been notified of the following interests in 3% or more of its issued share capital as at 25 November 2013:

	Number of ordinary shares held	Percentage
BlackRock Investment Management Ltd	12,872,765	15.18
Mondrian Investment Partners Ltd	5,605,849	6.61
Schroders Plc	4,068,050	4.80
Montanaro Asset Management Ltd	3,790,051	4.47
Kames Capital	3,442,880	4.06
Legal & General Investment Mgmt Ltd	3,407,655	4.02
Norges Bank Investment Management	3,170,623	3.74
Baillie Gifford & Co Ltd	3,089,000	3.64
Threadneedle Asset Management Ltd	2,893,877	3.41
Allianz Global Investors	2,659,890	3.14

Directors of the Company control 4% of the voting shares of the Company, details of which are given on page 59.

Powers of the Directors continued

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

Conflict of interest duties

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

Environmental matters

Information on our greenhouse gas emissions is disclosed in the Sustainability Report on pages 27 to 29.

Directors' indemnities

The Company has granted indemnities in favour of Directors under Deeds of Indemnity. These Deeds were in force during the year ended 30 September 2013 and remain in force as at the date of this report. The Deeds and the Company's Articles of Association are available for inspection during normal business hours at the Company's Registered Office and will be available at the AGM.

Change of control

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

Employment policies

The Group's employment policies are set out on pages 29 to 33.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 41 to 61. 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 on pages 81 to 84.

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 (2012: £nil).

Management report

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

Going concern

The Directors, have performed a robust assessment, including review of the budget for the year ending September 2014 and longer-term plans including consideration of the principal risks faced by the Company, as detailed on pages 21 and 22. Following this review the Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements. Details of the Group's policy on liquidity risk and capital management are included in note 13 to the financial statements.

Disclosure of information to auditor

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

Auditor

Our auditor, KPMG Audit Plc, has informed the Company that for administrative reasons and to instigate an orderly wind down of business they wish to formally change the entity that conducts the audit from KPMG Audit Plc to KPMG LLP. KPMG Audit Plc has indicated that it will not stand for re-appointment at the Annual General Meeting. The Board has decided to recommend KPMG LLP be appointed as external auditor to the Company and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the Board

Suzana Koncarevic
Company Secretary
9 December 2013

Directors' responsibilities statement

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

Directors' responsibilities for the preparation of the Annual Report

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

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

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

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

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

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Directors' responsibilities statement in respect of the Annual Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which comprises the Directors' Report and the Strategic Report, includes a fair review of the development and performance of the business and position of the issuer and the undertakings included in the consolidation as a whole, together with a description of the principal risks and the uncertainties that they face.

The Directors of Victrex plc are detailed on pages 38 and 39.

By order of the Board

Steve Barrow
Finance Director
9 December 2013

Independent auditor's report

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the financial statements of Victrex plc for the year ended 30 September 2013 set out on pages 68 to 92. 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 2013 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.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on the audit were as follows:

- Valuation of inventories: The Group inventory balance at the year-end date is £51.1m and a number of estimates are involved in arriving at the valuation of inventories relating to fully absorbed manufacturing costs and the assessment of provisions against cost in respect of slow moving and obsolete inventories. This risk is highlighted in the Audit Committee Report on page 47.

  In respect of adjustments relating to fully absorbed manufacturing costs our audit procedures included, among others: challenging the Group's assessment of the normal levels of production for absorption costing purposes by comparison to actual and budgeted levels of production over the past two years; understanding and corroborating the impact of manufacturing variances in relation to production output and comparing actual production output levels to standard and historical levels; and recalculating purchase price variances by reference to actual purchase invoice costs.

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

- Retirement benefit obligations: As detailed in note 14, the Group operates defined benefit pension schemes. A valuation of the scheme liabilities is provided by an external actuary on behalf of the Group based on various assumptions set out in note 14.

  Further as detailed in the accounting policies included within note 14 and in the Audit Committee Report on page 47, significant estimates are made in valuing the Group's post-retirement defined benefit schemes.

  As presented in note 14 of the financial statements, the Group's net deficit was £3.6 million. Small changes in assumptions and estimates used to value the Group's net pension deficit would have a significant effect on the results and financial position of the Group. In this area our audit procedures included, among others, testing of the controls over the maintenance of each scheme's membership data as well as sample testing from those data to the source documentation establishing the obligation to members and vice versa. With the support of our own actuarial specialists, we then challenged the key assumptions applied to those data to determine the Group's net deficit, being the discount rate, inflation rate, rate of future salary increases, and mortality/life expectancy. This included a comparison of these key assumptions against externally derived data. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficits to these assumptions (see note 14).

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

The materiality for the Group financial statements as a whole was set at £7.5m. This has been calculated with reference to a benchmark of Group profit before taxation which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £380,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Opinions and conclusions arising from our audit continued

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

Audits for Group reporting purposes were performed at three key reporting components in the UK and the USA by the Group audit team, and review procedures for Group reporting purposes were completed by component auditors in Japan. This Group reporting covered 96% of total Group revenue; 95% of Group profit before taxation; and 99% of total Group assets. The segment disclosures in note 2 set out the individual significance of a specific country.

The audits and review procedures undertaken for Group reporting purposes at the key reporting components of the Group were performed to materiality levels set individually for each component which ranged from £2.0m to £4.9m.

Detailed instructions were sent to all the auditors in these locations. These instructions covered the significant areas that should be covered by the component auditors (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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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 included within the Corporate Governance section of the Annual Report and Accounts does not appropriately address matters communicated by us to the Audit Committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 63, in relation to going concern;
- the part of the Corporate Governance Statement on pages 41 to 47 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement, set out on page 64, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, 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 Audit Plc, Statutory Auditor
Chartered Accountants
St James' Square, Manchester, M2 6DS
9 December 2013

Maintaining our financial performance with strong profitability and margins and record cash generation

Consolidated income statement

for the year ended 30 September

	Note	2013 £m	2012 £m
Revenue	2	221.9	219.8
Cost of sales	3	(74.1)	(74.1)
Gross profit		147.8	145.7
Sales, marketing and administrative expenses	3	(53.8)	(51.7)
Operating profit	2	94.0	94.0
Financial income		0.8	0.6
Financial expenses		(0.2)	(0.1)
Profit before tax		94.6	94.5
Income tax expense	5	(21.7)	(22.6)
Profit for the year attributable to owners of the parent		72.9	71.9
Earnings per share			
Basic	6	86.5p	85.7p
Diluted	6	86.0p	85.1p
Dividend per ordinary share			
Interim	17	10.35p	9.0p
Final	17	32.65p	28.4p
	17	43.0p	37.4p

A final dividend in respect of 2013 of 32.65p has been recommended by the Directors for approval at the Annual General Meeting in February 2014.

Consolidated statement of comprehensive income

for the year ended 30 September

	Note	2013 £m	2012 £m
Profit for the year		72.9	71.9
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial (losses)/gains	14	(0.7)	1.3
Income tax on items that will not be reclassified to profit or loss	5	0.1	(0.3)
		(0.6)	1.0
Items that may be reclassified subsequently to profit or loss			
Currency translation differences for foreign operations		(0.5)	(1.0)
Effective portion of changes in fair value of cash flow hedges		1.1	7.0
Net change in fair value of cash flow hedges transferred to profit or loss		0.4	(2.1)
Income tax on items that may be reclassified to profit or loss	5	(0.6)	(2.2)
		0.4	1.7
Total other comprehensive (expense)/income for the year		(0.2)	2.7
Total comprehensive income for the year attributable to owners of the parent		72.7	74.6

Balance sheets
as at 30 September

	Note	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Assets					
Non-current assets					
Property, plant and equipment	7	**175.7**	143.6	**—**	—
Intangible assets	8	**10.1**	10.1	**—**	—
Investments	9	**—**	—	**48.2**	48.2
Deferred tax assets	10	**6.3**	7.1	**—**	—
Other receivables	13	**—**	—	**19.9**	20.0
		192.1	160.8	**68.1**	68.2
Current assets					
Inventories	11	**51.1**	48.6	**—**	—
Current income tax assets		**1.2**	1.6	**—**	—
Trade and other receivables	12	**26.5**	26.8	**9.4**	33.8
Derivative financial instruments	13	**5.1**	4.0	**—**	—
Cash and cash equivalents		**91.6**	83.9	**—**	—
		175.5	164.9	**9.4**	33.8
Total assets		**367.6**	325.7	**77.5**	102.0
Liabilities					
Non-current liabilities					
Deferred tax liabilities	10	**(15.6)**	(14.0)	**—**	—
Retirement benefit obligations	14	**(3.6)**	(4.0)	**—**	—
		(19.2)	(18.0)	**—**	—
Current liabilities					
Derivative financial instruments	13	**(0.4)**	(0.3)	**—**	—
Current income tax liabilities		**(10.7)**	(13.0)	**(0.2)**	(0.2)
Trade and other payables	15	**(23.6)**	(23.3)	**(8.5)**	(7.6)
		(34.7)	(36.6)	**(8.7)**	(7.8)
Total liabilities		**(53.9)**	(54.6)	**(8.7)**	(7.8)
Net assets		**313.7**	271.1	**68.8**	94.2
Equity					
Share capital	17	**0.8**	0.8	**0.8**	0.8
Share premium		**31.3**	29.1	**31.3**	29.1
Translation reserve		**1.5**	2.0	**—**	—
Hedging reserve		**3.3**	2.1	**—**	—
Retained earnings		**276.8**	237.1	**36.7**	64.3
Total equity attributable to owners of the parent		**313.7**	271.1	**68.8**	94.2

These financial statements of Victrex plc, registered number 2793780, were approved by the Board of Directors on 9 December 2013 and were signed on its behalf by:

D R Hummel
Chief Executive

A S Barrow
Finance Director

Cash flow statements
for the year ended 30 September

	Note	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Profit after tax for the year		**72.9**	71.9	**4.7**	37.4
Income tax expense	5	**21.7**	22.6	**0.2**	0.3
Net financing income		**(0.6)**	(0.5)	**(1.5)**	(1.4)
Dividends received from subsidiaries		**—**	—	**(3.3)**	(37.0)
Operating profit		**94.0**	94.0	**0.1**	(0.7)
Adjustments for:					
Depreciation	7	**9.5**	9.6	**—**	—
Loss on disposal of non-current assets		**0.3**	—	**—**	—
Increase in inventories		**(3.6)**	(4.3)	**—**	—
Decrease/(increase) in receivables		**1.3**	(2.6)	**25.8**	23.1
(Decrease)/increase in payables		**(1.3)**	(6.5)	**1.0**	0.8
Equity-settled share-based payment transactions	16	**1.3**	1.7	**—**	—
Changes in fair value of derivative financial instruments		**0.5**	(1.1)	**—**	—
Retirement benefit obligations charge less contributions		**(1.1)**	(0.9)	**—**	—
Cash generated from operations		**100.9**	89.9	**26.9**	23.2
Net financing income received		**0.8**	0.5	**1.4**	1.4
Tax paid		**(21.7)**	(24.4)	**(0.2)**	(0.2)
Net cash flow from operating activities		**80.0**	66.0	**28.1**	24.4
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(40.7)**	(27.0)	**—**	—
Dividends received		**—**	—	**3.3**	2.4
Net cash flow from investing activities		**(40.7)**	(27.0)	**3.3**	2.4
Cash flows from financing activities					
Proceeds from issue of ordinary shares exercised under option	17	**2.2**	2.0	**2.2**	2.0
Purchase of own shares held		**(0.9)**	(0.8)	**(0.9)**	(0.8)
Dividends paid	17	**(32.7)**	(28.0)	**(32.7)**	(28.0)
Net cash flow from financing activities		**(31.4)**	(26.8)	**(31.4)**	(26.8)
Net increase in cash and cash equivalents		**7.9**	12.2	**—**	—
Effect of exchange rate fluctuations on cash held		**(0.2)**	(0.6)	**—**	—
Cash and cash equivalents at beginning of year		**83.9**	72.3	**—**	—
Cash and cash equivalents at end of year		**91.6**	83.9	**—**	—

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Equity at 1 October 2011		0.8	27.1	3.0	(1.6)	192.3	221.6
Total comprehensive income for the year							
Profit		—	—	—	—	71.9	71.9
Other comprehensive income							
Currency translation differences for foreign operations		—	—	(1.0)	—	—	(1.0)
Effective portion of changes in fair value of cash flow hedges		—	—	—	7.0	—	7.0
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	(2.1)	—	(2.1)
Defined benefit pension schemes actuarial gains	14	—	—	—	—	1.3	1.3
Tax on other comprehensive income	5	—	—	—	(1.2)	(1.3)	(2.5)
Total other comprehensive (expense)/income for the year		—	—	(1.0)	3.7	—	2.7
Total comprehensive (expense)/income for the year		—	—	(1.0)	3.7	71.9	74.6
Contributions by and distributions to owners of the Company							
Share options exercised	17	—	2.0	—	—	—	2.0
Equity-settled share-based payment transactions	16	—	—	—	—	1.7	1.7
Purchase of own shares held		—	—	—	—	(0.8)	(0.8)
Dividends to shareholders	17	—	—	—	—	(28.0)	(28.0)
Equity at 30 September 2012		0.8	29.1	2.0	2.1	237.1	271.1
Total comprehensive income for the year							
Profit		—	—	—	—	**72.9**	**72.9**
Other comprehensive (expense)/income							
Currency translation differences for foreign operations		—	—	**(0.5)**	—	—	**(0.5)**
Effective portion of changes in fair value of cash flow hedges		—	—	—	**1.1**	—	**1.1**
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	**0.4**	—	**0.4**
Defined benefit pension schemes actuarial losses	14	—	—	—	—	**(0.7)**	**(0.7)**
Tax on other comprehensive income	5	—	—	—	**(0.3)**	**(0.2)**	**(0.5)**
Total other comprehensive (expense)/income for the year		—	—	**(0.5)**	**1.2**	**(0.9)**	**(0.2)**
Total comprehensive (expense)/income for the year		—	—	**(0.5)**	**1.2**	**72.0**	**72.7**
Contributions by and distributions to owners of the Company							
Share options exercised	17	—	**2.2**	—	—	—	**2.2**
Equity-settled share-based payment transactions	16	—	—	—	—	**1.3**	**1.3**
Purchase of own shares held		—	—	—	—	**(0.9)**	**(0.9)**
Dividends to shareholders	17	—	—	—	—	**(32.7)**	**(32.7)**
Equity at 30 September 2013		**0.8**	**31.3**	**1.5**	**3.3**	**276.8**	**313.7**

Company statement of changes in equity

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Equity at 1 October 2011		0.8	27.1	54.0	81.9
Total comprehensive income for the year					
Profit		—	—	37.4	37.4
Contributions by and distributions to owners of the Company					
Share options exercised	17	—	2.0	—	2.0
Equity-settled share-based payment transactions	16	—	—	1.7	1.7
Purchase of own shares held		—	—	(0.8)	(0.8)
Dividends to shareholders	17	—	—	(28.0)	(28.0)
Equity at 30 September 2012		0.8	29.1	64.3	94.2
Total comprehensive income for the year					
Profit		—	—	**4.7**	**4.7**
Contributions by and distributions to owners of the Company					
Share options exercised	17	—	**2.2**	—	**2.2**
Equity-settled share-based payment transactions	16	—	—	**1.3**	**1.3**
Purchase of own shares held		—	—	**(0.9)**	**(0.9)**
Dividends to shareholders	17	—	—	**(32.7)**	**(32.7)**
Equity at 30 September 2013		**0.8**	**31.3**	**36.7**	**68.8**

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 2013 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 9 December 2013.

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 4 to 36. In addition, note 13 on financial risk management details the Group's exposure to a variety of financial risks, including currency and credit risk.

The Group has significant positive cash balances and has a committed bank facility of £40m which expires in 2017. This facility was undrawn at 30 September 2013 and remained undrawn at 9 December 2013 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 ending September 2014 and longer-term plans including consideration of the principal risks faced by the Company, as detailed on pages 21 and 22. Following this review the Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements. Details of the Group's policy on liquidity risk and capital management are included in note 13 to the financial statements.

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

The preparation of financial statements in conformity with endorsed IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Details of significant estimates and assumptions are set out in note 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 ended 30 September 2013. None of these have had a material impact.

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

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

- amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets;
- IFRS 13 – Fair Value Measurement; and
- amendments to IAS 19 – Employee Benefits.

Effective for the Group's financial year ending 30 September 2015:

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IAS 27 – Separate Financial Statements; and
- IAS 28 – Investments in Associates and Joint Ventures;
- improvements to IFRSs 2011:
  - IAS 1 – Presentation of Financial Statements;
  - IAS 16 – Property, Plant and Equipment;
  - IAS 32 – Financial Instruments: Presentations; and
  - IAS 34 – Interim Financial Reporting.

2. Segment reporting

The Group complies with IFRS 8 – Operating Segments which requires operating segments to be identified and reported upon that are consistent with the level at which results are regularly reviewed by the entity's chief operating decision maker. The chief operating decision maker for the Group is the Victrex plc Board. Information on the business units is the primary basis of information reported to the Victrex plc Board. The performance of the business units is assessed based on segmental operating profit.

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

	Victrex Polymer Solutions 2013 £m	Invibio Biomaterial Solutions 2013 £m	Group 2013 £m	Victrex Polymer Solutions 2012 £m	Invibio Biomaterial Solutions 2012 £m	Group 2012 £m
Revenue from external sales	171.1	50.8	221.9	169.3	50.5	219.8
Segment operating profit	68.6	29.3	97.9	68.5	29.2	97.7
Unallocated central costs			(3.9)			(3.7)
Operating profit			94.0			94.0
Net financing income			0.6			0.5
Profit before tax			94.6			94.5
Income tax			(21.7)			(22.6)
Profit for the year attributable to owners of the parent			72.9			71.9
Other information						
Depreciation	9.1	0.4	9.5	9.2	0.4	9.6

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 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	
	2013 £m	2012 £m
United Kingdom	5.9	5.9
Europe, Middle East and Africa ('EMEA')	99.1	91.0
Americas	75.7	81.2
Asia-Pacific	41.2	41.7
	221.9	219.8

Information about major customers

In the current year no one customer contributed more than 10% to Group revenue (2012: same).

3. Expenses by nature

	Note	2013 £m	2012 £m
Staff costs	4	43.7	41.0
Depreciation of property, plant and equipment	7	9.5	9.6
Loss on disposal of property, plant and equipment		0.3	—
Operating lease rentals	7	1.6	1.7
Other costs of manufacture		51.2	52.2
Other sales, marketing and administrative expenses		21.6	21.3
		127.9	125.8

Auditor's remuneration is as follows:

	2013 £000	2012 £000
Audit services relating to:		
– Victrex plc Annual Report	36	28
– The Company's subsidiaries, pursuant to legislation	94	94
	130	122
Audit related assurance services	14	14
Pension advisory services	25	—
Taxation advisory services	20	5
Other services	18	42
	77	61
	207	183

4. Staff costs

	Note	2013 £m	2012 £m
Wages and salaries		34.6	32.0
Social security costs		3.7	3.4
Defined contribution pension schemes		2.7	2.3
Defined benefit pension schemes	14	1.4	1.6
Equity-settled share-based payment transactions	16	1.3	1.7
	3	43.7	41.0

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

	2013	2012
Operations	324	304
Technical	96	88
Commercial	138	137
Administration	86	78
	644	607

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.

5. Income tax expense continued

	Note	2013 £m	2012 £m
Current tax			
UK corporation tax on profits for the year		20.1	20.8
Overseas tax on profits for the year		1.6	2.2
Tax adjustments relating to prior years		(2.2)	(0.2)
		19.5	22.8
Deferred tax			
Origination and reversal of temporary differences	10	0.4	0.2
Deferred tax adjustments relating to prior years	10	2.7	—
Reduction in tax rate	10	(0.9)	(0.4)
Total tax expense in income statement		21.7	22.6

Reconciliation of effective tax rate

	2013		2012	
	%	£m	%	£m
Profit before tax		94.6		94.5
Tax expense at UK corporation tax rate	23.5	22.2	25.0	23.6
Effects of:				
– Expenses not deductible for tax purposes		0.5		0.9
– Higher rates of tax on overseas earnings		0.4		0.8
– UK research and development tax credits and other allowances		(1.0)		(2.1)
– Corporation tax adjustments relating to prior years		(2.2)		(0.2)
– Reduction in tax rate		(0.9)		(0.4)
– Deferred tax adjustments relating to prior years		2.7		—
Effective tax rate	22.9	21.7	23.9	22.6

In the March 2013 Budget, the Chancellor announced that the main rate of corporation tax for UK companies would reduce from 23% to 21% with effect from 1 April 2014, with a further reduction from 21% to 20% with effect from 1 April 2015. These reductions were substantively enacted for financial reporting purposes on 2 July 2013.

In accordance with IAS 12 – Income Taxes, the deferred tax liabilities and assets have been calculated using a rate of 20%, being the rate expected to be in force when these assets and liabilities are realised/settled.

Tax recognised in other comprehensive income

	2013 £m	2012 £m
Cash flow hedges	(0.3)	(1.2)
Defined benefit pension schemes	0.1	(0.3)
Equity-settled transactions	(0.3)	(1.0)
	(0.5)	(2.5)

6. Earnings per share

Earnings per share is based on the Group's profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year, excluding own shares held (see note 17).

		2013	2012
Earnings per share	– basic	86.5p	85.7p
	– diluted	86.0p	85.1p
Profit for the financial year		£72.9m	£71.9m
Weighted average number of shares used:			
– Issued ordinary shares at beginning of year		84,481,476	84,033,879
– Effect of own shares held		(366,222)	(395,783)
– Effect of shares issued during the year		179,127	220,687
Basic weighted average number of shares		84,294,381	83,858,783
Effect of share options		432,600	635,424
Diluted weighted average number of shares		84,726,981	84,494,207

7. Property, plant and equipment

Owned assets

All owned items of property, plant and equipment are stated at historical cost less accumulated depreciation and provision for impairment. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

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

Buildings	30–50 years
Plant and machinery	10–30 years
Fixtures, fittings, tools and equipment	5–10 years
Computers and motor vehicles	3–5 years

Freehold land is not depreciated.

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

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

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

7. Property, plant and equipment continued

	Land and buildings £m	Plant and machinery £m	Computers and motor vehicles £m	Fixtures, fittings, tools and equipment £m	Assets in course of construction £m	Total £m
Cost						
At 1 October 2011	22.8	157.6	8.1	1.6	1.6	191.7
Exchange differences	(0.2)	—	—	(0.1)	—	(0.3)
Additions	—	2.4	1.6	0.1	23.9	28.0
Disposals	—	—	(3.4)	(0.1)	—	(3.5)
Reclassification	7.3	2.9	0.6	1.6	(12.4)	—
At 30 September 2012	29.9	162.9	6.9	3.1	13.1	215.9
Exchange differences	0.1	(0.1)	—	(0.3)	—	(0.3)
Additions	0.5	2.9	1.1	0.3	37.4	42.2
Disposals	—	(4.0)	(1.3)	(0.7)	—	(6.0)
Reclassification	0.4	6.1	—	—	(6.5)	—
At 30 September 2013	**30.9**	**167.8**	**6.7**	**2.4**	**44.0**	**251.8**
Depreciation						
At 1 October 2011	3.5	55.0	6.5	1.2	—	66.2
Disposals	—	—	(3.4)	(0.1)	—	(3.5)
Depreciation charge	0.7	7.8	0.8	0.3	—	9.6
At 30 September 2012	4.2	62.8	3.9	1.4	—	72.3
Disposals	—	(3.7)	(1.3)	(0.7)	—	(5.7)
Depreciation charge	0.6	7.4	1.2	0.3	—	9.5
At 30 September 2013	**4.8**	**66.5**	**3.8**	**1.0**	**—**	**76.1**
Carrying amounts						
At 30 September 2013	**26.1**	**101.3**	**2.9**	**1.4**	**44.0**	**175.7**
At 30 September 2012	25.7	100.1	3.0	1.7	13.1	143.6
At 1 October 2011	19.3	102.6	1.6	0.4	1.6	125.5

The Company has no property, plant or equipment.

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

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

Operating lease rentals of £1.6m (2012: £1.7m) relating to the lease of property, plant and equipment are included in the income statement (see note 3).

8. Intangible assets

	Goodwill £m
Cost	
At 1 October 2011, 30 September 2012 and 30 September 2013	10.1
Amortisation	
At 1 October 2011, 30 September 2012 and 30 September 2013	—
Carrying amounts	
At 1 October 2011, 30 September 2012 and 30 September 2013	10.1

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

In respect of acquisitions prior to 1 October 2004, goodwill is included on the basis of its deemed cost, which represents the net amount recorded previously under UK GAAP. In prior years the amortisation element of the deemed cost at 30 September 2004 was shown separately, in the current year this has been deducted from gross cost. In respect of acquisitions that have occurred since 1 October 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired.

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

Impairment losses are recognised if the carrying amount of the CGU to which goodwill has been allocated exceeds its value in use and are recognised in the income statement.

Goodwill comprises £10.1m in Victrex Polymer Solutions. The goodwill is measured against the discounted future cash flow projections of our Victrex Polymer Solutions business unit. The long-term average growth rate used was 2.5% (2012: 2.5%) and the risk adjusted pre-tax discount rate was 8.0% (2012: 6.0%). The impairment test results in more than 100% headroom and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

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

Development expenditure is recognised in the income statement as an expense as incurred unless it meets all the criteria to be capitalised under IAS 38 – Intangible Assets.

Research and development expenditure of £14.6m (2012: £13.1m) was expensed to the income statement in the year within administrative expenses.

9. Investments

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

Basis of consolidation

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

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.

9. Investments continued

Company

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

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

	Country of registration and operation	Principal activity	Class of share held
Subsidiary undertakings			
Victrex Manufacturing Limited*	Great Britain	Manufacture and sale of polymers	Ordinary
Victrex Europa GmbH*	Germany	Sale of polymers	Ordinary
Invibio Limited*	Great Britain	Manufacture and sale of polymers	Ordinary
Victrex Japan, Inc.*	Japan	Sale of polymers	Ordinary
Victrex USA, Inc.	USA	Sale of polymers	Ordinary
Invibio USA, Inc.	USA	Sale of polymers	Ordinary
Invibio GmbH	Germany	Sale of polymers	Ordinary

* Directly held by Victrex plc.

10. Deferred tax assets and liabilities

	As at 30 September 2013					As at 30 September 2012				
	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	—	1.9	3.6	0.8	6.3	—	2.3	3.9	0.9	7.1
Deferred tax liabilities	(15.6)	—	—	—	(15.6)	(14.0)	—	—	—	(14.0)
Net deferred tax (liabilities)/assets	(15.6)	1.9	3.6	0.8	(9.3)	(14.0)	2.3	3.9	0.9	(6.9)

	Note	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Other £m	Total £m
Movement in net provision						
At 1 October 2011		(14.8)	3.6	4.7	0.7	(5.8)
Reduction in tax rate	5	1.2	(0.3)	(0.4)	(0.1)	0.4
Recognised in income statement	5	(0.4)	0.3	(0.4)	0.3	(0.2)
Recognised in other comprehensive income	5	—	(1.3)	—	—	(1.3)
At 30 September 2012		(14.0)	2.3	3.9	0.9	(6.9)
Prior period adjustment	5	(2.7)	—	—	—	(2.7)
Reduction in tax rate	5	1.8	(0.3)	(0.5)	(0.1)	0.9
Recognised in income statement	5	(0.7)	0.1	0.2	—	(0.4)
Recognised in other comprehensive income	5	—	(0.2)	—	—	(0.2)
At 30 September 2013		(15.6)	1.9	3.6	0.8	(9.3)

11. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

As at 30 September	2013 £m	2012 £m
Raw materials and consumables	**14.1**	13.8
Work in progress	**3.5**	4.5
Finished goods	**33.5**	30.3
	51.1	48.6

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

12. Trade and other receivables

	Group		Company	
As at 30 September	2013 £m	2012 £m	2013 £m	2012 £m
Trade receivables	**21.5**	23.1	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**9.4**	33.8
Prepayments	**3.3**	2.5	**—**	—
Other	**1.7**	1.2	**—**	—
	26.5	26.8	**9.4**	33.8

13. Financial risk management

Group

Currency risk

Currency risk is managed by the Currency Committee, the membership and operations of which are described on page 43. The Group currently exports 97% of sales from the UK and also makes raw material purchases overseas. In addition, the Group includes a number of foreign subsidiaries. As a result of these factors, the Group's financial statements are exposed to currency fluctuations. The currencies giving rise to this risk are primarily US Dollar, Euro and Yen. The Group's hedging policy is described on page 43.

The impact of a 5% movement in the average Sterling/US Dollar, Sterling/Euro and Sterling/Yen rates on profit for 2013 is £4.2m, £3.8m and £0.7m respectively (2012: £4.5m, £3.5m and £0.9m). The impact of a 5% movement in the average Sterling/US Dollar, Sterling/Euro and Sterling/Yen rates on equity for 2013 is £1.8m, £0.6m and £0.4m (2012: £1.8m, £0.4m and £0.5m) 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.

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 43. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. The Group buys or sells foreign currency at spot where necessary to address any short-term imbalances.

The Group classifies its forward exchange contracts, hedging forecast transactions, as cash flow hedges and states them at fair value.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective portion of changes in fair value is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged transaction affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recognised in the income statement when the forecast transaction occurs. 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.

13. Financial risk management continued

Cash flow hedges continued

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 2013		As at 30 September 2012	
	Notional contract amount £m	Carrying amount and fair value £m	Notional contract amount £m	Carrying amount and fair value £m
Current assets	134.9	5.1	124.2	4.0
Current liabilities	12.3	(0.4)	21.3	(0.3)
	147.2	4.7	145.5	3.7

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 2013				As at 30 September 2012			
	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	134.9	64.2	64.4	6.3	124.2	75.7	48.5	—
– Liabilities	12.3	8.3	4.0	—	21.3	(2.3)	17.3	6.3
	147.2	72.5	68.4	6.3	145.5	73.4	65.8	6.3

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2013 will be recognised in the income statement during the period in which the hedged forecast transaction affects the income statement. At 30 September 2013, there are a number of hedged foreign currency transactions which are expected to occur at various dates during the next 12 months. During the year, gains of £0.5m (2012: £0.9m) relating to forward exchange contracts on the balance sheet at 30 September 2013 were released to the income statement.

Credit risk

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

Trade receivables can be analysed as follows:

As at 30 September	2013 £m	2012 £m
Amounts neither past due nor impaired	17.9	18.3
Amounts past due but not impaired:		
– Less than 30 days	3.0	3.1
– 30–60 days	0.4	0.5
– More than 60 days	0.2	1.2
Total past due but not impaired	3.6	4.8
Amounts impaired	0.6	0.7
Impairment allowances	(0.6)	(0.7)
Carrying amount of impaired receivables	—	—
Trade receivables net of allowances	21.5	23.1

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.

13. Financial risk management continued

Credit risk continued

Movements in the allowance for impairments were:

	2013 £m	2012 £m
At beginning of year	0.7	0.3
Charge in the year	—	0.4
Release of allowance	(0.1)	—
At end of year	0.6	0.7

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 2013, the maximum exposure with a single bank for deposits was £26.1m (2012: £43.1m) for the Group. As at 30 September 2013, the largest mark to market exposure for gains on forward foreign exchange contracts to a single bank was £2.7m (2012: £1.5m). The amounts on deposit at the year end represent the Group's maximum exposure to credit risk on cash and deposits.

Liquidity risk

The Group's objective in terms of funding capacity is to ensure that it always has sufficient short-term and long-term funding available, either in the form of the Group's cash resources or committed bank facilities. The Group has sufficient funds available in order to meet its current funding requirements for both revenue and capital expenditure. In order to further manage liquidity risk to an acceptable level, the Group has a committed bank facility of £40m, all of which was undrawn at the year end. This facility expires in September 2017.

As at 30 September 2013 the Group had a cash and cash equivalents balance of £91.6m.

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 2014, although there is a resolution proposed at each Annual General Meeting ('AGM') to authorise the Company to make one or more market purchases of its ordinary shares up to a maximum number of shares equal to 10% of its issued ordinary share capital as at the date of the AGM notice.

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

As at 30 September	2013 £m	2012 £m
Total equity	313.7	271.1
Total assets	367.6	325.7
Equity ratio	85%	83%

13. Financial risk management continued

Capital management continued

Summary of categories of financial assets and liabilities

As at 30 September	Notes	Carrying amount and fair value 2013 £m	Carrying amount and fair value 2012 £m
Financial assets			
Derivative instruments in designated hedge accounting relationships		5.1	4.0
Receivables	12	23.2	24.3
Cash and cash equivalents		91.6	83.9
Financial liabilities			
Derivative instruments in designated hedge accounting relationships		(0.4)	(0.3)
Trade and other payables	15	(8.3)	(8.1)

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 81 to 82.

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 subsidiary undertakings.

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

These intragroup loans are financial assets designated as loans and receivables. As at 30 September 2013 the Company has intragroup loans outstanding totalling £19.9m (2012: £20.0m). These loans are over terms of 7–8 years at interest rates of 7.15–7.40%.

14. Retirement benefit obligations

Employee benefits

Defined contribution pension schemes

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

Defined benefit pension schemes

The Group's net obligation in respect of defined benefit pension schemes recognised in the balance sheet is the present value of the future benefits that employees have earned in return for their service in the current and prior periods less the fair value of plan assets, together with adjustments for past service costs not yet recognised. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability.

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

Victrex has decided to take advantage of the option under IAS 19 – Employee Benefits to recognise actuarial gains and losses through the statement of comprehensive income as opposed to the income statement.

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

The Group operates a number of pension schemes for its employees throughout the world. The majority of schemes outside the UK are defined contribution.

The principal scheme operated by the Group is a funded UK pension scheme in which certain employees of subsidiary undertakings participate. The scheme has two sections. One section provides benefits on a defined benefit basis with benefits related to final pensionable pay. The defined benefit section was closed to new members from 31 December 2001. From this date new employees have been invited to join the second section that provides benefits on a defined contribution basis.

14. Retirement benefit obligations continued

Employee benefits continued

Defined benefit pension schemes continued

IAS 19 disclosures relating to defined benefits are as follows:

Principal actuarial assumptions

As at 30 September	2013	2012
Discount rate	**4.60%**	4.70%
Expected return on schemes' assets[1]	**4.60%**	5.64%
Future salary increases	**3.60%**	4.50%
Future pension increases	**3.50%**	3.00%
Mortality tables	**S1NA CMI 2012 (1%)**	S1NA CMI 2011 (1%)
Life expectancy from age 62 of current pensioners:		
– Male	**24.9 yrs[2]**	24.8 yrs[3]
– Female	**27.4 yrs[2]**	27.4 yrs[3]
Life expectancy from age 62 of active and deferred members:		
– Male	**26.1 yrs[4]**	26.0 yrs[5]
– Female	**28.8 yrs[4]**	28.8 yrs[5]

(1) The future expected return on assets is equal to the discount rate as required by the amendments to IAS19. The expected return on assets in 2012 of 5.64% per annum was derived from assumed returns of 7.5% per annum from equity assets, 3.8% per annum from gilts, 5.3% per annum from bonds and 0.5% per annum from cash, applied to the proportion of each asset class held by the scheme as at 30 September.

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

(3) Life expectancy from age 62 for members aged 62 in 2012.

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

(5) Life expectancy from age 62 for members aged 45 in 2012.

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 2013
Reduce discount rate by 1% p.a.	**£12.4m**
Increase inflation expectations by 1% p.a.	**£10.3m**
Increase salary inflation by 1% p.a.	**£2.8m**

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

Amounts recognised in the balance sheet

As at 30 September	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of funded obligations	**(51.4)**	(45.5)	(41.0)	(40.5)	(34.8)
Fair value of schemes' assets	**47.8**	41.5	34.8	31.0	24.0
Net liability before deferred taxation	**(3.6)**	(4.0)	(6.2)	(9.5)	(10.8)
Related deferred taxation asset	**0.7**	0.9	1.6	2.6	3.0
Net liability after deferred taxation	**(2.9)**	(3.1)	(4.6)	(6.9)	(7.8)
Change in assumptions and experience adjustments arising on schemes' liabilities	**(2.7)**	(2.0)	2.8	(2.9)	(9.0)
Experience adjustments arising on schemes' assets	**2.0**	3.3	(1.7)	2.0	1.8

Changes in the present value of the funded obligation

	2013 £m	2012 £m
Defined benefit obligation at beginning of year	**(45.5)**	(41.0)
Exchange difference	**(0.1)**	0.1
Service cost	**(1.6)**	(1.7)
Interest cost	**(2.3)**	(2.1)
Actuarial losses	**(2.7)**	(2.0)
Benefits paid	**0.8**	1.2
Defined benefit obligation at end of year	**(51.4)**	(45.5)

During the year ending 30 September 2014 the Group expects to contribute to its defined benefit pension schemes £2.7m, which includes normal contributions together with the third of four deficit funding contributions of £0.9m.

Contribution rates are based on the triennial valuation as at 31 March 2010. The valuation as at 31 March 2013 is in the process of being finalised by the trustees.

14. Retirement benefit obligations continued

Changes in the fair value of the schemes' assets

	2013 £m	2012 £m
Fair value of schemes' assets at beginning of year	41.5	34.8
Exchange difference	0.1	(0.1)
Expected return	2.4	2.1
Actuarial gains	2.0	3.3
Contributions by employer	2.5	2.5
Contributions by employee	0.1	0.1
Benefits paid	(0.8)	(1.2)
Fair value of schemes' assets at end of year	47.8	41.5
Actual return on schemes' assets	4.4	5.4

Major categories of schemes' assets

As at 30 September	2013 £m	2012 £m
UK equities	8.8	9.2
Non-UK equities	11.9	10.5
Bonds	13.4	13.2
Gilts	5.6	5.3
Cash	1.8	2.3
Diversified growth	5.0	—
Insurance policies	1.3	1.0
Fair value of schemes' assets at end of year	47.8	41.5

Amounts recognised in the income statement

	Note	2013 £m	2012 £m
Current service cost		(1.6)	(1.7)
Contributions by employee		0.1	0.1
Interest on obligations		(2.3)	(2.1)
Other finance income and expenditure		2.4	2.1
Total included in 'staff costs'	4	(1.4)	(1.6)

Of the total included in staff costs, £0.8m is included within cost of sales (2012: £0.9m) and £0.6m is included within sales, marketing and administrative expenses (2012: £0.7m).

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

	2013 £m	2012 £m
Cumulative amount at beginning of year	(10.5)	(11.8)
Movement in year	(0.7)	1.3
Cumulative amount at end of year	(11.2)	(10.5)

15. Trade and other payables

	Group		Company	
As at 30 September	2013 £m	2012 £m	2013 £m	2012 £m
Trade payables	6.8	5.6	—	—
Amounts owed to Group undertakings	—	—	8.5	7.6
Accruals	15.3	15.2	—	—
Other	1.5	2.5	—	—
	23.6	23.3	8.5	7.6

16. Share-based payments

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

Victrex 2005 Executive Share Option Plan ('ESOP')

All employees are eligible to participate. The Remuneration Committee currently excludes executive Directors from participating in this plan. Option awards are based on a percentage of basic salary, not exceeding 100% of salary. The exercise price of the options is equal to the market price of the shares on the date of grant. ESOP options are conditional on the employee completing three years' service (the vesting period). These options are exercisable starting three years from date of grant. The level of awards vesting will vary depending on EPS growth. In order for awards to vest the Group must achieve EPS growth exceeding the Retail Prices Index by an average of at least 2%, 3% and 4% per annum, over the three year vesting period, for awards up to 33%, from 33% to 66% and from 66% to 100% of salary respectively. Straight line vesting will occur to the extent that EPS growth falls between these average annual EPS growth targets. These options have a maximum term of ten years.

Victrex 2005 Sharesave Plan

UK resident employees and full-time Directors of the Company or any designated participating subsidiary are eligible to participate. The exercise price of the granted Sharesave Plan options is equal to the market price of the ordinary shares less 20% on the date of grant.

Victrex 2005 Employee Stock Purchase Plan

US based employees (including executive Directors) are eligible to participate. The price payable for each ordinary share shall be a price determined by the Board, provided that it shall not be less than 85% of the lower of the market value of an ordinary share on the date of grant or the date of purchase.

Awards may be granted over a number of ordinary shares determined by the amount employees have saved by the end of a one year savings period.

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

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

Each year executive Directors were eligible to be awarded options to acquire, at no cost, market purchased ordinary shares in the Company up to a maximum equivalent of 100% of basic salary. The awards have normally become exercisable between the fifth and tenth anniversaries of the grant date, subject to continued employment and the Group's performance over the three year period commencing at the start of the financial year in which the grant is made.

The extent to which an award has been exercisable is dependent on two independent performance conditions with 50% determined by reference to the Company's total shareholder return ('TSR') and 50% determined by reference to the Group's earnings per share ('EPS'):

- the TSR element of an award will vest in full if the TSR ranks in the upper quartile, as measured over the three year period, relative to the constituents of the FTSE 250 Index, excluding investment trusts, at the beginning of that period. This element of the award is reduced to 12.5% on a pro-rata basis for median performance and is reduced to nil for below median performance. Notwithstanding these provisions, no shares will vest under this performance condition unless, in the opinion of the Remuneration Committee, there has been a sustained improvement in the underlying financial performance of the Group over the relevant performance period; and
- the EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three year period. This element of the award is reduced to 10% on a pro-rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

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

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

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

Details of the 2009 LTIP can be found within the Directors' Remuneration Report on page 54.

16. Share-based payments continued

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 2011	939p	808,658	421p	618,029	—	—	nil p	327,661
Granted during the year	1,166p	276,544	906p	177,298	1,107p	8,527	nil p	114,053
Forfeited during the year	1,109p	(32,934)	1,051p	(31,604)	—	—	nil p	(17,871)
Exercised during the year	640p	(126,246)	356p	(312,824)	1,107p	(8,527)	nil p	(53,484)
Outstanding at 30 September 2012	939p	926,022	613p	450,899	—	—	nil p	370,359
Granted during the year	**1,569p**	**226,779**	**1,312p**	**48,486**	**1,139p**	**11,683**	**nil p**	**97,092**
Forfeited during the year	**1,144p**	**(40,388)**	**778p**	**(17,609)**	—	—	**nil p**	**(13,819)**
Exercised during the year	**741p**	**(250,243)**	**588p**	**(35,566)**	**1,139p**	**(11,683)**	**nil p**	**(107,462)**
Outstanding at 30 September 2013	**1,263p**	**862,170**	**684p**	**446,210**	—	—	**nil p**	**346,170**
Range of exercise prices								
2013		**434p–1,702p**		**348p–1,312p**		—		**nil p**
2012		434p–1,421p		348p–1,178p		—		nil p
Weighted average contractual life (years)								
2013		**7.8**		**1.7**		**0.4**		**7.7**
2012		7.7		2.4		0.4		7.6
Exercisable at end of year								
2013	**758p**	**133,357**	**n/a**	—		—		—
2012	670p	200,037	348p	1,400		—		—

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.

16. Share-based payments continued

Fair value of share options and assumptions continued

Fair value of share options and weighted average assumptions

	As at 30 September 2013				As at 30 September 2012			
	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP
Fair value at measurement date	365p	298p	341p	884p	309p	292p	233p	742p
Share price at grant	1,291p	941p	1,340p	1,177p	1,068p	864p	852p	910p
Exercise price	1,263p	684p	n/a	nil p	1,042p	613p	n/a	nil p
Expected volatility	35%	35%	35%	36%	34%	35%	42%	37%
Option life	10 yrs	4 yrs	1 yr	10 yrs	10 yrs	4 yrs	1 yr	10 yrs
Expected dividends	2.3%	3.1%	2.4%	0.7%	2.3%	3.1%	2.8%	0.3%
Risk-free interest rate	1.9%	1.6%	0.4%	1.0%	2.6%	1.7%	1.0%	1.6%

The expected volatility is based on historic volatility over the period prior to grant equal to the expected term.

All share options are granted under a service condition and for ESOS, ESOP and LTIP a non-market condition (EPS). Such conditions are not taken into account in the grant date fair value measurement of services received. In addition, the LTIP has a market condition (TSR), which is taken into account in the grant date measurement of fair value.

Staff costs – equity-settled share-based payment transactions

	Note	2013 £m	2012 £m
ESOP		0.5	0.7
Sharesave Plan		0.3	0.3
LTIP		0.5	0.7
	4	1.3	1.7

17. Share capital and reserves

Share capital

	2013		2012	
	Number	£m	Number	£m
Allotted, called up and fully paid shares of 1p each				
At beginning of year	84,481,476	0.8	84,033,879	0.8
Issued for cash	299,067	—	447,597	—
At end of year	84,780,543	0.8	84,481,476	0.8

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at meetings of the Company.

Share premium

During the year 299,067 (2012: 447,597) shares were issued for cash, resulting in an increase in share premium of £2.2m (2012: £2.0m).

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 2013 was 330,358 (2012: 380,091). 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.

17. Share capital and reserves continued

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.

	2013 £m	2012 £m
Year ended 30 September 2011		
– Final dividend paid February 2012 at 24.5p per ordinary share	—	20.5
Year ended 30 September 2012		
– Interim dividend paid July 2012 at 9.0p per ordinary share	—	7.5
– Final dividend paid February 2013 at 28.4p per ordinary share	23.9	—
Year ended 30 September 2013		
– Interim dividend paid July 2013 at 10.35p per ordinary share	8.8	—
	32.7	28.0

A final dividend in respect of 2013 of £27.6m (32.65p per ordinary share) has been recommended by the Directors for approval at the Annual General Meeting in February 2014. These financial statements do not reflect this dividend.

18. Operating leases

Non-cancellable operating lease rentals are payable as follows:

As at 30 September	2013 £m	2012 £m
Not later than one year	0.9	1.5
Later than one year but not later than five years	2.9	3.2
Later than five years	2.8	3.4
	6.6	8.1

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	
	2013 £m	2012 £m
Trading transactions with subsidiaries		
Administrative expenses paid on Company's behalf by subsidiaries	0.5	0.7
Management charge to subsidiaries	2.0	2.6
Amounts receivable from subsidiaries	9.4	33.8
Financing transactions with subsidiaries		
Dividends received from subsidiaries	3.3	37.0
Interest received from subsidiaries	1.4	1.4
Cash transfers received from subsidiaries	34.0	29.3
Cash transfers made to subsidiaries	8.1	6.1
Non-current amounts receivable from subsidiaries	19.9	20.0

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

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

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

19. Related party transactions continued

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 48 to 61.

Directors of the Company control 4% of the voting shares of the Company, details of which are given on page 59.

Details of Directors' indemnities are given on page 63.

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. Management use their detailed experience in this process. Inventory provisions are put in place where cost is considered to be higher than net realisable value, the latter being a judgement based on ageing, customer order profiles, scrap values and the option to re-process.

Pension scheme

The valuation of pension scheme liabilities is calculated in accordance with Group policy. The valuation is prepared by independent qualified actuaries but significant judgements are required in relation to the assumptions for future salary and pension increases, inflation, the discount rate applied, investment returns and member longevity which underpin the valuations. Note 14 contains information about the assumptions relating to retirement benefit obligations.

Property, plant and equipment

In relation to the Company's property, plant and equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to a 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.

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:

	2013		2012	
	Average	Closing	Average	Closing
US Dollar	1.57	1.62	1.59	1.61
Euro	1.21	1.20	1.17	1.26
Yen	128	159	126	126

Five year financial summary
for the year ended 30 September

	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Results					
Revenue	103.8	189.5	215.8	219.8	**221.9**
Profit before tax	25.1	74.9	94.2	94.5	**94.6**
Balance sheet					
Property, plant, equipment and intangible assets	139.7	135.4	135.6	153.7	**185.8**
Inventories	37.2	34.5	45.0	48.6	**51.1**
Net cash	18.6	77.3	72.3	83.9	**91.6**
Trade receivables and other assets	25.4	31.8	34.9	39.5	**39.1**
Retirement benefit obligations	(10.8)	(9.5)	(6.2)	(4.0)	**(3.6)**
Trade payables and other liabilities	(41.9)	(58.2)	(60.0)	(50.6)	**(50.3)**
Equity shareholders' funds	168.2	211.3	221.6	271.1	**313.7**
Cash flow					
Net cash flow from operating activities	15.7	77.2	65.9	66.0	**80.0**
Capital expenditure	(7.5)	(4.5)	(9.0)	(27.0)	**(40.7)**
Dividends and other items	(15.1)	(14.3)	(62.0)	(26.8)	**(31.4)**
Net (decrease)/increase in cash and cash equivalents	(6.9)	58.4	(5.1)	12.2	**7.9**
Ratios					
Earnings per ordinary share – basic	21.7p	65.1p	85.3p	85.7p	**86.5p**
Full year dividend per ordinary share	19.2p	25.0p	32.5p	37.4p	**43.0p**
Special dividend per ordinary share	—	50.0p	—	—	**—**
Sales volume					
Tonnes	1,547	2,535	2,860	2,904	**2,920**

Notice is hereby given that the twenty first Annual General Meeting ('AGM') of Victrex plc ('the Company') will be held at 11am on 4 February 2014, 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 2013.
2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 30 September 2013.
3. To approve the Director's Remuneration Policy (contained in the Directors' Remuneration Report for the year ended 30 September 2013).
4. To declare a final dividend of 32.65p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2013.
5. To re-elect Ms A M Frew as a Director of the Company.
6. To re-elect Mr G F B Kerr as a Director of the Company.
7. To re-elect Mr P J M De Smedt as a Director of the Company.
8. To re-elect Mr L C Pentz as a Director of the Company.
9. To re-elect Dr P J Kirby as a Director of the Company.
10. To re-elect Mr D R Hummel as a Director of the Company.
11. To re-elect Mr T J Cooper as a Director of the Company.
12. To elect Ms L Burdett as a Director of the Company.
13. To 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 £282,619; and

    b) up to a further maximum aggregate nominal amount of £282,619 in connection with an offer by way of a rights issue:

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

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

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

    Such authorities to apply until the end of next year's AGM (or, if earlier, until the close of business on 31 March 2015) but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.
16. That, conditional upon resolution 15 being passed, the Board be and hereby is given power to allot equity securities (as defined in section 560 of the 2006 Act) for cash under the authority given by that resolution and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the 2006 Act, free of the restriction in section 561(1) of the 2006 Act, 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) in the case of the authority granted under paragraph (a) of resolution 15 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(3) of the 2006 Act, to the allotment (otherwise than under paragraph (a) above) of equity securities up to a maximum aggregate nominal amount of £42,392.

    Such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 31 March 2015) but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

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 8,478,583 Ordinary Shares;

    b) by the condition that the maximum price, exclusive of expenses, which may be paid for an Ordinary Share contracted to be purchased on any day shall be the higher of:

       (i) an amount equal to 105% of the average of the closing middle market quotation for an Ordinary Share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and

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

    c) by the condition that the minimum price which may be paid for an Ordinary Share is 1p (exclusive of expenses).

    Such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 31 March 2015) but so that the Company may enter into a new contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after the authority ends and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority had not ended.

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

By order of the Board

S Koncarevic
Company Secretary
9 December 2013

Notes

1. Shareholders who are entitled to attend and vote at the meeting are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.

2. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6pm on 2 February 2014 (or, in the event of any adjournment 6pm on the day two days prior to the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

3. A hard copy form of proxy ('Form of Proxy') which may be used to appoint a proxy and give instructions accompanies this Annual Report. To be valid, a Form of Proxy must be delivered to the Company's Registrars, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6GT so as to be received by no later than 11am on 2 February 2014. Alternatively, shareholders may appoint a proxy online by following the instructions in note 4 below. Shareholders who hold their shares in uncertificated form may also use 'the CREST voting service' to appoint a proxy electronically as explained in notes 5 to 7 below. The return of a completed Form of Proxy, electronic proxy appointment instruction or any CREST Proxy Instruction will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

4. Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk. Full details of the procedure are given on the website. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic proxy appointment system. Alternatively, members who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging onto their portfolio at www.shareview.co.uk and clicking on the 'Vote Online' link. The on-screen instructions give details of how to complete the proxy appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 11am on 2 February 2014.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via www.euroclear.com/crest. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent Equiniti (ID RA19) by 11am on 2 February 2014. 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 6 December 2013 (being the last business day prior to the publication of this document) the Company's issued share capital consisted of 84,785,830 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 December 2013 were 84,785,830. There were no shares in treasury as at that date.

10. Under section 527 of the 2006 Act shareholder 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.victrex.com.

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

    a) to give, to shareholders of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or

    b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved or a matter may properly be included in the business unless:

    a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

    b) it is defamatory of any person; or

    c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 24 December 2013, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

13. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrar if you need any further guidance on this.

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

15. Copies of the following documents will be available for inspection at the Registered Office of the Company from the date of this notice until the time of the AGM and at the meeting location from 15 minutes before the meeting until it ends:

    - the executive Directors' service contracts; and
    - letters of appointment of the non-executive Directors.

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 Directors' Report, the Directors' Remuneration Report and, for the first time this year, the Directors' Strategic Report. In accordance with the 2012 UK Corporate Governance Code, the Company proposes, as an ordinary resolution, a resolution on its Annual Report.

Resolution 2 – Approval of the Directors' Remuneration Report
In accordance with the Companies Act 2006, the Company proposes an ordinary resolution to approve the Directors' Remuneration Report for the financial year ended 30 September 2013. The Directors' Remuneration Report is set out on pages 48 to 61 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 49 to 53. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on its being passed.

Resolution 3 – Approval of the Directors' Remuneration Policy
For the first time this year and in accordance with the Companies Act 2006, the Company proposes an ordinary resolution to approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report. The proposed policy is set out on pages 49 to 53 of the Annual Report. The vote on Resolution 3 is a binding vote and, if passed, will mean that the Directors' can only make remuneration payments in accordance with the approved policy. The Company is required to ensure that a vote on its remuneration policy takes place annually unless the approved policy remains unchanged, in which case the Company will propose a similar resolution at least every three years.

Resolution 4 – Declaration of final dividend
A final dividend of 32.65p per ordinary share has been recommended by the Directors for the year ended 30 September 2013. 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 21 February 2014 to shareholders on the register at 6.00pm on 7 February 2014.

Resolutions 5 to 12 – Re-election and election of Directors
In accordance with the 2012 UK Corporate Governance Code all Directors shall retire from office at the AGM and offer themselves for election or re-election. Each of Resolutions 5 to 12 shall be proposed as an ordinary resolution. Biographical details of all of our Directors are set out on pages 38 and 39.

The Board considers each non-executive Director to be independent and the Chairman confirms that, following formal evaluation (as referred to on page 44), each Director standing for re-election continues to contribute effectively to the Board and to demonstrate commitment to the role (including commitment of time for Board and Board Committee meetings).

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 Audit Plc have notified the Company that they are not seeking re-appointment. It is proposed that KPMG LLP be appointed auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company. Resolution 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 next year's AGM of the Company or 31 March 2015, if sooner.

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

The Directors have no current intention of exercising this authority. The Company held no treasury shares as at 6 December 2013.

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 £42,392, representing approximately 5% of the current issued ordinary share capital, other than to existing shareholders in order to take advantage of opportunities as and when they arise. The Directors have no current intention of exercising this authority and confirm their intention that not more than 7.5% of the issued ordinary share capital will be allotted on a non pre-emptive basis in any rolling three year period, in compliance with the guidelines issued by investors' bodies.

The authority will lapse at the earlier of the next AGM of the Company or 31 March 2015, 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 (less than 10% of the Company's issued ordinary share capital as at the date of this document) 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 6 December 2013, options over a total of 1,302,262 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represents 1.54% of the Company's issued Ordinary Share capital at 6 December 2013. It would represent 1.71% of the issued Ordinary Share capital if the authority to buy the Company's own shares had been used in full that date. The authority will lapse at the earlier of the next AGM of the Company or 31 March 2015, if sooner.

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

This special resolution renews an authority given at last year's AGM and is required as a result of section 307A of the 2006 Act coming into force. The Company is currently able to call general meetings (other than an AGM) on 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 14 clear days' notice. Resolution 18 seeks such approval. If given, the approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Recommendation

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

Financial calendar and advisers

Annual General Meeting	4 February 2014
Ex dividend date	5 February 2014
Record date*	7 February 2014
Payment of final dividend	21 February 2014
Announcement of 2014 half-yearly results	May 2014
Payment of interim dividend	July 2014

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

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Our ref SB/009

Contact Stuart Burdass
0161 246 4053

17 December 2013

Dear Ms Koncarevic,

Statement on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

We write to you in your capacity as company secretary of Victrex plc.

The circumstances connected with our ceasing to hold office are that our company, KPMG Audit Plc, has instigated an orderly wind down of business. KPMG LLP, an intermediate parent, will immediately be accepting appointment as statutory auditor.

We request that any correspondence in relation to this statement be sent to our registered office, 15 Canada Square, London, E14 5GL, marked for the attention of the Audit Regulation Department.

Yours faithfully,

KPMG Audit Plc

KPMG Audit Plc