victrex®

Victrex plc
Annual Report and Accounts 2011

With over 30 years of experience, Victrex is a provider of innovative, high performance thermoplastic polymers.

We work with customers and end users globally to deliver technology driven solutions to the challenges and opportunities they face. Our Victrex Polymer Solutions business unit focuses on our transport, industrial and electronics markets and our Invibio® Biomaterial Solutions business unit focuses on providing specialist solutions for medical device manufacturers.

The headquarters of the Group and business units are based in the United Kingdom along with our manufacturing, research and customer support facilities. We have invested in an integrated supply chain providing flexibility, control over quality and capacity and reassurance to our customers over security of supply. This is complemented by a growing network of sales, distribution and technical centres serving more than 40 countries worldwide.

Learn more about Victrex
at www.victrex.com

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Learn more about Victrex and read our latest news on our Investor Relations site

Highlights

Operational highlights

Record financial **performance**

Growth across all markets

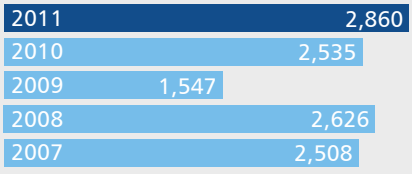
Continued **investment in resources** to drive growth

Further **investment in infrastructure** to support growth

Financial highlights

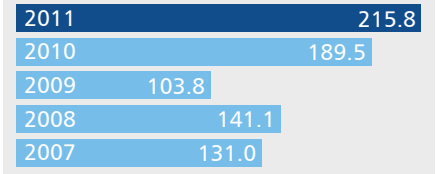
Group sales volume tonnes

2,860 +13%



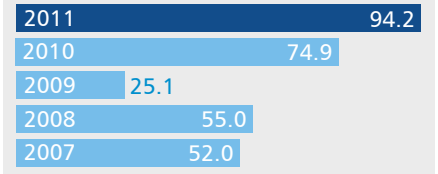
Group revenue £m

215.8 +14%



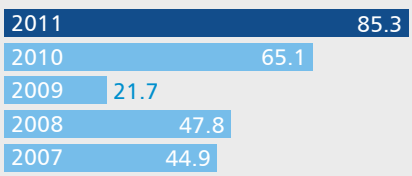
Group profit before tax £m

94.2 +26%



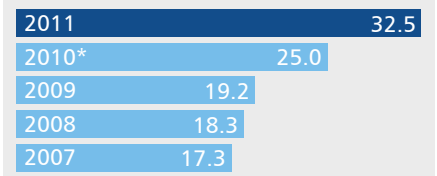
Earnings per share pence

85.3 +31%



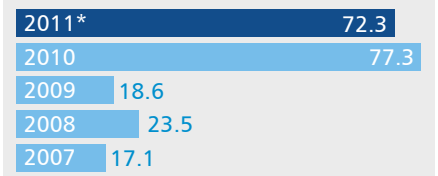
Dividend per share pence

32.5 +30%



Cash £m

72.3 -6%



* A special dividend of 50.0p per ordinary share was also declared in 2010 and paid in 2011 totalling £41.6m.

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Victrex at a Glance

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 meet their most difficult design challenges and leverage the benefits from the unique combination of properties and forms that our range of products provide.

Our markets

Industrial

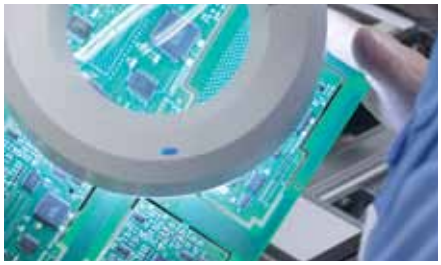
Engineers are continuing to turn to VICTREX® PEEK™ polymer as the demands for product performance increase across the oil and gas, chemical processing, textile machinery, food processing and alternative energy sectors.

Electronics

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

Transport

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



Product properties

Customers and end users specify VICTREX PEEK to leverage a combination of performance properties:

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

Our brands

victrex. HIGH PERFORMANCE POLYMERS

aptiv. VICTREX® PEEK™ FILM TECHNOLOGY

VICOTE® VICTREX® PEEK™ COATING TECHNOLOGY

victrex pipes™ HIGH PERFORMANCE PEEK™ TECHNOLOGY

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Invibio Biomaterial Solutions

Invibio Biomaterial Solutions ('Invibio') is an established and proven worldwide leader in providing biomaterial solutions for the surgical and medical device markets. With over a decade of experience, Invibio is committed to facilitating PEEK based device solutions in spine and developing medical markets. Our goal for both these areas is to deliver extensive, dependable resources to medical device manufacturers to ultimately improve clinical outcomes consistent with global healthcare economics.

Our markets

Spine

Fusion

PEEK-OPTIMA® remains the surgeons' material of choice for spinal fusion procedures. Our materials are driving innovation in existing fusion devices, leading to faster patient recovery and subsequently reduced healthcare costs.

Non-Fusion

Interspinous devices are an effective non-fusion method of creating space to relieve pressure on the spine. PEEK-OPTIMA currently replaces many traditional titanium devices, due to the compatibility of the material with bone.

Developing Markets

Arthroscopy

Firmly established in shoulder repair, PEEK-OPTIMA is now utilised in other commercialised arthroscopy devices such as knee meniscal repair and interference screws due to a track record of strengthening repairs and reducing surgery times.

Target Markets – Trauma

With an improved fatigue life and stiffness closer to cortical bone offering the potential for accelerated healing, ENDOLIGN® is increasingly replacing metal in implants for the treatment of long bone fractures.

NuVasive® CoRoent® XL

Used with permission by NuVasive

BacJac® Interspinous Decompression System

Not approved for sale in the US

BIOSURE SYNC Tibial Fixation Device

Cover photo courtesy of Smith & Nephew, Inc

Piccolo Composite™ Distal Volar Radius Plate

Used with permission by Carbofix Orthopaedics Ltd

Product properties

- More favourable to surrounding bone, especially in elderly patients
- Allows surgeon to monitor bone healing

- Fewer complications such as subsidence (reduction in disc height)
- Excellent wear characteristics for motion preservation
- Increased flexibility in design and manufacturing

- Bone-like modulus
- Easier to revise
- Fewer complications compared with resorbable suture anchors
- Imaging qualities

- Extended fatigue life in case of delayed healing
- Improved imaging to monitor fracture healing
- Stiffness closer to cortical bone

Our brands

PEEK-OPTIMA® MOTIS® ENDOLIGN® PEEK-CLASSIX®

Chairman's Statement

Anita Frew
Chairman

Summary of Chairman's Statement

- I am delighted to report another year of strong organic growth at Victrex with record Group revenue and profits.
- Basic earnings per share up 31% to 85.3p (2010: 65.1p).
- Full year dividend increased by 30% to 32.5p per share (2010: 25.0p).
- The Group is in an excellent financial position with a healthy balance sheet and strong cash generation.
- The Board sets itself the highest standards of corporate governance.
- I would like to thank our employees for their outstanding contribution to the record results this year.

For more information about our financial results please go to **page 6**

I am delighted to report another year of strong organic growth at Victrex with record Group revenue and profits and a 30% increase in the annual dividend.

Results

Group profit before tax increased by 26% to a record of £94.2m on strong organic revenue growth of 14% to £215.8m. Basic earnings per share increased by 31% to 85.3p benefiting from a reduction in the effective tax rate.

Both of our business units reported record profits for the year. Victrex Polymer Solutions contributed £66.8m of operating profit (2010: £48.3m) with growth across all markets and Invibio Biomaterial Solutions contributed £30.3m of operating profit (2010: £28.1m).

Dividends

In recognition of the Group's record performance, our strong cash position and our continued confidence in the strength and potential of our business, we are recommending an increase of 30% in the full year dividend in line with earnings growth. This results in a final dividend of 24.5p (2010: 18.6p) per ordinary share making a total of 32.5p (2010: 25.0p) per ordinary share for the year.

Board composition and diversity

I am delighted to welcome Steve Barrow and Pamela Kirby to the Board.

Steve joined the Board in October 2011 as Finance Director. He has been a key member of the Group Senior Management team for many years, most recently in the development and success of Victrex Polymer Solutions.

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Pamela joined the Board as a non-executive Director in February 2011. Pamela's extensive background within the international medical industry will contribute significantly to our Board and the future development of the Group.

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, industrial, marketing, corporate, strategic planning, medical and financial expertise. This diversity of thought and experience contributes significantly to the value, quality and depth of Board deliberations and decisions.

In addition, the Board welcomed the publication in February of the Davies Review on Women on Boards. Our current female representation on the Board is close to 30% and is therefore ahead of the minimum 25% representation level by 2015 recommended by the Davies Review.

Governance

The Board sets itself the highest standards of corporate governance and leads a strong governance framework throughout the business, supported by the Audit, Currency, Nominations, Remuneration and Risk Committees.

We complied with all aspects of the UK Corporate Governance Code throughout the year ended 30 September 2011. In addition to our normal governance processes, this year we placed particular emphasis on the management of risk in relation to strategy and remuneration as well as the introduction of the Bribery Act and implications for our ethics and compliance procedures.

Board effectiveness

During the year, an external evaluation of performance of the Board and its Committees was undertaken. This review concluded that the Board and its Committees remain effective in fulfilling their responsibilities appropriately and that each Director continues to demonstrate a valuable contribution. Actions agreed as a result of the Board evaluation include further development of the Group's strategic planning and talent processes.

We are a very engaged Board and, in addition to the formal meetings and briefings by operational management, we have an active programme of visits to operational sites, overseas Group offices, global trade shows and key customers. During the year, all Board members visited our three manufacturing sites and various Board members visited overseas offices in Shanghai and Philadelphia, medical trade shows in the USA and Europe and a number of key global customers of each business unit.

People

I would like to thank our employees for their outstanding contribution to the record results this year. The passion, dedication and talent of our employees remain a key asset to our business and its success.

Outlook

Demand across most of our end user markets continues to be stable. We have seen some softening in parts of our VPS business, particularly in Europe, as customers are cautiously managing inventories ahead of the calendar year end. In our Invibio business we continue to see good growth.

We remain vigilant of the economic uncertainty, particularly in the Eurozone, and the impact this could have on our customers and end users. Whilst it is early in the financial year, assuming demand in our end markets remains resilient we anticipate full year earnings being on track with current market expectations for 2012.

The Group is in an excellent financial position with a healthy balance sheet and strong cash generation. This gives us a strong platform to invest further in our technical leadership, the development of new growth opportunities and to ensure continued security of supply for our customers.

Anita Frew
Chairman
5 December 2011

Business Overview

David Hummel, Chief Executive

Steve Barrow, Finance Director

Our Group strategy

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

- Focusing, through the Victrex Polymer Solutions ('VPS') and Invibio Biomaterial Solutions ('Invibio') business unit strategies, on maintaining the Group's leadership in developing and growing the market for polyketone based products.
- Maintaining the highest appropriate quality, efficiency, safety, health and environmental standards throughout the supply chain.
- Providing a fulfilling and appropriately challenging environment for our employees.
- Seeking out and implementing, where appropriate, added value business opportunities.

For more information about VPS and Invibio strategies please go to **pages 15 and 17**

Group financial results

Group revenue for the year was up 14% to a record of £215.8m (2010: £189.5m) reflecting a strong performance from both of our business units. Sales volume increased by 13% to 2,860 tonnes (2010: 2,535 tonnes) and Invibio revenue increased by 12% to £49.7m (2010: £44.2m).

Gross profit increased by 21% to £146.4m (2010: £120.6m), representing a gross margin of 67.8% of turnover (2010: 63.6%). This increase of 4.2 percentage points is largely due to the full year effect of lower fixed costs per tonne as production volumes have increased to meet growing demand. Sales during the first half of 2010 were largely made from inventory produced during 2009 when significantly lower volumes led to higher fixed costs per tonne.

Gross margin in the second half of 2011 of 66.9% was marginally down on the first half of 68.8% reflecting further investment in resources to underpin security of supply for our customers as well as increased raw material input costs.

Sales, marketing and administrative expenses increased by 15% to £52.6m (2010: £45.7m) largely as a result of continued investment in resources and infrastructure to drive and support growth across both business units. Research and development expenditure amounted to £10.5m (2010: £9.5m).

Resulting Group profit before tax was a record of £94.2m, up 26% on 2010 (£74.9m).

Basic earnings per share were up 31% at 85.3p (2010: 65.1p) which also reflects an improvement in the effective tax rate to 24.5% (2010: 28.0%). This is due to a further reduction in the UK corporation tax rate from 28% to 26% with effect

from 1 April 2011, together with a UK tax refund following agreement of a number of prior year computations with HM Revenue & Customs. Without the benefit of the tax refund the underlying effective tax rate was 26.4% and the increase in underlying basic earnings per share was 28%.

Cash flow

Cash from operations remained in line with the prior year at £91.2m (2010: £90.9m) with the increased contribution from operating profit being offset by an increase in working capital. Higher working capital is predominantly due to a strategic investment in raw material and finished product inventory to underpin security of supply and also reflects the higher unit cost associated with the investment in resources and increased raw material prices absorbed in production costs in 2011 as noted above.

Capital expenditure cash payments increased to £9.0m (2010: £4.5m), mainly as a result of investment in Invibio's component production facility, investment in land for future expansion and enhanced technical facilities at our UK site and a software upgrade to the PEEK production plants' control systems.

Taxation paid was £25.7m (2010: £13.7m) reflecting the improvement in trading.

Dividends paid during the year increased to £63.8m (2010: £16.9m) largely as a result of the special dividend of 50.0p per share paid in February 2011 which amounted to £41.6m.

The resulting Group cash balance as at 30 September 2011 was £72.3m with no debt (2010: £77.3m and no debt). The Group has a committed bank facility of £40m, all of which was undrawn as at 30 September 2011. This facility expires in September 2012 and funding options will be considered during the course of the year in the light of medium-term investment requirements.

Proposed dividend

The business remains cash generative, has a strong balance sheet and we remain confident in the growth potential for our business. We are therefore recommending an increase of 30% in the full year dividend, in line with earnings growth. This results in a final dividend of 24.5p (2010: 18.6p) per ordinary share making a total of 32.5p (2010: 25.0p) per ordinary share. Dividend cover is 2.6 times (2010: 2.6 times).

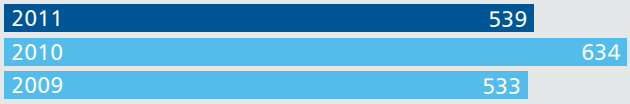
Key performance indicators

Financial performance

Five year compound annual growth rate in basic EPS.

Analysis:
Our corporate strategic intent is to achieve sustainable earnings growth for our shareholders.

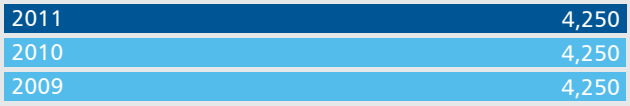
New application development



The number of commercialised applications developed in the year.

Analysis:
The ability of the Group to deliver sustainable growth is dependent on its ability to develop technological innovations.

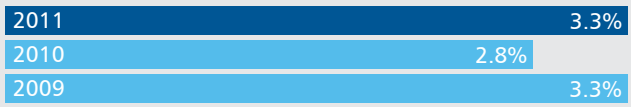
Supply chain



Annual PEEK production capacity of supply chain assets in tonnes.

Analysis:
Maintaining capacity in excess of demand, and a consistent supply of high quality products, is critical to our customers' businesses.

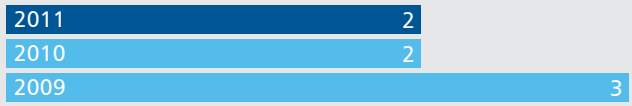
Staff turnover



The number of employees who voluntarily left the business in the year.

Analysis:
The Board recognises our talented and diverse workforce as a key business asset. Measuring staff turnover enables us to assess our ability in retaining our workforce which will help in driving business growth and performance.

Health and safety reportable injuries



The number of reportable injuries in the year.

Analysis:
We believe that all employees should be able to work safely in a healthy workplace and our activities should not harm the public or environment. We carefully monitor and assess potential health and safety hazards and implement control measures as appropriate.

Notifiable environmental events

The number of notifiable environmental events in the year.

Analysis:
Managing our environmental impact is critical to full compliance with the Environmental Permitting legislation as well as our drive to continually reduce energy use, water consumption and quantities of hazardous waste produced.

As in previous years none of these events caused any environmental harm. There have been no prosecutions, fines or enforcement actions as a result.

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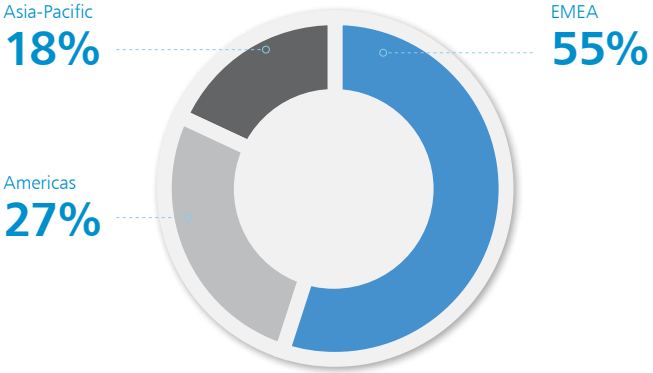
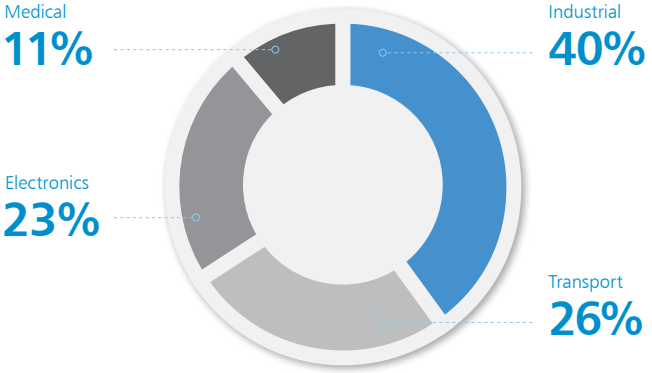
Business Overview continued

Volume by region



Volume by industry



Victrex Polymer Solutions ('VPS')

	2011 £m	2010 £m	Growth %
Revenue	**166.1**	145.3	14%
Gross profit	**102.5**	80.9	27%
Operating profit	**66.8**	48.3	38%

Trading

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

Revenue for the year was £166.1m (2010: £145.3m) representing an increase of 14% over 2010. All of our major markets have seen growth during the year and we have had continued success in closing new business.

Gross margin improved to 61.7% for the year (2010: 55.7%) largely reflecting the full year effect of increasing production volumes on the fixed cost per tonne as reported above. Further investment in production and engineering resources has been necessary to ensure security of supply for our customers. This investment together with increases in raw material input costs are reflected in the second half margin of 60.6% (H1: 62.8%).

Sales, marketing and administrative expenses increased by 10% to £35.7m (2010: £32.6m). The increase predominantly reflects continued investment in commercial and technical resources targeted at new application development, improved customer support, new product development and strengthened end user focus.

Resulting operating profit was a record at £66.8m (2010: £48.3m) reflecting an increase of 38% over the prior year.

Major markets

All of our major markets, geographical and industrial, have seen growth during the year with 2011 sales volume setting a new record. Growing end user demand for our products has led to higher manufacturing rates, both at our customers and throughout the supply chain.

Industrial sales volume at 1,144 tonnes was 11% up on 2010 reflecting increased sales into the European industrial machinery sector as business confidence returned and companies started to invest in capital equipment again. The oil and gas industry also showed strong growth with high oil prices and increased demand continuing to drive production and exploration activity.

Transport sales volume was up 10% on 2010 at 741 tonnes driven by the European automotive sector benefiting from increased worldwide demand for luxury cars and further new applications closed in the year. Aerospace volume remained in line with 2010 reflecting the delays in commercial production of the Boeing 787, the platform on which many new applications have been qualified.

Electronics sales volume at 646 tonnes, showed an increase of 16% over 2010 mainly as a result of renewed investment in semiconductor fabrication facilities in both the USA and Asia. Volume in the consumer electronics sector also grew as we continued to develop new and innovative applications for our products, particularly in Asia and Japan.

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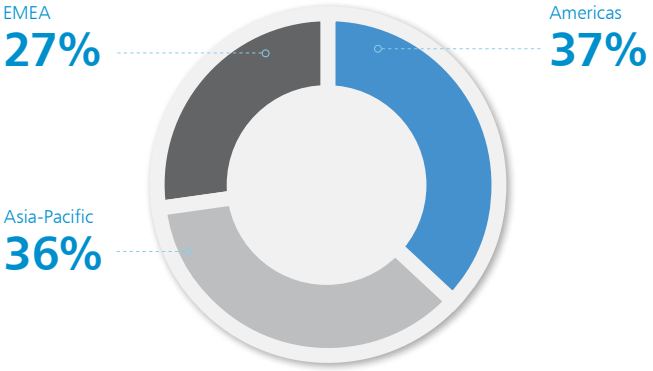
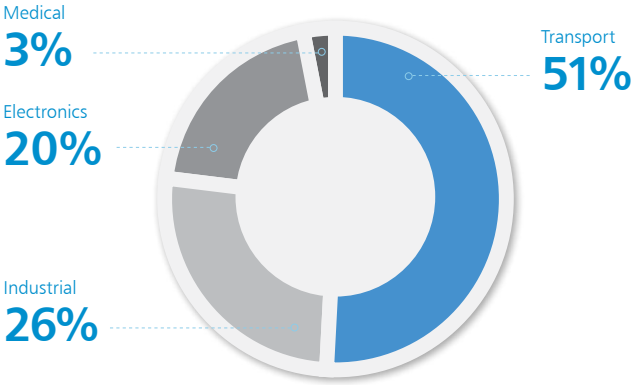
Development pipeline by region



Development pipeline by industry



Product and market development

We commercialised 539 new VICTREX PEEK polymer applications with an estimated mature annualised volume ('MAV') of 309 tonnes compared with 634 commercialised applications with an MAV of 308 tonnes in 2010.

The development pipeline has also strengthened as new opportunities have been generated across all our markets and at the year end contained 3,416 potential developments (2010: 3,267) with an estimated MAV of 2,328 tonnes (2010: 2,271 tonnes) if all of the developments were successfully commercialised.

We continue to see growth opportunities across all our major geographies and industries through further penetration and broader acceptance of existing applications and technologies.

Trends and innovation in our markets continues to broaden the range of opportunities for our products to help our customers and end users overcome their challenges and gain competitive advantage. We have invested in additional resources during the year focused on customers, end users and markets where we see opportunities today, as well as further resources to better understand where future opportunities may emerge.

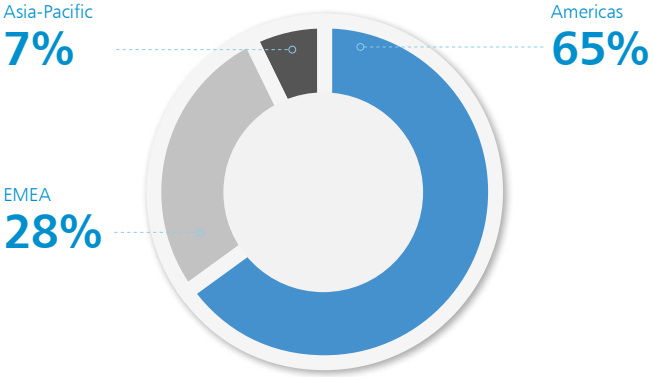
New product development continues to be a key element of our strategy where existing products cannot meet the needs of our customers and end users. Typically we look to develop our product range by enhancing one or more existing properties to meet specific application requirements. A recent example is the launch of a range of products that provide enhanced ductility.

During the year we also launched VICTREX Pipes™ responding to growing market demand for superior pipe performance in harsh and demanding environments. The launch follows intensive research, process development, initial market assessment and customer liaison to validate the market opportunity. A number of opportunities are being actively developed with a focus initially on the aerospace and oil and gas markets.

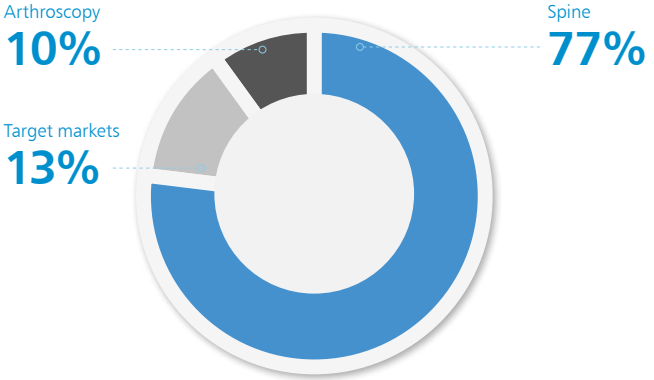
Technical leadership is critical to maximising our customer offering and accelerating business development. During the year we have invested in a new Victrex Japan Technical Center in Tokyo to provide enhanced speed of response, local language support and a deeper understanding of the needs of local markets and customers. In addition, we have begun an expansion of our core and applied technology facilities at our UK Hillhouse site to further enhance our ability to support our customers' needs globally and develop new products and processes. We anticipate opening this new technology centre in summer 2012.

Business Overview continued

Invibio revenue by region



Invibio revenue by industry



Invibio Biomaterial Solutions ('Invibio')

	2011 £m	2010 £m	Growth %
Revenue	**49.7**	44.2	12%
Gross profit	**43.9**	39.7	11%
Operating profit	**30.3**	28.1	8%

Trading

Invibio generated record revenue of £49.7m, an increase of 12% (2010: £44.2m). Gross margins have remained strong and broadly stable at 88.4% (2010: 89.7%).

Sales, marketing and administrative expenses increased by £2.0m to £13.6m, primarily due to targeted investment in resources to drive and support growth.

Resulting operating profit increased by 8% to £30.3m (2010: £28.1m).

The growth in 2011 was primarily driven by continued growth and innovation within the spine market where our position remains strong. Other developing markets such as cranial-maxillo facial ('CMF'), cardiovascular and trauma have also contributed significantly to our success during the year. Growth has been achieved despite challenging conditions in the US medical device market where a combination of pricing pressure, procedural coverage and regulatory challenge all contributed to significantly reduced market growth.

Major markets

Invibio continues to focus on maintaining and growing our success in spine and arthroscopy applications whilst accelerating the adoption of our biomaterials in developing areas such as trauma, dental and orthopaedics.

During 2011, our ENDOLIGN composite biomaterial achieved US and European regulatory approvals in multiple trauma applications. We also secured substantial grant funding with a key industry partner to further establish and demonstrate the clinical benefits of ENDOLIGN in trauma applications.

Looking forward, our understanding of the dental market continues to evolve and we are currently exploring potential opportunities in crowns and bridges, implants and dentures. We are also identifying future orthopaedic devices which we believe offer superior performance and are better aligned with current and future healthcare economics.

Since its introduction over ten years ago Invibio has entered into 405 long-term supply assurance agreements and over 3 million devices containing Invibio's PEEK-OPTIMA® polymer have been implanted in patients.

Product and market development

Invibio continues to work closely with medical device manufacturers, surgeons and clinicians to drive awareness of our biomaterials and their benefits in new application areas.

During the year we entered into 55 additional long-term supply assurance agreements with implantable medical device manufacturers. These agreements were with manufacturers based in the United States (16), Europe (24) and increasingly in emerging geographies (15).

We have further strengthened our regulatory expertise on a global basis to support our customers to expand geographically, resulting in the increased use of our biomaterials in emerging geographies, including Asia-Pacific.

We continue to grow our scientific network through close partnerships with world class research groups and key opinion leaders to increase the pace and probability of successful innovation with our biomaterials.

We have recruited application specific leaders and regulatory expertise from the medical device industry in the areas of spine, trauma and orthopaedics to improve collaborations with our customers and to better understand surgeons' needs.

Invibio has invested in a Custom Solutions facility to assist our customers with component process development, material evaluation and processing guidance as well as additional technical laboratories and facilities.

Risks, trends, factors and uncertainties

Victrex's business and share price may be affected by a number of risks, trends, factors and uncertainties, not all of which are in our control. The process Victrex has in place for identifying, assessing and managing risks through the Risk Management Committee is set out in the Corporate Governance Report on page 31.

Sections of this Annual Report contain forward-looking statements, including statements relating to: future demand and markets for the Group's products and services; research and development relating to new products and services and liquidity and capital resources. These forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future.

The specific principal risks, trends, factors and uncertainties (which could impact the Group's revenues, profits and reputation) and relevant mitigating factors, as currently identified by Victrex's risk management process, are described on pages 12 and 13. However, other risks may also adversely affect the Group.

Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors, including: changes in interest and exchange rates; changes in global, political, economic, business, competitive and market forces; changes in raw material pricing and availability; changes to legislation and tax rates; future business combinations or disposals; relations with customers and customer credit risk; events affecting international security, including global health issues and terrorism; changes in regulatory environment and the outcome of litigation. Further information on financial risk management is set out in note 15.

Relationships with customers and suppliers

We have essential relationships with our customers, suppliers, employees, shareholders and the environment. All our relationships are managed in accordance with the Group's global ethics policies described on pages 20 and 21.

Relationships with our customers and suppliers are described in further detail below:

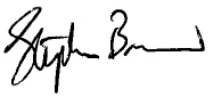
Customers

Our customers are a combination of polymer processors and end users located worldwide. We have long-term supply assurance agreements in place with all of the implantable medical device manufacturers that comprise Invibio's PEEK-OPTIMA polymer customers. These agreements guarantee the specification of, and production methods for, the biomaterial over the term of the agreements. We also have supply agreements in place with the majority of our major processing customers and supply to other customers on an order by order basis in accordance with the Group's applicable terms and conditions of sale. The loss of a major processing customer or a worsening of commercial terms could have a material impact on the Group's results, accordingly we devote significant resources to supporting our customer global ethics policies, including maintaining regular contact with major customers and undertaking surveys of customer satisfaction, with a global customer survey being carried out by both VPS and Invibio business units in 2010.

Suppliers

Victrex is self sufficient in the manufacture of BDF (the key raw material from which VICTREX PEEK is produced). The provision of other key raw materials and services remain essential to the operation of our various manufacturing facilities and we seek to maintain appropriate contracts, where available, with suppliers for the supply of key raw materials. In addition to the steps taken to manage the risk of operational disruption caused by a shortage of key raw materials as described on page 13, we devote significant resources to maintaining our supplier relationships to ensure they continue to operate satisfactorily, including regular audits of, and performance reviews with, key suppliers.

David Hummel
Chief Executive
5 December 2011



Steve Barrow
Finance Director

Business Overview continued

Risks

External market factors

Risk area	Risk description	Mitigation
Economic environment	The global economic environment and the levels of activity in the markets and territories in which the Group operates could adversely affect the Group's revenues, profitability and cash flow.	The diverse nature of the Group's markets, customers and the territories in which each business unit operates, together with appropriate contingency planning, help to mitigate the impact of a global economic downturn.
Currency exposure	The Group operates in several non-UK countries and currently exports 98% of sales from the UK. Primarily these sales are denominated in US Dollar, Euro and Yen. Fluctuations in exchange rates between Sterling and these 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 31 and in note 15.
Competitor activity	The Group operates in competitive markets, both in terms of competitors offering directly comparable and alternative materials. The ability of the Group to compete is dependent on its ability to develop technological innovations and deliver high quality products. Demand for our products could be impacted if we fail to compete successfully as new technologies and materials are developed, causing loss of market share and margin erosion.	We continue to work closely with our customers as described on pages 11 and 20 and seek to always have the highest quality products available to meet our promised delivery schedules globally. We invest in resources to ensure that we remain at the leading edge of polyketone technology and seek to continuously improve the quality and the performance of our products. Through our technology centres in the UK, China and Japan we provide prompt technical support and advice so as to provide high quality applications solutions for our customers.
Technological change	The Group's two business units are dependent on manufacturing and selling high quality products into advanced applications. Demand for these applications and consequently our products could be impacted as new technologies and materials are developed.	To maintain and advance our technology skills and knowledge we invest in resources and employ polymer and applications specialists at our technology centres in the UK, China and Japan, who are complemented by office and field based commercial and technical specialists globally who work closely with our customers and end users covering the major market segments for each business unit. This enables us to develop new products and new applications for our products so that we maintain our position as the leading polymer solutions provider to designers and engineers at our customers and end users.

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Business specific factors

Risk area	Risk description	Mitigation
Operational disruption	The Group's business is dependent on the ongoing operation of our various manufacturing facilities. A significant operational disruption could adversely affect our ability to make and supply products.	We have implemented policies and procedures to efficiently and safely manage all our operations and to maintain our supply of products to our customers. In particular, we employ a dedicated and empowered Safety, Health and Environment ('SHE') department to assist line management and to provide expert guidance. Further information on SHE matters is set out in the Corporate Responsibility section on page 18. Additionally we continue to work closely with our suppliers as described on pages 11 and 20 to ensure that we maintain significant stocks of raw materials and finished goods which should enable us to maintain supplies to our customers during any short-term disruption. Furthermore our two polymer manufacturing plants are able to operate independently, thereby reducing the impact of any operational disruption on our ability to continue manufacturing products.
Product specifications	The Group's products are used in highly demanding end use applications. Any failure to supply products in accordance with their specifications could lead to loss of business and, potentially, a product liability claim.	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. The quality management process is a process of continuous improvement which is overseen by a Quality Steering Committee which meets quarterly and comprises senior management from the quality assurance, SHE, operations, technology and commercial teams. Additionally the Group maintains appropriate levels of product liability insurance.
Insufficient capacity	Our customers' businesses depend on maintaining a consistent supply of high quality products. Any unexpected upsurge in demand could lead to insufficient capacity to fulfil customers' needs. Additionally, any delays in the implementation of major capital expenditure programmes could create a capacity shortage, leading to customers seeking alternative products.	Our stocks of finished goods and raw materials which are held in a number of locations worldwide enable us to supply any short-term surge in demand from our customers. Furthermore, it is our policy to keep capacity well ahead of demand by investing in all aspects of our supply chain so that our customers can be confident that we can meet their current and future requirements. During the year we appointed a VPS Strategic Infrastructure Director to further develop and oversee the Group's capacity planning programme.

Business Review

Victrex Polymer Solutions

Tim Cooper
Managing Director

Tim was appointed to the position of Managing Director of the Victrex Polymer Solutions ('VPS') business unit in January 2010. He joined VPS from Umeco Plc where he was Group Managing Director for their Composites Process Materials businesses. Tim has previously worked for GEC, BP and Land Rover.

Spotlight

In response to growing market demand for superior performing pipes in harsh and demanding environments, VPS has launched its VICTREX Pipes product family.

The launch of VICTREX Pipes is the culmination of six years of intensive research, development, market assessment and customer liaison and represents the latest in a long line of material and technical innovation from Victrex.

The new product line of extruded pipes and tubing made from VICTREX PEEK polymer makes full use of the material's performance capabilities, including the ability to withstand extreme temperatures and corrosive conditions and reduce weight.

For more information please go to **www.victrex.com**

Our business

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

The trends from customers and end users toward higher performance, more efficient and more cost effective products are driving innovation in product design and the materials of construction. Our high performance products with their unique combination of properties and physical forms help achieve these objectives such as weight reduction, enhanced energy efficiency, miniaturisation without loss of performance, increased application lifetime, enhanced performance in challenging conditions and operating environments, compliance with environmental and safety standards and lower overall system costs.

Customers and end users are supported by our dedicated market development, sales and technical teams located across all of our major regional markets and by our regional offices in Germany, USA, Japan and China.

Technical leadership underpins the value we bring to customers and end users and is critical for our future growth. We have recently invested in a new Victrex Japan Technical Center in Tokyo to strengthen our local customer support capability and are in the process of investing to expand our core and applied technical capability at our UK Hillhouse site. These investments complement our existing capability in the UK and China together with a team of highly knowledgeable professionals, who provide continual assistance and support in process troubleshooting, moulds validation and prototyping, on-site customer trials and technical seminars. Our team includes organic and polymer chemists, physicists and material scientists, as well as process, mechanical and design engineers.

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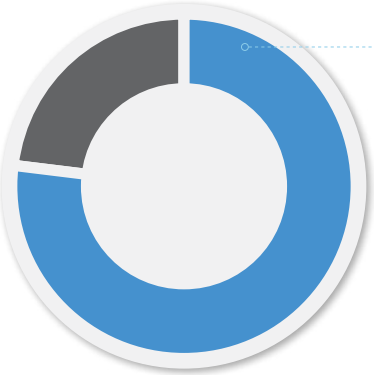
Percentage of Group revenue



Strategy

VPS's strategy is to:

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

Our manufacturing expertise resides in the UK where we operate three manufacturing sites. We are the only vertically integrated aromatic polyketone supplier in the world. This affords us control over key raw materials and the ability to offer security of supply and product quality for our customers.

Continued commitment to Quality, Focus and Innovation

Quality

Our products are often used in critical applications and require processing to tight tolerances. We recognise that product quality and consistency is of significant value to our customers and therefore operate to high standards of quality control and assurance. We are also committed to providing high quality customer service at every interaction we have with our customers and end users to ensure VPS remain the supplier of choice.

Focus

Our commercial and technical focus on polyketones enables us to maximise the range of services we offer to our customers and end users aimed at optimising their processing techniques and overcoming their design challenges to provide competitive advantage. Increasingly we are focusing resources to specific industries and markets to ensure we understand the trends which are driving innovation and where our products provide solutions with a sustainable value proposition.

Innovation

Innovation by our customers, end users and research institutions will continue to drive growth in our markets. We strive to understand their current and future needs so that we can commit resources to providing support and innovative solutions through activities such as data generation, processing advice and support, product development and downstream investment.

Key markets

Industrial

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

Transport

This industry is demanding solutions that provide weight reduction, energy efficiency, improved safety performance, increased part performance and lower manufacturing cost. Our products offer a unique combination of performance properties, the ability to withstand extreme temperature conditions and harsh environments as well as processing advantages and are increasingly displacing metals, traditional composites and other plastics in automotive, aerospace and mass transit applications.

Electronics

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

Business Review

Invibio Biomaterial Solutions

Michael Callahan
Managing Director

Michael joined Victrex plc in 1998 and has led Invibio since its launch in 2001. He continues to drive Invibio's strategy for growth through increasing our value to the medical device market. Michael was formerly with DSM Engineering Plastic Products and General Electric.

Spotlight

LDR ROI-C® Cervical Cage

Stand Alone Cervical Interbody Fusion
Studies suggest that cervical fusion rates are higher if the cervical interbody device is supplemented with a plate. However the use of a plate may be associated with an increase in operating time, higher post-operative morbidity and increased difficulties in swallowing.

These considerations have led to the introduction of stand alone devices with integrated fixation features. These devices are implanted within the confines of the vertebral body and therefore do not lead to soft tissue irritation but provide similar rigidity to cage and plate systems.

These stand alone cervical interbody devices cannot be manufactured from bone and therefore these innovations are increasing the PEEK-OPTIMA share of the cervical fusion market.

For more information please go to **www.invibio.com**

Our business

Invibio was formed in 2001 to address the unmet needs of the long-term implantable device market.

Invibio's biomaterials are specified in a range of medical device applications and our flagship PEEK-OPTIMA brand demonstrates the essential attributes required for long-term implantable medical devices. This includes biocompatibility, consistent properties following sterilisation and the ability to manufacture devices from a range of techniques. In addition, MOTIS® and ENDOLIGN materials have been introduced to enhance wear and strength requirements in new application fields.

These essential attributes have been consistently demonstrated over a 10 year clinical history with over 3 million PEEK-OPTIMA devices being implanted during this time.

Invibio's aim is to maintain and grow the success we have had in spine and arthroscopy applications, accelerate the adoption in developing areas such as trauma and dental applications and determine the long-term clinical advantages in future market areas such as orthopaedics.

Continued commitment to Quality, Focus and Innovation

Quality

Our priority is the delivery of safe, consistent and high quality biomaterials and components and our business continues to invest in these areas to meet our customers' fundamental needs. Invibio's commitment to continuous improvement in areas of quality, control and risk management has once again been acknowledged by customers, regulators and auditors across the globe.

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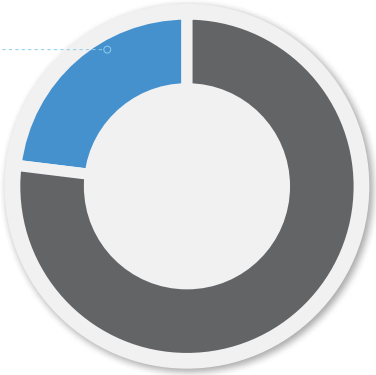
Percentage of Group revenue

Invibio
23%



Strategy

Invibio's strategy is to:

> Maintain and expand our global leadership in the medical device market through the exceptional provision of:

- High performance biomaterials and capabilities.
- Advanced technical research and services.
- Proven market expertise across a wide range of device applications.
- Enhanced biomaterial solutions offering.

Focus

Invibio is focused on growing the geographical access and accelerating the global adoption of PEEK based medical devices. In recent years we have invested in understanding and generating the data that regulatory agencies around the world require to approve new products. As our customers place increasing importance on these markets, Invibio is uniquely positioned to help them meet their objectives of delivering clinical and economic value to these regions.

Innovation

Invibio has invested in both facilities and talent aimed at improving our success in innovations in biomaterials and device applications. In the last year we have recruited specialist skill sets in spine and orthopaedics to improve the collaborations with our customers and to better understand surgeons' needs. Our Custom Solutions services are assisting device companies with component process development, material evaluation and processing guidance, saving valuable time and resources. We also continued to grow our scientific network through close partnerships with world class research groups and key opinion leaders.

Key markets

PEEK-OPTIMA continues to be the surgeons' material of choice in interbody spine fusion procedures. Our growth in this area has continued as companies introduce new devices to complement spinal surgery approached from the side of the patient rather than from the front or back. This approach is aimed at reducing post-operative pain and hospital stays following an operation, resulting in a quicker return to normal activities and reducing overall healthcare costs.

The minimally invasive approach to spine surgery has also been achieved by the introduction of expandable PEEK-OPTIMA cages. This provides surgeons with an implant which optimises cage placement, height selection, segmental stability and bone grafting during the procedure.

New product introductions within the arthroscopy market have also been a feature of PEEK-OPTIMA growth where companies continue to innovate with our materials. Our share of this market continues to expand due to imaging limitations with titanium and literature data concerning the level of revisions with resorbable materials.

The introduction of ENDOLIGN based devices has been a highlight in the trauma market where intramedullary nail and fracture plate products have been introduced to cover the four main long bone fractures. These products have regulatory approval in the US and Europe offering the potential for fast market access. Invibio is focused on developing this area further and has recently completed studies showing the vastly improved fatigue life possible compared with metal devices.

In addition to growing our application penetration we have had multiple successes in working with customers to gain device approvals in markets such as Japan and China and we continue to invest in data generation and regulatory authority education to facilitate growth in these markets.

Invibio continues to see opportunities to grow the use of our materials in our existing markets and to establish new applications and geographies for our materials and components based on the clinical benefits they provide.

Corporate Responsibility

Corporate responsibility in brief

- The Board considers that the management of safety, health, environmental, social and ethical matters forms a key element of effective corporate governance which in turn supports the long-term performance and sustainability of the business.
- The Board believes that all employees should be able to work safely in a healthy workplace and that the Group's activities should not harm the public or the environment.
- The Board recognises our talented and diverse workforce as a key business asset.
- 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.
- 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 have a formal global ethics policy which incorporates the Group's key principles and standards governing business conduct towards our key stakeholder groups. We believe that we should treat all of these groups with honesty and integrity.
- During the year there have been no prosecutions, fines or enforcement action as a result of non-compliance with safety, health or environmental legislation.
- We are constantly striving to improve efficiency in all areas of our operations, including energy use (and therefore CO_2 emissions), water consumption and quantities of hazardous waste produced.

The Board considers that the management of safety, health, environmental ('SHE'), social and ethical matters forms a key element of effective corporate governance which in turn supports the long-term performance and sustainability of the business. The Board has ultimate responsibility for SHE policy and performance and receives a report on SHE issues on a monthly basis. The Chief Executive has Board level responsibility for overseeing these areas, which are managed in conjunction with all other business risks and are covered by the internal control systems and procedures outlined on pages 27 and 28. Senior executives are responsible for ensuring that the SHE policy is implemented in their departments. A dedicated SHE department provides support to achieve this.

A review of the Group's policies relating to SHE, employees and business ethics is set out below.

Safety, health and environment

The Board believes that all employees should be able to work safely in a healthy workplace and that the Group's activities should not harm the public or the environment. Everyone in the Group is expected to place the highest priority on achieving these aims. Good SHE performance goes hand in hand with good business performance.

These policy objectives are achieved by:

- identifying SHE hazards;
- assessment of the risks associated with the hazards;
- implementation of appropriate control measures, with external guidance and advice being sought and used where appropriate;
- ensuring that all employees are appropriately and properly trained and understand what they are required to do;
- reviewing and learning from our own and other people's experiences and taking on board new legislation and other requirements; and
- ensuring that all employees contribute to improving SHE performance through regular and effective communication and consultation.

Line management are held responsible for SHE performance in their areas and are held accountable for the SHE performance of those reporting to them. All employees have a responsibility to work safely at all times and to follow procedures designed to protect the environment and the safety and health of all employees.

The Group's excellent health and safety performance has continued with only two reportable injuries during the year (one operator was exposed to process gases and one operator suffered a twisted ankle).

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The Group received the Royal Society for the Prevention of Accidents ('RoSPA') President's Award in 2011 in recognition of sustained occupational health and safety achievement after winning ten consecutive RoSPA Gold Awards.

We seek to stay well ahead of relevant environmental standards. Our manufacturing plants are regulated by Environmental Permitting Regulations and, as such, are subject to close monitoring of environmental emissions. During the year there were four notifiable events: at our Hillhouse plant there was a release of acidic liquors from a tank into a containment sump; and at our Rotherham plant during a decomposition event there was a release of white fume; during prescribed routine air emissions monitoring the amount of fluoride measured exceeded agreed limits; and on another occasion during prescribed routine water emissions monitoring the amount of suspended solids measured exceeded agreed limits. On all occasions no environmental harm was caused.

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

The principal environmental impacts of the Group's UK operations are set out in the adjacent charts. The environmental impact of our overseas operations is not considered material.

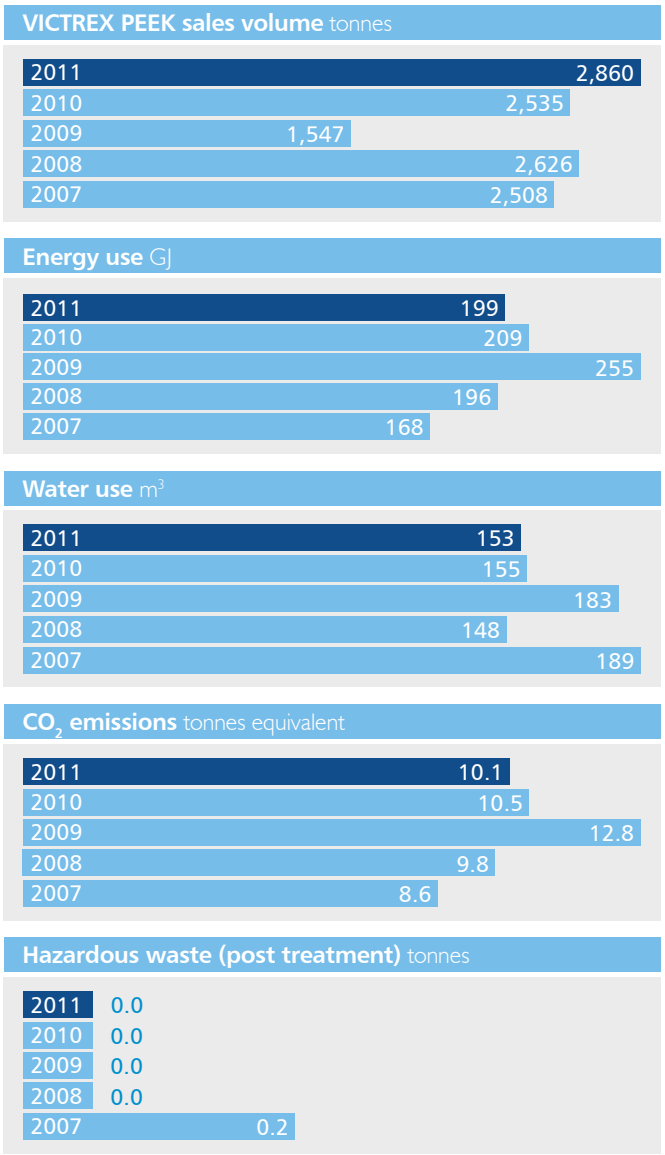
We are constantly striving to improve efficiency in all areas of our operations, including energy use (and therefore CO_2 emissions), water consumption and quantities of hazardous waste produced. This is achieved by implementing many procedures and projects, large and small, across the business.

Energy usage, water usage and CO_2 generation per tonne of product sold reduced in 2011 because of increased production plant operation and associated efficiencies. Increased operation of our downstream processing plants and technical facilities has continued to increase overall energy usage.

Employees

The Board recognises our talented and diverse workforce as a key business asset. The Chief Executive, supported by the Head of Human Resources and the Managing Directors of each business unit, is responsible for overseeing employee matters. Our business success is a reflection of the quality and skill of our people. Victrex is committed to seeking out, retaining and developing the highest calibre employees to maximise business growth and performance. Assessment of ongoing training needs comprises a key element of the annual appraisal process.

Environmental impacts per tonne of VICTREX PEEK sold



Corporate Responsibility continued

Employees continued

We operate an equal opportunities policy and regard this as a commitment to make full use of the talents and resources of all our employees, and to provide a healthy environment which will encourage good and productive working relationships within the organisation.

In Victrex, diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking style, experience and education. We believe that the wide array of perspectives that result from such diversity promotes innovation and business success. As part of this policy, Victrex gives due consideration to employment applications from disabled people consistent with their capabilities and provides every opportunity to employees who become disabled to continue employment with appropriate training and career development.

The Group places considerable emphasis on the involvement of its employees and has continued its practice of keeping them informed on matters relating to the performance of the Group or relating directly to them as employees, either formally through the Staff Committee, or informally via staff presentations, email communication and the Group intranet to which all employees worldwide have access.

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

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

The Company supports employee share ownership and, where practical, offers the opportunity to participate in share schemes. As at 30 September 2011, approximately 85% (2010: 83%) of employees worldwide were participants in employee share schemes, principally as option holders under the Company's employee share option schemes. We also sponsor pension plans for employees throughout the world. These comprise defined benefit or defined contribution arrangements, savings schemes and provident funds designed to provide appropriate retirement benefits based on local laws, custom and market practice. Details of the Group's principal pension schemes are set out in note 16 to the financial statements.

Largely as a result of the above approach, Victrex has low voluntary employee turnover: 3.3% in 2011 (2010: 2.8%).

Business ethics

We have a formal global ethics policy which incorporates the Group's key principles and standards governing business conduct towards our key stakeholder groups. We believe that we should treat all of these groups with honesty and integrity. Our policy is set out below.

Our customers

We recognise that satisfied customers underpin our future commercial prosperity, and that understanding and meeting their needs is key to our success.

We will seek to:

- have our products available to meet our promised delivery schedules and deliver them when they are needed;
- continuously improve the quality and performance of our products and services in line with customer needs;
- provide prompt technical support for the products that customers have purchased;
- provide timely, reliable technical advice to customers on new product applications;
- collaborate with customers to provide innovative solutions to their material requirements; and
- operate to the highest ethical and business conduct standards.

Our suppliers

Our commitment to our customers is underpinned by a strong supply chain.

We will seek to:

- maintain appropriate standards of business conduct in our dealings with our suppliers;
- encourage suppliers to adopt similar principles and standards of business conduct to Victrex's own;
- where appropriate, collaborate with our suppliers to increase the performance, quality and efficiency of the supply chain;
- adhere to the contract terms agreed with suppliers; and
- encourage our suppliers to meet Victrex's own safety, health and environmental standards.

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Our employees

We recognise that, whilst being an asset based business, Victrex relies heavily on the skills, experience and competence of our employees to produce our products safely and efficiently, develop innovative new products and support business development in our existing and new markets.

We will seek to:

- provide a clean, safe working environment which meets all legislative requirements and to provide all the necessary training support for employees to operate safely within it;
- provide appropriate remuneration for work carried out and equal opportunities for development and career advancement;
- be intolerant of any unacceptable working practices such as any form of discrimination, bullying or harassment; and
- prohibit the illegal use of drugs on our sites and encourage anyone with any form of addiction to seek help.

Anti-bribery

Furthermore we are committed to ensuring adherence to the highest legal and ethical standards, in order to ensure full compliance with the latest governance legislation (The Bribery Act 2010), and have adopted a zero-tolerance policy towards bribery by any of our employees or third-party representatives who:

- must never provide or accept something of value to or from an individual, government official, company or organisation that is intended to, or could be perceived as intended to, influence a business decision;
- must only give or accept gifts, hospitality or entertainment which are reasonable and appropriate and have a specific business purpose with the intention of developing or strengthening a business relationship in accordance with the Group's Gifts, Hospitality and Entertainment guidelines;
- must not make political donations of any kind;
- must not make facilitation payments of any kind, except if under duress or faced with potential safety issues or harm, in which case any facilitation payment made should be reported and recorded as soon as practicable;
- must report any suspicions of bribery immediately, either via the relevant line manager or through the Group's whistleblowing process, as appropriate; and
- are assured that if a genuine concern is raised will not be at risk of losing their job or suffering any form of retribution as a result.

Our shareholders

Our shareholders are the ultimate owners of the business and we recognise that we have responsibilities towards them as stewards of their investments.

We will seek to:

- grow our business over time to maximise shareholder value;
- communicate in an open and timely manner regarding the performance, position and prospects of the business; and
- maintain sound systems of corporate governance to ensure that the Company is well directed and managed.

The environment

We recognise that our operations have an impact on the environment and that we have a responsibility to minimise this.

We will seek to:

- work within the regulatory frameworks of the countries in which we operate and apply appropriate standards; and
- minimise the environmental impacts of our operations as far as reasonably practicable.

Victrex's commitment to environmental issues is reflected in the Annual Report which has been printed on environmental paper stocks using vegetable oil based inks by a CarbonNeutral® printer certified by ISO 14001 environmental management system and registered to EMAS the Eco Management Audit Scheme.

Social and community

The Group participates in a range of activities within the local communities where we operate, from charitable giving, offering apprenticeships and supporting science education and awareness in schools, to sponsorship of undergraduates and the advancement of research work at universities.

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

In the UK, a proportion of the charitable donations budget is distributed by the Staff Committee mainly to local charities chosen from nominations made by employees. National or overseas charities are supported where there is strong employee involvement. The Group made charitable donations of £6,312 (2010: £5,008) during the year, of which £1,820 (2010: £2,342) were in the UK.

Board of Directors

Anita Frew
(54) BA MPhil
Chairman*

Appointed in 2000 and became Chairman in 2008. Currently Senior Independent Director of Aberdeen Asset Management plc and a non-executive Director of IMI plc and Lloyds Banking Group plc. She was formerly executive Director of Abbot Mead Vickers PLC and Director of Corporate Development at WPP Group.

David Hummel
(53) BSc
Chief Executive^

Appointed in 1993. Formerly with Diamond Shamrock, GE Plastics and ICI, assuming responsibility for VICTREX PEEK worldwide in 1992.

Steve Barrow
(43) BSc ACA
Finance Director^

Appointed in October 2011 from his previous position as Finance Director for the VPS business. Formerly led the Group finance team most recently as Deputy Group Finance Director. Qualified as a Chartered Accountant with KPMG.

* Nominations Committee
\+ Audit Committee
\# Remuneration Committee
^ Risk Management Committee

Giles Kerr
(52) BA ACA
Non-executive Director*+#

Appointed in 2006. Chairman of the Audit Committee and Senior Independent Director. Currently Finance Director of Oxford University and non-executive Director of Elan Corporation plc and BTG plc. He was formerly Finance Director of Amersham plc and was previously a partner in Arthur Andersen.

Patrick De Smedt
(56) BCEng MSc
Non-executive Director*+#

Appointed in 2008. Chairman of the Remuneration Committee. Currently a non-executive Director of Morgan Sindall plc and CPPGroup plc as well as a non-executive Director of a number of private companies. He is also on the advisory board to a division of ING Bank N.V. He was previously Chairman of Microsoft Europe, Middle East and Africa.

Lawrence Pentz
(56) BS ChE MBA
Non-executive Director*+#^

Appointed in 2008. Chairman of Risk Management Committee. Currently an executive Director of Johnson Matthey Plc responsible for their Environmental Technologies division. He was formerly executive Director responsible for Emission Control Technologies of Johnson Matthey.

Pamela Kirby
(58) BSc PhD
Non-executive Director*#

Appointed in February 2011. Currently non-executive Chairman of Scynexis Inc. and a non-executive Director of Smith & Nephew plc, Informa plc and Simmons and Simmons LLP. She was previously non-executive Chairman of Oxford Immunotec Limited, non-executive Director of Novo Nordisk A/S and CEO of US based Quintiles Transnational Corporation.

Corporate Governance

The Board takes its responsibility to achieve sound governance very seriously and regards the continuing setting, maintenance and review of high quality standards of corporate governance as an essential part of its work.

Corporate governance in brief

- The Board confirms that the Company has complied in all aspects with the Code during 2011.
- During the year Board members have visited operational sites, overseas Group offices, global trade shows and exhibitions and key customers of both business units.
- The current female representation on the Board is close to 30% and is therefore ahead of the minimum 25% representation level by 2015 recommended by the Davies Review.
- The importance of diversity in general at Board level is recognised and the Board members comprise a number of different nationalities with a wide range of experience from a variety of business backgrounds.
- An external evaluation of performance of the Board and its Committees was carried out as required by the Code.

For more information please go to **www.victrex.com**

A review has been performed of the Company's compliance with The UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council in June 2010 which confirms that the Company has complied in all aspects with the Code throughout the year ended 30 September 2011.

This report, together with the Report on Directors' Remuneration on pages 34 to 41, describes how the main principles of good governance have been applied.

Leadership

The Directors on the Board are collectively responsible for the long-term success of the Company. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. The executive Directors are responsible for the running of the business. The non-executive Directors are responsible for challenging constructively, exercising independent and objective judgement in respect of Board decisions, helping develop strategy proposals and for scrutinising and challenging the actions of Group and business unit senior management.

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

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

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 a programme of meetings which include regular reviews

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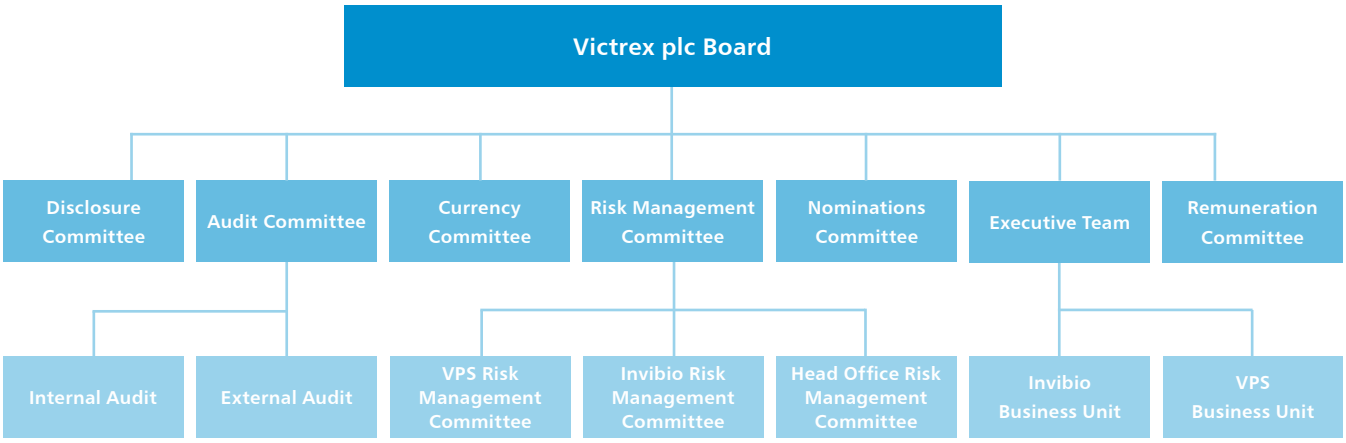
Corporate governance framework



of financial performance, critical business issues and participation in development and setting of strategy and the progress towards meeting strategic objectives. A clearly defined corporate strategy, supported by business unit strategies, is approved and updated periodically by the Board. Key projects are considered in the context of the corporate strategy.

Board members have been active in 2011 with visits to operational sites, overseas Group offices, global trade shows and exhibitions and key customers of both business units.

Matters reserved for the Board and delegation of authority

The Board has a clearly documented schedule of matters reserved for its decision, including approval of the Group's strategy, the annual budget and, for above certain financial values, capital expenditure, contracts, customer credit limits, investments, disposals and entering into strategic alliances, joint ventures and partnerships. The Board delegates day to day and business management control to the executive Directors and business unit Managing Directors who, led by the Chief Executive, meet formally on a monthly basis together with other senior managers as appropriate.

The Board has delegated certain responsibilities to standing Committees, as further described on pages 29 to 31, which report back to the Board on the basis of clearly defined terms of reference and through reports from Committee Chairmen with respect to each meeting. The terms of reference are reviewed regularly, with any revisions proposed by the respective Committees and then approved by the Board. The delegation of certain responsibilities to standing Committees ensures that adequate time is devoted by Board members to the independent oversight of key areas under their responsibility.

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

Board effectiveness

Composition and diversity of the Board

The Board comprises a non-executive Chairman, four other non-executive Directors and two executive Directors. The Code requirement that at least half the Board should be independent non-executive Directors has continued to be met. Changes in the composition of the Board during the year are noted in the Directors' Report.

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. In looking for prospective Directors we have 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 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. The 2011 performance evaluation was conducted by an external facilitator and further details are overleaf.

Corporate Governance continued

Board effectiveness continued

The Davies Review on Women on Boards

The Board welcomed the publication in February of the Davies Review on Women on Boards. Our current female representation on the Board is close to 30% and is therefore ahead of the minimum 25% representation level by 2015 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. Further information on our Group HR policies including those on equal opportunities and diversity is set out on page 20.

Independence of the Board

The non-executive Directors (including the Chairman, Anita Frew, upon her appointment as Chairman on 1 October 2008), are all considered by the Board to be independent of the management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Giles Kerr is the Senior Independent Director.

The Board confirms that it has considered and authorised any conflicts or potential conflicts of interest in accordance with the Company's existing procedures and has also implemented specific guidelines to address any potential conflicts that may arise in future. The Board has specifically considered the other appointments held by Directors, details of which are contained in their biographies on page 22 to 23 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.

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 2012 and the Notice of AGM on page 78 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 32.

Performance evaluation

A formal evaluation of Board, Board Committee and individual Directors' performance is carried out annually. As part of the annual Board evaluation process, Directors' training and development needs are considered by the Chairman. The 2011 Board evaluation was the Board's and its Committees' (Nominations Committee, Audit Committee, Remuneration Committee and Risk Management Committee) first external evaluation of performance, as required by the Code. The external evaluator, JCA Group, had no other connection with the Company. The external evaluation process conducted in 2011 concluded that the Board and its Committees remain effective in fulfilling their responsibilities appropriately and that each Director continues to demonstrate a valuable contribution. Actions agreed as a result of the Board evaluation included further development of the Group's strategic planning and talent management processes.

The Chairman's performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive. The other non-executive Directors' performance is evaluated by the Chairman in consultation with the executive Directors. Executive Directors' performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive, except in the case of his own performance review. In addition, the external evaluation process included assessment of the performance of individual Board members. Once this formal evaluation had taken place, the Chairman held one to one meetings with all the Directors, including the Chief Executive. The Senior Independent Director held a separate meeting with the external evaluator regarding the performance of the Chairman.

Information, training and support

The Board receives sufficient management information and reports on all strategic and significant operational matters on a timely basis. Group and business unit senior executives also attend Board meetings as appropriate. Taking place regularly are visits to operational sites, overseas Group offices, global trade shows and exhibitions and key customers of both business units, together with briefings by operational management to enhance the Board's understanding of the businesses. During the year, all Board members visited our UK manufacturing sites in Thornton Cleveleys, Rotherham and Seal Sands and various Board members visited our overseas offices in Shanghai and Philadelphia, medical trade shows in the USA and Europe and a number of key global customers of each business unit.

The Group's two business units are managed by separate boards, which each submit monthly executive commentaries of financial and non-financial results through a standardised reporting process to the Board. In addition, Head Office Group functions are consolidated with these 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.

Training (including social, environmental and ethical matters) is provided for new Directors as required, by means of a tailored induction, and subsequently as required. Upon their appointment, both Peter Bream and Pamela Kirby received tailored induction programmes which have included meetings with the Chief Executive and senior management from the business units in order to be briefed on the business strategies, briefing sessions with key Group functions and visits to principal sites. During and after induction Directors are encouraged to, and do, visit business locations across the Group, meet with Group and business unit management and regularly refresh and update their skills and knowledge.

Directors can take independent professional advice where necessary at the Company's expense and have access to the services of the Company Secretary whose appointment is a Board matter and who is responsible for ensuring that the Board operates in accordance with good corporate governance under the Code and relevant regulatory requirements.

Appropriate levels of insurance cover are obtained for all Directors and Officers of the Company. Further information on Directors' indemnities is given in the Directors' Report on page 33.

Time commitments

The Nominations Committee annually reviews the time required from each non-executive Director and has found the time allocated to the Company to be sufficient to discharge their responsibilities effectively.

Relations with shareholders

The Board as a whole has a responsibility for ensuring that a satisfactory dialogue with shareholders takes place, based on the mutual understanding of objectives.

The Company is always ready, where practicable, to enter into dialogue with institutional shareholders to promote a mutual understanding of objectives. Institutional investor relations activity is normally concentrated in the periods following the announcement of the interim and final results. More broadly based presentations and site visits are arranged when there is a sufficient demand to make them cost effective. The AGM provides the Board with an opportunity to meet informally and communicate directly with private investors. Voting at the AGM is conducted by way of a show of hands in order to encourage questions from and interaction with private investors and proxy votes lodged on each AGM resolution are announced at the meeting and published on the Company's website.

To ensure that the Board, particularly the non-executive Directors, understands the views of major shareholders, the Company's broker provides a summary of feedback from the meetings following the announcement of the interim and final results.

The Board is also regularly provided with summaries of analysts' views on the Company. In addition, the Chairman is available to meet institutional shareholders. The Senior Independent Director and other non-executive Directors will attend meetings with major shareholders if requested. No such meetings were requested during the year.

Accountability

Financial and business reporting

The Board is responsible, in its reporting, for presenting a balanced and understandable assessment of the Group's financial position and prospects and has complied with this main principle of the Code.

The statement which 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 33.

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, for maintaining sound risk management and internal control procedures. In addition, the Board is responsible for establishing formal and transparent arrangements for considering how it should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor.

The Board's responsibility for the Group's system of internal control covers all controls, including financial, operational, compliance and risk management, and includes reviewing the system's effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance of effective operation, compliance with laws and regulations and against material misstatement or loss.

Corporate Governance continued

Accountability continued

Risk management and internal control procedures continued

The Directors have reviewed the internal audit procedures and, as discussed on page 30, have concluded that there exists an independent internal audit function as required by the Code. This independent internal audit function also supports the Board in their review of the effectiveness of the system of internal control, as well as the external auditor on matters identified in the course of its statutory audit work.

The Group maintains a clearly defined corporate framework for the ongoing evaluation, reporting and management of internal control and risk management issues, together with an established and robust control environment.

The management of the Group is delegated to the executive Directors. Authority is delegated to senior executives as appropriate and the organisational requirements of a rapidly developing business are regularly reviewed. The Group's financial controls enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The Audit Committee oversees whistleblowing arrangements, by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Board is committed to this established whistleblowing policy, which is available in a variety of languages globally and allows for proportionate and independent investigation of such matters and for appropriate follow up action.

The Audit Committee is also responsible for overseeing the Company's relationship with the external auditor and further information on how this is achieved, together with more information on the work of the Audit Committee, is given on pages 29 to 30.

The Group has complied with the Code provisions on internal control by operating throughout the year ended 30 September 2011 (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.

During 2011, the Directors have continued to review the effectiveness of this system, supported by the Risk Management Committee who manages the clear and ongoing process for identifying, evaluating and managing significant risks and is described on page 31. The Risk Management Committee reports to the Board twice annually and a formal risk management review is undertaken by the Board annually. Further information about the ways in which the Group manages its risks is set out in the risks section of the Business Review on pages 12 and 13. These pages contain a list of the principal external market and business specific uncertainties faced by the business, a risk description and mitigating factors.

Attendance at meetings

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

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings	8	3	4	2
Chairman				
Anita Frew	8/8	n/a	n/a	2/2
Executive Directors				
David Hummel	8/8	n/a	n/a	n/a
Peter Bream[1]	7/8	n/a	n/a	n/a
Non-executive Directors				
Giles Kerr	8/8	3/3	4/4	2/2
Patrick De Smedt	8/8	2/3	4/4	2/2
Lawrence Pentz	8/8	3/3	4/4	2/2
Pamela Kirby[2]	3/4	n/a	1/2	0/1

[1] Peter Bream was appointed to the Board with effect from 8 October 2010 and resigned on 6 October 2011.

[2] Pamela Kirby was appointed to the Board with effect from 9 February 2011.

Whilst not formally required, Anita Frew, David Hummel and Peter Bream attended a number of Audit Committee, Remuneration Committee and Nominations Committee meetings when appropriate.

Nominations Committee
(Chairman – Anita Frew)

The Nominations Committee, comprising all of the non-executive Directors, is responsible for regularly reviewing the structure, size and composition of the Board, including 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 Steve Barrow as Finance Director. External search consultants are also used to identify appropriate candidates, as was the case for the appointment of Pamela Kirby, where Hanson Green was the external search consultant.

The Nominations Committee is also responsible for annually reviewing the time required from each non-executive Director.

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

Remuneration Committee
(Chairman – Patrick De Smedt)

The Remuneration Committee, comprising all of the non-executive Directors (excluding the Chairman), is responsible for reviewing and recommending the framework and policy for remuneration of the Chairman, executive Directors and senior executives, which the Board as a whole is responsible for approving.

Once approved, the Remuneration Committee is responsible for evaluating the performance and determining specific remuneration packages for the Chairman, each executive Director, each business unit's Managing and Finance Directors and the Company Secretary. The Chairman and executive Directors are responsible for the agreement of non-executive Directors' remuneration.

Audit Committee
(Chairman – Giles Kerr)

The Audit Committee, chaired by Giles Kerr, a qualified Chartered Accountant with significant relevant financial experience, and comprising all of the non-executive Directors (except the Chairman and Pamela Kirby), is responsible for assisting the Board with its responsibilities in respect of external financial reporting. This includes reviewing the Group's financial statements, preliminary announcements and any formal announcements relating to financial performance, or other statements containing financial information, before submission to the Board for endorsement. The Committee also reviews the Group's whistleblowing policy.

It is also responsible for overseeing all matters associated with the appointment, terms, remuneration and performance of the external auditor and for reviewing the scope and results of the audit and its cost effectiveness. The Committee reviews annually the independence and objectivity of the external auditor taking into account the non-audit services provided by the firm.

Such non-audit services require approval by the Committee. In considering whether the provision of such services could impair the external auditor's independence or objectivity, the Committee is governed by the following guidelines, which are incorporated in its terms of reference:

- whether the skills and experience of the external auditor make it a suitable supplier of the non-audit service under consideration;
- whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- the nature of the non-audit services, the related fee levels individually and in aggregate relative to the audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

Corporate Governance continued

Audit Committee continued

In principle the external auditor should not provide any service which:

- results in the external auditor auditing its own firm's work;
- leads to the external auditor making a management decision for the Company;
- creates a mutuality of interest; or
- leads to the external auditor being put in the role of advocate for the Company.

Only Audit Committee members are entitled to attend a meeting. However, the Chairman, the Finance Director, senior finance executives (including the internal audit function) and the External Audit Engagement Partner are normally invited to attend meetings. Others are also invited to attend as appropriate. A section of at least one meeting each year takes place without management present.

There is a rolling programme of internal control reviews carried out across the Group by the Group finance function with the senior Group finance executive independently reporting, with effect from 1 October 2010, to the Chairman of the Audit Committee in relation to internal control matters. The Audit Committee receives these reviews from this internal audit function, reviews its findings, annual audit plan and the resources available to it to perform its work.

At its meeting on 22 November 2010, the Committee reviewed the Company's preliminary announcement of its results for the financial year ended 30 September 2010 and the draft Annual Report and Accounts for that year. The external auditor reported to the Committee on the conduct of its audit, its review of the accounts, including accounting policies and areas of judgement, and commented on risk management and control matters. The results of regular internal control reviews were also considered. The Committee carried out the annual appraisal of the external auditor (including reviewing non-audit fees) and the effectiveness of the audit process.

At its meeting on 13 May 2011, the Committee reviewed the Company's interim results announcement and draft Half-yearly Financial Report. The external auditor reported to the Committee on its review. The Committee reviewed the Group's internal audit activities, effectiveness, resource and reporting structure and concluded that there exists an independent internal audit function as required by the Code. Draft revised terms of reference for the Audit Committee were reviewed and approved. The Committee also considered the results of regular internal control reviews.

On 19 September 2011, the external auditor presented its proposed fees and scope for the audit for the year ended 30 September 2011. The Committee also carried out its terms of reference review. The results of regular internal control reviews were also considered. In addition, the Committee considered plans to broaden the scope of internal audit's remit to other non-financial key risk areas and review the effectiveness of the internal audit function.

At its meeting on 16 November 2011, the Committee reviewed the Company's preliminary announcement of its results for the financial year ended 30 September 2011 and the draft Annual Report and Accounts for that year. The external auditor reported to the Committee on the conduct of its audit, its review of the accounts, including policies and areas of judgement, and commented on risk management and control matters. The Committee carried out the annual appraisal of the external auditor (including reviewing non-audit fees) and the effectiveness of the audit process.

Risk Management Committee
(Chairman – Lawrence Pentz)

The Risk Management Committee is chaired by Lawrence Pentz and comprises both executive Directors, the Company Secretary and senior operational and SHE executives. The Committee is responsible for ensuring that all risks facing the Group are reduced to an acceptable level.

This is achieved by an ongoing review which includes identifying all risks faced by the Group and assessing those risks, whilst recognising existing control measures, so that unacceptable risks are identified. Plans are developed and implemented to eliminate, reduce or transfer these risks where practicable. The Committee is also responsible for reviewing the risk management and control process within the Group.

The Committee meets quarterly and twice annually reports to the Board. In addition, the Board annually undertakes a formal review of the effectiveness of the risk management process, internal controls systems and the performance of the Risk Management Committee.

The VPS and Invibio business unit Risk Management Committees, comprising the Directors of each business unit respectively, along with the Company Secretary and senior operational and SHE executives, meet quarterly. The Head Office ('HO') Risk Management Committee comprises both executive Directors along with the Company Secretary and senior ICT, HR and finance executives. All these risk management committees report into the Group Risk Management Committee and are responsible for ensuring that all risks facing the business units and HO are reduced to an acceptable level.

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 advisers, on the form and content of any disclosure under consideration.

The Committee comprises all Directors of the Company and senior finance executives. The Chairman of each Committee meeting will be appointed on an ad hoc basis. 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.

Currency Committee
(Chairman – Steve Barrow)

The Currency Committee is chaired by the Finance Director, and comprises the Chief Executive, the Company Secretary and senior finance executives. It meets monthly to review and manage the Group's currency hedging activities. The Board is responsible for setting the hedging policy.

Currently the Group exports 98% of sales from the UK. These sales are primarily denominated in US Dollar, Euro and Yen. Group hedging policy is to defer the impact on profits of currency movements by hedging:

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

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

The impact of this hedging policy is disclosed in notes 15 and 25 to the financial statements.

Directors' Report

Principal activity
The Group's principal activity is the manufacture and sale of high performance polymers.

Annual business review
The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 30 September 2011, the position of the Group at the end of that financial year and a description of the principal risks and uncertainties facing the Group (known as a 'Business Review').

The information that fulfils the requirements of this Business Review can be found on pages 6 to 21.

Results and dividends
Group profit after tax for the year was £71.2m (2010: £54.0m).

The Directors recommend the payment of a final dividend of 24.5p per ordinary share on 24 February 2012 to all shareholders on the register on 10 February 2012. This makes a total dividend of 32.5p per ordinary share for the year (2010: 75.0p per ordinary share, which included a special dividend of 50.0p per ordinary share).

Share capital
Details of the Company's share capital and reserve for own shares are given in note 19. During the year 429,375 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 18.

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

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

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

Own shares held
Details of own shares held are given in note 19 to the financial statements.

At the 2011 Annual General Meeting ('AGM'), shareholders renewed the Company's authority to make market purchases of up to 8,361,408 of its own ordinary shares (representing 10% of the issued share capital of the Company as at 3 December 2010). No market purchases of the Company's own shares were made during the year. At the forthcoming AGM the Board will again seek shareholders' approval to renew the annual authority for the Company to make purchases of its own shares through the market.

AGM
The notice of the 2012 AGM of the Company is given on page 78.

Directors
Details of the Directors of the Company are given on pages 22 and 23. Details of Directors' interests in shares are provided in the Report on Directors' Remuneration on pages 34 to 41.

As previously announced, on 7 October 2010 Michael Peacock retired as Finance Director and Peter Bream was appointed to the Board as the new Finance Director on 8 October 2010. On 6 October 2011, Peter Bream stepped down from the Board and was succeeded as Finance Director by Steve Barrow. In addition, Pamela Kirby joined the Board as a non-executive Director of the Company with effect from 9 February 2011.

At the forthcoming AGM, resolutions will be proposed for the 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 less than two, unless otherwise determined by the Company by Ordinary Resolution. Directors may be appointed by an Ordinary Resolution of the members or by a resolution of the Directors.

A Director appointed either by the Directors, or at the previous AGM, must retire at the next AGM and offer himself for re-election. A Director may be removed by an Extraordinary Resolution of the Company. In addition, a Director must automatically cease to be a Director if (i) he ceases to be a Director by virtue of any provision of the Companies Act or he becomes prohibited by law from being a Director, or (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally, or (iii) he is suffering from a mental disorder, or (iv) he resigns from his office by notice in writing to the Company, or in the case of an executive Director, his appointment is terminated or expires and the Directors resolve that his office be vacated, or (v) he is absent for more than six

consecutive months without permission of the Directors from meetings of the Directors and the Directors resolve that his office be vacated or (vi) he is requested in writing, or by electronic form, by all the other Directors to resign.

Major interests in shares

The Company has been notified of the following interests in 3% or more of its issued share capital as at 2 December 2011:

	Number of ordinary shares	Percentage held
BlackRock Investment Management (UK) Limited	10,935,053	13.01%
Schroders plc	8,115,152	9.66%
F&C Asset Management plc	4,228,620	5.03%
Kames Capital	4,204,686	5.00%
Old Mutual Asset Managers (UK) Ltd	4,151,130	4.94%
Standard Life Investments Ltd	4,101,202	4.88%
AXA S.A.	3,729,607	4.44%
Legal and General Group Plc	3,347,680	3.98%
Norges Bank	2,531,600	3.01%

Powers of the Directors

The powers of the Directors are determined by the Company's Articles of Association, the Companies Act 2006 and any directions given by the Company in general meeting. The Directors have been authorised by the Articles of Association to issue and allot ordinary shares and to make market purchases of shares. These powers are referred to shareholders at the AGM for renewal. Any shares purchased may be cancelled or held as treasury shares.

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.

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 2011 and remain in force as at the date of this report. The Deeds and the Company's Articles of Association are available for inspection during normal business hours at the Company's Registered Office and will be available at the AGM.

Change of control

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

Employment policies

The Group's employment policies, including its policy regarding the employment of disabled people, are set out on page 20.

UK Corporate Governance Code

A statement on corporate governance is set out on pages 24 to 31.

Financial instruments

Details of financial risk management are given in note 15.

Donations

Details of charitable donations made in the year are set out on page 21. No political donations were made (2010: £nil).

Creditor payment policy

The Group does not follow any standard code on payment practice. Terms and conditions are agreed with each supplier as appropriate. The Group had trade creditors outstanding at the year end representing 30 days (2010: 25 days) of purchases. The Company did not have any significant external trade creditors.

Management report

The Directors' Report and Business Review 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 are satisfied that the Company and Group have adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements.

Disclosure of information to auditor

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

Auditor

A resolution proposing the reappointment of KPMG Audit Plc as auditor of the Company will be put to the AGM.

By order of the Board

Gary Hulme
Company Secretary
5 December 2011

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Report on Directors' Remuneration

This report covers the remuneration of executive and non-executive Directors. The Company's approach to the Chairman's and executive Directors' remuneration is determined by the Board on the advice of the Remuneration Committee.

Directors' remuneration in brief

- Individual remuneration packages are determined by the Remuneration Committee within the framework approved by the Board.
- 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.
- To strengthen further the alignment of interests of the executive Directors with shareholders, the Company has introduced clawback provisions in relation to the executive Directors' annual cash bonus and Share Ownership Guidelines.
- Company policy is that performance-related components should form a significant portion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that represent the best interests of shareholders.
- In formulating the remuneration policy, full consideration has been given to the principles set out in Section D of The UK Corporate Governance Code and the Committee will regularly review the policy to ensure it takes due consideration of best practice and the particular circumstances of the Company.

Individual remuneration packages are determined by the Remuneration Committee within the framework approved by the Board. The Company's approach to non-executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board Committees. The Remuneration Committee consists entirely of non-executive Directors, as set out on page 29, and is chaired by Patrick De Smedt. The Remuneration Committee has access to independent advice where it considers it appropriate. The Committee seeks advice relating to executive remuneration from AonHewitt Limited (operating through the brand New Bridge Street ('NBS'), whom the Committee appointed). The only other services provided to the Company by AonHewitt Limited or any other part of the Aon Corporation group are 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 advisers to the Committee.

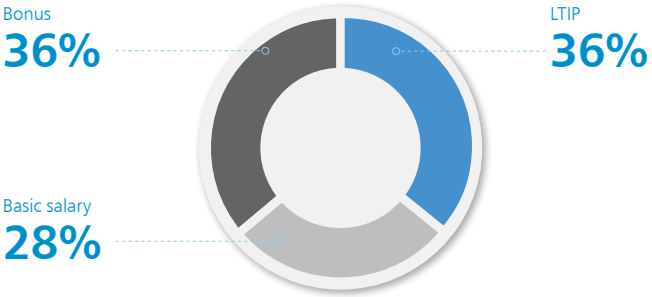
Remuneration policy

The Company aims to provide a remuneration structure that is aligned with shareholder interests and, as such, is competitive in the marketplace to attract, retain and motivate executive Directors of superior calibre in order to deliver continued growth of the business. Company policy is that performance-related components should form a significant portion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that represent the best interests of shareholders.

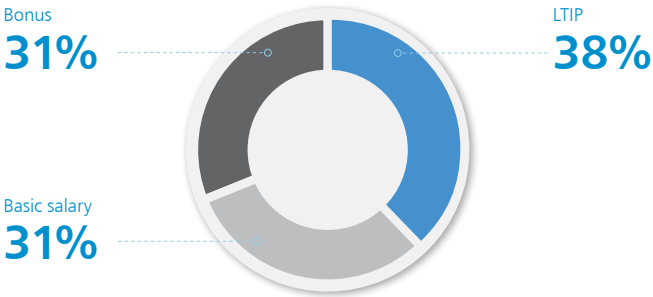
In formulating the remuneration policy, full consideration has been given to the principles set out in Section D of The UK Corporate Governance Code and the Committee will regularly review the policy to ensure it takes due account of best practice and the particular circumstances of the Company. For example, a share deferral feature has been established in the Chief Executive's bonus opportunity, with a 'clawback' facility included in all executive Directors' bonuses. In addition, share ownership guidelines have been introduced.

Executive Directors' potential overall remuneration profile for 2012

Chief Executive



Finance Director



In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee ensures that the incentive structure for executive Directors and senior management do not raise environmental, social or governance ('ESG') risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking ESG matters into account. The Committee is also satisfied that the overall remuneration structure neither encourages nor rewards inappropriate operational risk-taking and is fully compatible with the Company's risk management policies and systems. When setting the executive Directors' remuneration, due account is taken of pay and employment conditions of other Group employees. In this regard, the Committee will liaise with the Group's HR function to ensure it is fully aware of all the relevant issues.

Executive Directors' potential overall remuneration profile

In 2011, if executive Directors earned a maximum annual bonus of 100% of salary and Long Term Incentive Plan ('LTIP') award level of 125% of basic salary, basic salary would represent 31% of total remuneration, with performance-related elements of 31% attributable to annual bonus and 38% to LTIP (excluding pension provision).

As explained on page 36, going forward the maximum bonus award level for the Chief Executive will be increased to 125% of basic salary and hence, in 2012, if the Chief Executive earned this maximum annual bonus and a Long Term Incentive Plan award level of 125% of basic salary, basic salary would represent 28% of total remuneration, with performance-related elements of 36% attributable to annual bonus and 36% to LTIP (excluding pension provision). The Finance Director's remuneration profile is unchanged in 2012.

Basic salary and benefits

The basic salary for each executive Director is reviewed annually by the Remuneration Committee. It is intended that basic salary levels should reflect those paid to senior management of comparable companies selected on the basis of market capitalisation and turnover. Individual salary adjustments take into account each executive Director's performance against agreed challenging objectives and the Group's financial circumstances, as well as comparing each executive Director's basic salary to senior management in the Group and relative to the external market. The Committee used the services of NBS to provide comparative data.

For the financial year ended 30 September 2011, the Chief Executive's basic salary increased by 3% to $670,000 and the Group's contributions to his pension scheme and associated salary supplement increased from 20% of basic salary to 25% of basic salary, with the Group's employees in general receiving pay rises ranging from 5%–8% depending on promotional increases and individual performance. Following his appointment on 8 October 2010, and until his resignation as Finance Director on 6 October 2011, P E Bream's basic salary was £240,000 per annum.

For the financial year ending 30 September 2012, the Chief Executive's basic salary will increase by 3% to $690,000 and the Group's contributions to his pension scheme and associated salary supplement will remain at 25% of basic salary. Following the appointment of the Finance Director on 6 October 2011, his basic salary will be £240,000. The total remuneration packages of both executive Directors will remain around median levels. The Group's employees, in general, are receiving pay rises ranging from 5%–8% depending on promotional increases and individual performance.

Report on Directors' Remuneration continued

Annual cash bonus

Each executive Director was eligible to receive an annual cash bonus of up to 100% of basic salary for the year ended 30 September 2011. This was determined by reference to performance targets based on the Group's financial results, being growth in Group profit before tax (up to 80% of basic salary) and specific individual objectives (up to 20% of basic salary) set at the beginning of the financial year. For 2011 the individual objectives included a revision of the Group's HR and organisational strategy, maintenance of excellent SHE standards and operational and technical effectiveness and efficiencies across the Group.

The second component of the bonus is payable only if, in the opinion of the Remuneration Committee, there was an improvement in the underlying financial and operating performance of the Group during the year ended 30 September 2011.

The actual bonus payable to each executive Director for the year ended 30 September 2011 is 71.5% of basic salary. This comprised 51.5% based on performance against budgeted Group profit before tax and 20% for the achievement of specific non-financial objectives.

For the annual bonus plan for the year ending 30 September 2012 the maximum bonus potential will remain at 100% of basic salary for the Finance Director and the split of targets will be consistent with those used in the year ended 30 September 2011. However, as already stated, the Chief Executive's maximum bonus potential will increase from 100% to 125% of basic salary, which will bring the bonus potential in line with the median for the Chief Executive's responsibilities as determined by independent benchmarking surveys. In addition, this policy change will further strengthen the performance-related elements of the Chief Executive's remuneration arrangements, thereby further aligning his interests with those of shareholders. His bonus opportunity will also be determined by reference to performance targets based on the Group's financial results, being growth in Group profit before tax (up to 100% of basic salary) and specific individual objectives (up to 25% of basic salary) set at the beginning of the financial year. In addition, any bonus in excess of 100% of basic salary will be payable in the form of deferred shares which, in normal circumstances, will vest three years after the grant date subject to continued employment.

Clawback provision

Furthermore, the annual bonus plan for the year ending 30 September 2012 will be subject to 'clawback' in whole or in part if, at any time before the later of (i) the first anniversary of the payment of a bonus and (ii) the publication of the Company's first set of audited financial statements following such payment:

- it is discovered that the results or accounts of the Company or a member of the Group were misstated for any reason; and/or
- an error occurred in assessing the bonus outturns,

either of which result in a higher bonus payout than would otherwise have been the case.

Awards under the 2009 Victrex Long Term Incentive Plan

At the 2009 AGM, shareholder approval was obtained for the establishment of a new Victrex Long Term Incentive Plan (the '2009 LTIP') which replaced the original Long Term Incentive Plan which had expired.

Under the 2009 LTIP executive Directors can be eligible to be awarded options to acquire, at no cost, ordinary shares in the Company up to a maximum equivalent value of 150% of basic salary each year. In exceptional circumstances such as recruitment or retention, this limit is increased to 200% of basic salary. Awards made under the 2009 LTIP up to and including the year ended 30 September 2010 have been equivalent to 100% of basic salary. From and including the year ended 30 September 2011 this award level was increased to 125% of basic salary so as to ensure long-term incentive provision remains market competitive.

Awards normally vest in three equal tranches on the third, fourth and fifth anniversaries of grant to the extent that the applicable performance conditions measured over a single three year period from grant (see below) have been satisfied and provided the participant is still employed in the Company's Group. Participants will have a five year period from the date each tranche vests in which to exercise awards.

Participants will receive a payment (in cash and/or shares) on or shortly following the vesting of their awards, of an amount equal to the dividends that would have been paid on those shares between the time when the awards were granted and

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the time when they vest. Alternatively, participants may have their awards increased as if dividends were paid on the shares subject to their award and then reinvested in further shares.

The extent to which the initial awards made in the years ended 30 September 2009, 2010 and 2011 will vest is dependent on two independent performance conditions with 50% determined by reference to the Company's Total Shareholder Return ('TSR') and 50% determined by reference to the Group's earnings per share ('EPS'), as follows:

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

The Remuneration Committee considers that this combination of performance conditions is the most appropriate way of rewarding executive Directors because it takes into account both the long-term returns to shareholders and the Group's financial growth. The TSR performance condition is monitored on the Committee's behalf by NBS whilst the Group's EPS growth is derived from the audited financial statements.

It is intended that the same performance conditions will be applied to awards granted under the 2009 LTIP in the year ending 30 September 2012. Given (i) the clawback feature that has been adopted in the annual bonus and (ii) the tranched vesting of LTIP awards in years 3–5 following grant, the Committee does not consider it necessary to apply a clawback facility to the LTIP (but will keep this matter under review).

Share Ownership Guidelines

In addition, to further align the interests of executive Directors and shareholders, Share Ownership Guidelines have been introduced which will require executive Directors to build up and maintain a shareholding equal to no less than 100% of their salary. Executive Directors will be required to retain 50% of the net of tax vested LTIP shares until the guideline is met. The Chairman and the non-executive Directors are also expected to hold shares in the Company in order to align their interests with those of shareholders.

Share options

Executive Directors do not participate in the Victrex 2005 Executive Share Option Plan (which is the primary share incentive arrangement for below Board executives). The Finance Director, being resident of the UK, can participate in the Victrex 2005 UK Sharesave Plan and the Group's All Employee Share Ownership Scheme on the same basis as other UK employees. The Chief Executive, resident of the USA, can participate in the Victrex 2005 Employee Stock Purchase Plan on the same basis as other USA employees.

Pension arrangements

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

A S Barrow, since his appointment on 6 October 2011, continues to participate in the defined benefit section of the Group's UK pension scheme. Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group provides benefits through the provision of salary supplements. 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; and
- 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 participates in a defined contribution scheme and a life assurance plan operated in respect of the Group's USA employees. Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group provides benefits through the provision of salary supplements.

Report on Directors' Remuneration continued

Service agreements

The service agreements of the executive Directors are not fixed term and are terminable by either the Company or the Director on 12 months' notice and make provision, at the Board's discretion, for early termination by way of payment of salary in lieu of 12 months' notice. In calculating the amount payable to a Director on termination of employment, the Board would take into account the commercial interests of the Company and apply usual common law and contractual principles.

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

Non-executive Directors

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

The auditor is required to report on the information contained from here to page 40 inclusive.

Directors' remuneration for the year ended 30 September 2011 was as follows:

	Date of service contract	Basic salary[1] £	Pension/other supplements[2] £	Bonus £	Benefits in kind £	Total 2011 £	Total 2010 £
Executive Directors							
D R Hummel	6 Dec 95	424,707	92,944	307,517	—	825,168	834,235
P E Bream (resigned 6 October 2011)[3]	1 Oct 10	235,484	72,677	168,309	1,410	477,880	—
M W Peacock (retired 7 October 2010)[4]	1 Feb 00	4,610	864	3,360	33	8,867	493,042
Chairman							
A M Frew (appointed Chairman 1 October 2008)	1 Oct 08	135,000	—	—	—	135,000	125,000
Non-executive Directors							
G F B Kerr	1 Aug 06	51,000	—	—	—	51,000	48,000
P J M De Smedt	28 July 08	47,000	—	—	—	47,000	43,500
L C Pentz	28 July 08	47,000	—	—	—	47,000	41,000
P J Kirby	9 Feb 11	26,762	—	—	—	26,762	—
Total remuneration		971,563	166,485	479,186	1,443	1,618,677	1,584,777

The total payments (including pension contributions) made to the highest paid Director, D R Hummel, were £846,030 (2010: £855,490).

(1) The basic salary of D R Hummel is paid in US Dollars. The equivalent US Dollar amount is $670,000 (2010: $650,000). The fees of G F B Kerr included £5,000 for chairing the Audit Committee and £4,000 as the Senior Independent Director. The fees of P J M De Smedt included £5,000 for chairing the Remuneration Committee. The fees of L C Pentz included £5,000 for chairing the Risk Management Committee. Following a review of non-executive fee levels and taking account of their time commitment, responsibilities and current market practice, for the year ending 30 September 2012 the fees of A M Frew will be £150,000; the fees of G F B Kerr will be £53,000, including £6,000 for chairing the Audit Committee and £4,000 as the Senior Independent Director; the fees of P J M De Smedt will be £49,000, including £6,000 for chairing the Remuneration Committee; the fees of L C Pentz will be £49,000, including £6,000 for chairing the Risk Management Committee and the fees of P J Kirby will be £43,000.

(2) In accordance with the policy outlined on page 37, D R Hummel received a salary supplement of £85,575 with regards to the shortfall in the promised level of pension benefit which cannot be provided through the appropriate approved scheme and £7,369 with regards to the shortfall in the promised levels of life and disability insurance. In accordance with the policy outlined on page 37, P E Bream received contributions of £58,871 (equal to 25% of basic salary) for his own pension arrangements and a salary supplement of £13,806 in lieu of a company car. M W Peacock received salary supplements of £571 with regards to the shortfall in the promised level of pension benefit, which could not be provided through the appropriate approved scheme, and an additional salary supplement of £293 in lieu of a company car.

(3) P E Bream received contractual payments in lieu of notice totalling approximately £325,000, which broadly comprised one year's salary and pension contributions at 25% of basic salary. With respect to his outstanding 2009 LTIP award, in accordance with the rules, the contingent interest in LTIP shares has been reduced by 50% and vesting will be assessed on the basis of the LTIP performance conditions.

(4) Compensation for loss of office was not paid to M W Peacock upon retirement. In accordance with relevant rules M W Peacock's contingent interest in LTIP shares were pro rated for reduced service periods and assessed on the basis of the EPS and TSR performance conditions as of his leaving date (28 February 2011). His cash remuneration relates solely to the remuneration he earned during the relevant year whilst still an executive Director.

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Pensions

The cost of pension contributions payable and accrued under defined contribution arrangements for D R Hummel amounted to £20,862 (2010: £21,255).

The cost of pension contributions payable and accrued under pension arrangements for P E Bream amounted to £58,871 (2010: £nil) and equalled to 25% of salary.

The pension provision of M W Peacock is summarised in the table below.

	Age at 30/09/11	Accrued benefit at 30/09/10 and 30/09/11 £	Transfer value at 30/09/10 £	Increase in transfer value net of Director's contributions £	Transfer value at 30/09/11 £
M W Peacock (retired 7 October 2010)	53	23,446	468,131	65,510	533,641

Directors' shares

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

	30/09/11 Beneficial	30/09/11 Non-beneficial	30/09/10 Beneficial	30/09/10 Non-beneficial
Executive Directors				
D R Hummel	3,440,465	160,010	3,590,465	210,010
P E Bream (resigned 6 October 2011)	73	—	—	—
M W Peacock (retired 7 October 2010)	124,487	—	124,487	—
Chairman				
A M Frew (appointed Chairman 1 October 2008)	14,184	—	14,184	—
Non-executive Directors				
G F B Kerr	2,500	—	2,500	—
P J M De Smedt	2,000	—	2,000	—
L C Pentz	2,000	—	2,000	—
P J Kirby	—	—	—	—

The mid-market price of Victrex plc ordinary shares at 30 September 2011 was 1,093.0p (2010: 1,276.0p). The range in the financial year was 1,093.0p to 1,590.0p (2010: 749.0p to 1,286.0p).

The Directors' Sharesave options at 30 September 2011 were nil (2010: nil). No Sharesave options lapsed during the period. In accordance with the rules of the scheme the exercise price equates to a discount of 20% on the market value of the ordinary shares on the date of grant. To reflect the relevant statutory provisions, no performance conditions apply to these options.

Report on Directors' Remuneration continued

Long Term Incentive Plan

The original Long Term Incentive Plan ('LTIP') commenced on 26 January 1999 and expired in 2009. As described earlier, a new plan, the 2009 LTIP, was approved by shareholders at the 2009 AGM. The Directors' contingent interests in ordinary shares under these plans at 30 September 2011, as set out below, were as follows:

	30/09/10	Granted in year	Exercised in year	Lapsed in year	30/09/11
D R Hummel	185,714	36,826	—	—	222,540
P E Bream (resigned 6 October 2011)	—	20,833	—	(10,417)	10,416
M W Peacock (retired 7 October 2010)	115,580	—	(89,621)	(25,959)	—
	301,294	57,659	(89,621)	(36,376)	232,956

The market value of the shares granted in the year was 1,414.0p per ordinary share on the date of the grant, which was 13 December 2010.

During the year, M W Peacock retired and his contingent interest in LTIP shares were pro rated for reduced service periods and assessed on the basis of the EPS and TSR performance conditions as of his leaving date (28 February 2011).

It is the Company's policy to acquire sufficient shares to meet the Directors' contingent interests in shares under the LTIP and to hold such shares in employee trusts. As at 30 September 2011, 367,403 shares (2010: 387,846) were held in trust as further described in note 19.

Outstanding option awards granted annually under the LTIP:

Granted in year	2007	2008	2009	2010	2011	30/09/11
D R Hummel	7,424	35,731	92,818	49,741	36,826	222,540
P E Bream (resigned 6 October 2011)	—	—	—	—	10,416	10,416
	7,424	35,731	92,818	49,741	47,242	232,956

LTIP performance period – three years ending	30/09/09	30/09/10	30/09/11	30/09/12[4]	30/09/13[4]
TSR element[1]	23.68%	50.00%	50.00%	n/a[3]	n/a[3]
EPS element[2]	nil%	41.23%	50.00%	n/a[3]	n/a[3]
Total exercisable rate (% of grant)	23.68%	91.23%	100.00%	n/a[3]	n/a[3]

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

(2) Based on the average percent per annum by which the Group's earnings per share growth exceeded inflation.

(3) The three year performance periods in respect of the awards granted in 2010 and 2011 are not yet complete and hence the exercisable rate has yet to be determined.

(4) The performance conditions applicable to these 2009 LTIP awards are outlined on page 37.

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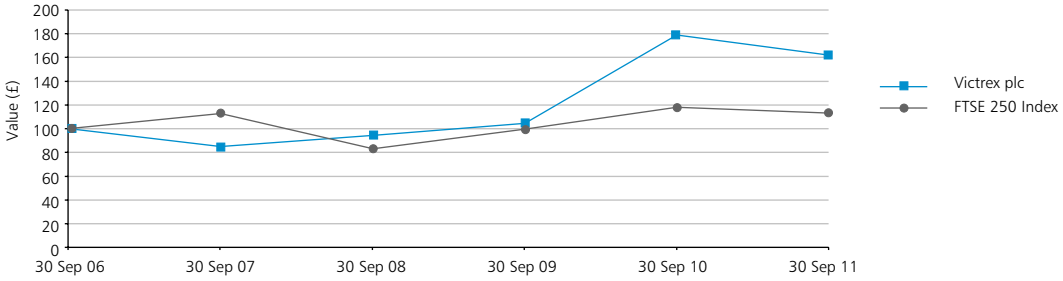
Total Shareholder Return performance graph

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

Source: Thompson Reuters



This graph shows the value, by 30 September 2011, of £100 invested in Victrex plc on 30 September 2006 compared with the value of £100 invested in the FTSE 250 Index on the same date. The other points plotted are the values at intervening financial year ends.

Patrick De Smedt
Chairman of the Remuneration Committee
5 December 2011

Responsibility Statement of the Directors

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

Responsibility of Directors for the preparation of the Annual Report and Accounts

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

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

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

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

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

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

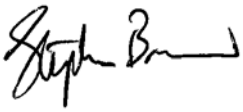
Responsibility statement of the Directors in respect of the Annual Report and Accounts

The Directors confirm that to the best of their knowledge:

- the Group and Parent Company's financial statements, prepared in accordance with applicable UK law and in conformity with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which comprises the Directors' Report and the Business Review, includes a fair review of the development and performance of the business and position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and the uncertainties they face.

The Directors of Victrex plc are detailed on pages 22 and 23.

By order of the Board



Steve Barrow
Finance Director
5 December 2011

Independent Auditor's Report
to the Members of Victrex plc

We have audited the financial statements of Victrex plc for the year ended 30 September 2011 set out on pages 44 to 76. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Responsibility Statement of the Directors set out on page 42, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 24 to 31 of the Annual Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 33, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

David Bills (Senior Statutory Auditor)
for and on behalf of

KPMG Audit Plc
Statutory Auditor, Chartered Accountants
St James' Square, Manchester M2 6DS
5 December 2011

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Consolidated Income Statement

for the year ended 30 September

	Note	2011 £m	2010 £m
Revenue	2	215.8	189.5
Cost of sales	3	(69.4)	(68.9)
Gross profit		146.4	120.6
Sales, marketing and administrative expenses	3	(52.6)	(45.7)
Operating profit	2	93.8	74.9
Financial income	5	0.5	0.1
Financial expenses	6	(0.1)	(0.1)
Profit before tax		94.2	74.9
Income tax expense	7	(23.0)	(20.9)
Profit for the year attributable to owners of the parent		71.2	54.0
Earnings per share			
Basic	8	85.3p	65.1p
Diluted	8	84.4p	64.4p
Dividend per ordinary share			
Interim	19	8.0p	6.4p
Final	19	24.5p	18.6p
Special	19	—	50.0p
	19	32.5p	75.0p

A final dividend in respect of 2011 of 24.5p has been recommended by the Directors for approval at the Annual General Meeting in February 2012.

Consolidated Statement of Comprehensive Income

for the year ended 30 September

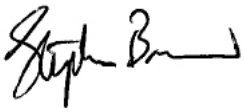
	Note	2011 £m	2010 £m
Profit for the year		71.2	54.0
Other comprehensive income			
Currency translation differences for foreign operations		0.4	0.2
Effective portion of changes in fair value of cash flow hedges		(1.6)	0.2
Net change in fair value of cash flow hedges transferred to profit or loss		(0.7)	2.2
Defined benefit pension schemes actuarial gains/(losses)	16	1.1	(0.9)
Tax on other comprehensive income	7	0.3	(0.1)
Total other comprehensive income for the year		(0.5)	1.6
Total comprehensive income for the year attributable to owners of the parent		70.7	55.6

Balance Sheets
as at 30 September

	Note	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Assets					
Non-current assets					
Property, plant and equipment	9	125.5	125.3	—	—
Intangible assets	10	10.1	10.1	—	—
Investments	11	—	—	13.7	13.7
Deferred tax assets	12	9.0	9.7	—	—
Other receivables	15	—	—	20.7	—
		144.6	145.1	34.4	13.7
Current assets					
Inventories	13	45.0	34.5	—	—
Current income tax assets		0.8	0.8	—	—
Trade and other receivables	14	24.2	19.1	54.4	30.7
Derivative financial instruments	15	0.9	2.2	—	—
Cash and cash equivalents		72.3	77.3	—	—
		143.2	133.9	54.4	30.7
Total assets		287.8	279.0	88.8	44.4
Liabilities					
Non-current liabilities					
Deferred tax liabilities	12	(14.8)	(15.7)	—	—
Retirement benefit obligations	16	(6.2)	(9.5)	—	—
		(21.0)	(25.2)	—	—
Current liabilities					
Derivative financial instruments	15	(3.2)	(2.3)	—	—
Current income tax liabilities		(12.5)	(15.1)	—	(0.1)
Trade and other payables	17	(29.5)	(25.1)	(6.9)	(5.9)
		(45.2)	(42.5)	(6.9)	(6.0)
Total liabilities		(66.2)	(67.7)	(6.9)	(6.0)
Net assets		221.6	211.3	81.9	38.4
Equity					
Share capital		0.8	0.8	0.8	0.8
Share premium		27.1	24.3	27.1	24.3
Translation reserve		3.0	2.6	—	—
Hedging reserve		(1.6)	0.1	—	—
Retained earnings		192.3	183.5	54.0	13.3
Total equity attributable to owners of the parent	19	221.6	211.3	81.9	38.4

These financial statements of Victrex plc, registered number 2793780, were approved by the Board of Directors on 5 December 2011 and were signed on its behalf by:

D R Hummel
Chief Executive



A S Barrow
Finance Director

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Cash Flow Statements

for the year ended 30 September

	Note	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Cash flows from operating activities					
Cash generated from operations	20	91.2	90.9	(20.9)	11.2
Interest and similar charges paid		(0.1)	(0.1)	—	—
Interest received		0.5	0.1	—	—
Tax paid		(25.7)	(13.7)	(0.2)	—
Net cash flow from operating activities		65.9	77.2	(21.1)	11.2
Cash flows from investing activities					
Acquisition of property, plant and equipment	9	(9.0)	(4.5)	—	—
Dividends received		—	—	83.1	3.1
Net cash flow from investing activities		(9.0)	(4.5)	83.1	3.1
Cash flows from financing activities					
Proceeds from issue of ordinary shares exercised under option	19	2.8	2.6	2.8	2.6
Purchase of own shares held	19	(1.0)	—	(1.0)	—
Dividends paid	19	(63.8)	(16.9)	(63.8)	(16.9)
Net cash flow from financing activities		(62.0)	(14.3)	(62.0)	(14.3)
Net (decrease)/increase in cash and cash equivalents		(5.1)	58.4	—	—
Effect of exchange rate fluctuations on cash held		0.1	0.3	—	—
Cash and cash equivalents at beginning of year		77.3	18.6	—	—
Cash and cash equivalents at end of year		72.3	77.3	—	—

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 2009		0.8	21.7	2.4	(1.7)	145.0	168.2
Total comprehensive income for the year							
Profit		—	—	—	—	54.0	54.0
Other comprehensive income							
Currency translation differences for foreign operations		—	—	0.2	—	—	0.2
Effective portion of changes in fair value of cash flow hedges		—	—	—	0.2	—	0.2
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	2.2	—	2.2
Defined benefit pension schemes actuarial losses	16	—	—	—	—	(0.9)	(0.9)
Tax on other comprehensive income	7	—	—	—	(0.6)	0.5	(0.1)
Total other comprehensive income for the year		—	—	0.2	1.8	(0.4)	1.6
Total comprehensive income for the year		—	—	0.2	1.8	53.6	55.6
Contributions by and distributions to owners of the Company							
Share options exercised	19	—	2.6	—	—	—	2.6
Equity-settled share-based payment transactions	18	—	—	—	—	1.8	1.8
Dividends to shareholders	19	—	—	—	—	(16.9)	(16.9)
Equity at 30 September 2010		0.8	24.3	2.6	0.1	183.5	211.3
Total comprehensive income for the year							
Profit		—	—	—	—	71.2	71.2
Other comprehensive income							
Currency translation differences for foreign operations		—	—	0.4	—	—	0.4
Effective portion of changes in fair value of cash flow hedges		—	—	—	(1.6)	—	(1.6)
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	(0.7)	—	(0.7)
Defined benefit pension schemes actuarial gains	16	—	—	—	—	1.1	1.1
Tax on other comprehensive income	7	—	—	—	0.6	(0.3)	0.3
Total other comprehensive income for the year		—	—	0.4	(1.7)	0.8	(0.5)
Total comprehensive income for the year		—	—	0.4	(1.7)	72.0	70.7
Contributions by and distributions to owners of the Company							
Share options exercised	19	—	2.8	—	—	—	2.8
Equity-settled share-based payment transactions	18	—	—	—	—	1.6	1.6
Purchase of own shares held		—	—	—	—	(1.0)	(1.0)
Dividends to shareholders	19	—	—	—	—	(63.8)	(63.8)
Equity at 30 September 2011		0.8	27.1	3.0	(1.6)	192.3	221.6

Company Statement of Changes in Equity

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Equity at 1 October 2009		0.8	21.7	25.2	47.7
Total comprehensive income for the year					
Profit		—	—	3.2	3.2
Contributions by and distributions to owners of the Company					
Share options exercised	19	—	2.6	—	2.6
Equity-settled share-based payment transactions	18	—	—	1.8	1.8
Dividends to shareholders	19	—	—	(16.9)	(16.9)
Equity at 30 September 2010		0.8	24.3	13.3	38.4
Total comprehensive income for the year					
Profit		—	—	103.9	103.9
Contributions by and distributions to owners of the Company					
Share options exercised	19	—	2.8	—	2.8
Equity-settled share-based payment transactions	18	—	—	1.6	1.6
Purchase of own shares held		—	—	(1.0)	(1.0)
Dividends to shareholders	19	—	—	(63.8)	(63.8)
Equity at 30 September 2011		0.8	27.1	54.0	81.9

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1. Significant accounting policies

General information

Victrex plc (the 'Company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its Registered Office is Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire, FY5 4QD, United Kingdom.

The consolidated financial statements of the Company for the year ended 30 September 2011 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 5 December 2011.

Basis of preparation

Both the consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('endorsed IFRS') and on the historical cost basis except that derivative financial instruments are measured at their fair value.

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Business Review on pages 6 to 21. In addition, note 15 on financial risk management details the Group's exposure to a variety of financial risks, including currency and credit risk.

The Group has significant positive cash balances and has a committed bank facility of £40m which expires in 2012. This facility was undrawn at 30 September 2011 and remained undrawn at 5 December 2011 when these consolidated financial statements were approved for issue by the Board of Directors.

Based on the above and a review of the Group's budgets and forecasts, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and hence have continued to adopt the going concern basis of accounting in preparing the Annual Report and Accounts.

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

The preparation of financial statements in conformity with endorsed IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Details of significant estimates and assumptions are set out in note 24.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been consistently applied by Group entities.

Notes to the Financial Statements continued

1. Significant accounting policies continued

Basis of preparation continued

A number of new standards and amendments to existing standards were effective for the financial year ended 30 September 2011. The effect of adopting the new standards, amendments to standards and interpretations which were mandatory for the first time for the year ended 30 September 2011 was the incorporation of an amendment to IFRS 8 – Operating Segments. The principal effect of this amendment is that segmental assets and liabilities are no longer presented so as to be consistent with the level of detail regularly reviewed by the chief operating decision maker, the Victrex plc Board.

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

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

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

Effective for the Group's financial year ending 30 September 2013:

- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

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

- IFRS 9 – Financial Instruments;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities; and
- IFRS 13 – Fair Value Measurement.

Investments

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

Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

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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 and this is reflected in the segmental information in note 2. The performance of the business units is assessed based on segmental operating profit.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operated (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation to balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at weighted average exchange rates; and
- all resulting exchange differences, from 1 October 2004, are recognised as a separate component of equity.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised at fair value. The method of recognising any gain or loss on remeasurement of fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

For derivatives not used in hedging transactions, the gain or loss on remeasurement of fair value is recognised immediately in the income statement.

Notes to the Financial Statements continued

1. Significant accounting policies continued

Derivative financial instruments and hedging activities continued

Cash flow hedges

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

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

Fair value estimation

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

Property, plant and equipment

Owned assets

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

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

Leased assets

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

Depreciation

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

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

Freehold land is not depreciated.

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

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

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Intangible assets

Goodwill

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

In respect of acquisitions prior to 1 October 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded previously under UK GAAP. In respect of acquisitions that have occurred since 1 October 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired.

Expenditure on internally generated goodwill is recognised in the income statement as an expense as incurred.

Research and development

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

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

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation. Should any impairment provisions arise during annual impairment testing, these would also be deducted from the carrying value of other intangible assets. Other intangible assets are tested annually for impairment, to the extent that they are considered to have an indefinite useful economic life.

Amortisation

Amortisation is charged to the income statement on a straight line basis in order to allocate the cost over the estimated useful economic lives as follows:

Knowhow	10 years

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

Impairment

The carrying amount of the Group's non-financial assets, other than inventories and current and deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amounts of the relevant assets are determined.

Goodwill

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

Impairment losses are recognised if the carrying amount of the CGU to which goodwill has been allocated exceeds its value in use and are recognised in the income statement. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit or group of units on a pro rata basis. Impairment losses in respect of goodwill are not reversed.

Other assets

For other assets subject to impairment reviews, an impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. Impairment losses recognised in previous periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements continued

1. Significant accounting policies continued

Inventories

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

Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or equity as appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries except to the extent that they will probably reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

Revenue recognition

Revenue comprises the amounts receivable for the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there is significant uncertainty regarding recovery of the consideration due, associated costs or the possible return of goods.

Rebates are accounted for as sales are made throughout the period. Volume rebates are accrued based on the maximum amount due to customers based on annualised sales, unless it is clear that rebate conditions will not be met in a particular period.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and it has been reliably estimated. Provisions are determined by discounting the expected future cash flows.

Net financing income and expense

Net financing income and expense comprises interest payable on borrowings, interest received on funds invested and charges on bank loans and overdrafts.

Grants

Grants related to income are deducted in reporting the related expense.

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Employee benefits

Defined contribution pension schemes

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

Defined benefit pension schemes

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

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

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

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

Share-based payment transactions 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.

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2. Segment reporting

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

	Victrex Polymer Solutions 2011 £m	Invibio Biomaterial Solutions 2011 £m	Group 2011 £m	Victrex Polymer Solutions 2010 £m	Invibio Biomaterial Solutions 2010 £m	Group 2010 £m
Revenue from external sales	166.1	49.7	215.8	145.3	44.2	189.5
Segment operating profit	66.8	30.3	97.1	48.3	28.1	76.4
Unallocated central costs			(3.3)			(1.5)
Operating profit			93.8			74.9
Net financing income			0.4			—
Profit before tax			94.2			74.9
Income tax expense			(23.0)			(20.9)
Profit for the year attributable to owners of the parent			71.2			54.0
Other information						
Depreciation	8.5	0.3	8.8	8.3	0.2	8.5
Amortisation	—	—	—	0.2	—	0.2

Entity wide disclosures

Information about products and services

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

Information about geographical areas

The Group's country of domicile is the United Kingdom. Revenues are attributed to customers based on the customer's location.

	Revenue from external sales	
	2011 £m	2010 £m
United Kingdom	5.3	3.8
Europe, Middle East and Africa ('EMEA')	97.0	85.6
Americas	73.6	68.0
Asia-Pacific	39.9	32.1
	215.8	189.5

Information about major customers

Revenue derived from one of the Group's customers amounted to £24.3m (2010: £22.7m) of the Group's total revenue from external customers and is included in both segmental revenues.

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3. Expenses by nature

	Note	2011 £m	2010 £m
Staff costs	4	42.6	38.7
Depreciation of property, plant and equipment	9	8.8	8.5
Amortisation of knowhow	10	—	0.2
Operating lease rentals	9	1.2	1.2
Other costs of manufacture		49.5	51.0
Other sales and marketing costs		6.6	6.2
Other administrative costs		8.4	4.3
Other research and development costs		4.9	4.5
		122.0	114.6

Auditor's remuneration is as follows:

	2011 £m	2010 £m
Audit services relating to:		
– Victrex plc Annual Report and Accounts	0.1	—
– The Company's subsidiaries, pursuant to legislation	0.1	0.1
Other services	—	0.1
	0.2	0.2

4. Staff costs

	Note	2011 £m	2010 £m
Wages and salaries		33.5	30.6
Social security costs		3.9	3.0
Defined contribution pension schemes		1.9	1.6
Defined benefit pension schemes	16	1.7	1.7
Equity-settled share-based payment transactions	18	1.6	1.8
	3	42.6	38.7

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

	2011	2010
Operations	264	236
Technical	81	92
Commercial	139	118
Administration	68	53
	552	499

5. Financial income

	2011 £m	2010 £m
Bank interest receivable	0.5	0.1

Notes to the Financial Statements continued

6. Financial expenses

	2011 £m	2010 £m
Bank interest and similar charges payable	0.1	0.1

7. Income tax expense

	Note	2011 £m	2010 £m
Current tax			
UK corporation tax on profits for the year		22.8	18.8
UK corporation tax adjustments relating to prior years		(1.8)	(0.3)
Overseas tax on profits for the year		3.1	4.7
Overseas tax adjustments relating to prior years		(0.6)	(0.4)
		23.5	22.8
Deferred tax			
Origination and reversal of temporary differences	12	(0.1)	(1.6)
Reduction in tax rate	12	(0.4)	(0.3)
Total tax expense in income statement		23.0	20.9

Reconciliation of effective tax rate

	2011		2010	
	%	£m	%	£m
Profit before tax		94.2		74.9
Tax expense at UK corporation tax rate	27.0	25.4	28.0	20.9
Effects of:				
– Expenses not deductible for tax purposes		0.6		0.5
– Higher rates of tax on overseas earnings		1.0		1.3
– UK research and development tax credits and other allowances		(1.2)		(0.9)
– UK corporation tax adjustments relating to prior years		(1.8)		(0.3)
– Overseas tax adjustments relating to prior years		(0.6)		(0.4)
– Reduction in tax rate		(0.4)		(0.3)
– Differences between current and deferred tax rates		—		0.1
Effective tax rate	24.5	23.0	28.0	20.9

The Budget on 23 March 2011 announced that the UK corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011.

In July 2011, a reduction in the UK tax rate from 26% to 25%, effective from 1 April 2012, was substantively enacted. In accordance with IAS 12 – Income Taxes, the deferred tax liabilities and assets have been calculated using a rate of 25%.

It has not yet been possible to quantify the full anticipated effect of the further 2% rate reduction, although this will further reduce the Group's future tax charge and reduce the Group's deferred tax liabilities/assets accordingly.

Tax recognised in other comprehensive income

	2011 £m	2010 £m
Cash flow hedges	0.6	(0.6)
Defined benefit pension schemes	(0.2)	0.3
Equity-settled transactions	(0.1)	0.2
	0.3	(0.1)

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8. Earnings per share

Earnings per share is based on the Group's profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year, excluding own shares held (see note 19).

	2011	2010
Earnings per share – basic	85.3p	65.1p
– diluted	84.4p	64.4p
Profit for the financial year	£71.2m	£54.0m
Weighted average number of shares used:		
– Issued ordinary shares at beginning of year	83,604,504	83,122,301
– Effect of own shares held	(394,375)	(470,695)
– Effect of shares issued during the year	182,603	271,119
Basic weighted average number of shares	83,392,732	82,922,725
Effect of share options	936,563	917,675
Diluted weighted average number of shares	84,329,295	83,840,400

9. Property, plant and equipment

	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 2009	19.4	148.0	6.8	1.4	3.3	178.9
Exchange differences	(0.1)	—	—	—	—	(0.1)
Additions	—	1.7	0.4	0.1	2.3	4.5
Disposals	—	—	(0.4)	(0.1)	—	(0.5)
Reclassification	—	1.9	—	—	(1.9)	—
At 30 September 2010	19.3	151.6	6.8	1.4	3.7	182.8
Additions	0.9	2.8	1.4	—	3.9	9.0
Disposals	—	—	(0.1)	—	—	(0.1)
Reclassification	2.6	3.2	—	0.2	(6.0)	—
At 30 September 2011	22.8	157.6	8.1	1.6	1.6	191.7
Depreciation						
At 1 October 2009	2.3	40.3	6.0	0.8	—	49.4
Disposals	—	—	(0.4)	—	—	(0.4)
Depreciation charge	0.6	7.2	0.5	0.2	—	8.5
At 30 September 2010	2.9	47.5	6.1	1.0	—	57.5
Disposals	—	—	(0.1)	—	—	(0.1)
Depreciation charge	0.6	7.5	0.5	0.2	—	8.8
At 30 September 2011	3.5	55.0	6.5	1.2	—	66.2
Carrying amounts						
At 30 September 2011	19.3	102.6	1.6	0.4	1.6	125.5
At 30 September 2010	16.4	104.1	0.7	0.4	3.7	125.3

The Company has no property, plant or equipment.

Notes to the Financial Statements continued

9. Property, plant and equipment continued

Leased property, plant and equipment

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

Operating lease rentals of £1.2m (2010: £1.2m) relating to the lease of property, plant and equipment are included in the income statement (see note 3).

10. Intangible assets

	Goodwill £m	Knowhow £m	Total £m
Cost			
At 30 September 2010 and 30 September 2011	13.3	6.1	19.4
Amortisation			
At 1 October 2009	3.2	5.9	9.1
Amortisation charge	—	0.2	0.2
At 30 September 2010	3.2	6.1	9.3
Amortisation charge	—	—	—
At 30 September 2011	3.2	6.1	9.3
Carrying amounts			
At 30 September 2011	10.1	—	10.1
At 30 September 2010	10.1	—	10.1

Goodwill

Goodwill comprises £10.1m in Victrex Polymer Solutions.

Goodwill arising on acquisitions is allocated to the cash generating unit ('CGU') that is expected to benefit. The recoverable amount of each CGU is determined using value in use calculations which use cash flow projections based on financial budgets approved by management. For the periods beyond the budget, cash flows are extrapolated using long-term growth rates. Other assumptions such as market share and changes to selling prices are based on past experience and management's expectations of future changes in the market.

The goodwill of £10.1m 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% (2010: 2.5%) and the risk adjusted pre-tax discount rate was 7.3% (2010: 7.5%). The impairment test results in more than 100% headroom and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

Knowhow

The knowhow arose on the acquisition in December 1999 associated with the supply of our key raw material, BDF. It has been fully amortised. The charge has been recognised within cost of sales in the income statement.

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11. Investments

Company

	Shares in Group undertakings £m
Cost and carrying value	
At 30 September 2010 and 30 September 2011	13.7

On 16 September 2011, Victrex plc acquired 100% of the share capital of Victrex USA Holdings Inc., a company incorporated in the USA. On 20 September 2011, Victrex plc disposed of the entire share capital of Victrex USA, Inc. to Victrex USA Holdings Inc. for consideration of £19.8m.

The principal companies in which the Group's interest is more than 20%, all of which are held by Victrex plc, are:

	Country of registration and operation	Principal activity	Class of share held	Shares held
Subsidiary undertakings				
Victrex Manufacturing Limited	Great Britain	Manufacture and sale of polymers	Ordinary	100%
Victrex Europa GmbH	Germany	Sale of polymers	Ordinary	100%
Invibio Limited	Great Britain	Manufacture and sale of polymers	Ordinary	100%
Victrex Japan, Inc	Japan	Sale of polymers	Ordinary	100%

12. Deferred tax assets and liabilities

	As at 30 September 2011					As at 30 September 2010				
	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	—	3.6	4.7	0.7	9.0	—	4.2	3.8	1.7	9.7
Deferred tax liabilities	(14.8)	—	—	—	(14.8)	(15.7)	—	—	—	(15.7)
Net deferred tax (liabilities)/assets	(14.8)	3.6	4.7	0.7	(5.8)	(15.7)	4.2	3.8	1.7	(6.0)

	Note	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Other £m	Total £m
Movement in net provision						
At 1 October 2009		(15.6)	4.1	2.6	0.5	(8.4)
Reduction in tax rate	7	0.5	(0.1)	(0.1)	—	0.3
Recognised in income statement	7	(0.6)	(0.3)	1.3	1.2	1.6
Recognised in other comprehensive income	7	—	0.5	—	—	0.5
At 30 September 2010		(15.7)	4.2	3.8	1.7	(6.0)
Reduction in tax rate	7	1.2	(0.3)	(0.3)	(0.2)	0.4
Recognised in income statement	7	(0.3)	—	1.2	(0.8)	0.1
Recognised in other comprehensive income	7	—	(0.3)	—	—	(0.3)
At 30 September 2011		(14.8)	3.6	4.7	0.7	(5.8)

13. Inventories

As at 30 September	2011 £m	2010 £m
Raw materials and consumables	12.1	8.1
Work in progress	4.0	2.6
Finished goods	28.9	23.8
	45.0	34.5

Notes to the Financial Statements continued

14. Trade and other receivables

As at 30 September	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Trade receivables	21.9	17.9	—	—
Amounts owed by subsidiary undertakings	—	—	54.4	30.7
Prepayments	1.2	0.9	—	—
Other	1.1	0.3	—	—
	24.2	19.1	54.4	30.7

15. Financial risk management

Group

Currency risk

The Group currently exports 98% of sales from the UK and also makes raw material purchases overseas. In addition, the Group includes a number of foreign subsidiaries. As a result of these factors, the Group's financial statements are exposed to currency fluctuations. The currencies giving rise to this risk are primarily US Dollar, Euro and Yen.

The impact of a 5% movement in the average Sterling/US Dollar, Sterling/Euro and Sterling/Yen rates on profit for 2011 is £3.8m, £3.6m and £0.8m respectively (2010: £3.1m, £2.9m and £0.6m). The impact of a 5% movement in the average Sterling/US Dollar, Sterling/Euro and Sterling/Yen rates on equity for 2011 is £1.3m, £0.2m and £0.5m (2010: £1.3m, £0.4m and £0.4m respectively).

Forward exchange contracts are used to manage this exposure to fluctuations in foreign exchange rates.

The Group hedges a proportion of sales, and occasionally purchases, denominated in a foreign currency. The Board is responsible for setting the hedging policy which is detailed on page 31. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. The Group buys or sells foreign currency at spot where necessary to address any short-term imbalances.

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges and states them at fair value. The notional contract amount, carrying amount and fair value of the Group's forward exchange contracts and swaps are as follows:

	As at 30 September 2011		As at 30 September 2010	
	Notional contract amount £m	Carrying amount and fair value £m	Notional contract amount £m	Carrying amount and fair value £m
Current assets	48.4	0.9	80.2	2.2
Current liabilities	91.9	(3.2)	50.7	(2.3)
	140.3	(2.3)	130.9	(0.1)

The fair values have been calculated by applying (where relevant), for equivalent maturity profiles, the rate at which forward currency contracts with the same principal amounts could be acquired at the balance sheet date. These are categorised as Level 1 within the fair value hierarchy under IFRS 7.

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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 2011				As at 30 September 2010			
	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	48.4	23.3	23.8	1.3	78.7	35.9	37.0	5.8
– Liabilities	91.9	47.6	39.2	5.1	51.7	27.6	24.1	—
	140.3	70.9	63.0	6.4	130.4	63.5	61.1	5.8

The following table indicates the periods in which cash flows associated with the maturity date of the forward foreign exchange contracts for which no hedge accounting is applied are expected to occur:

	As at 30 September 2011				As at 30 September 2010			
	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	—	—	—	—	1.5	1.5	—	—
– Liabilities	—	—	—	—	(1.0)	(1.0)	—	—
	—	—	—	—	0.5	0.5	—	—

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

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2011 will be recognised in the income statement during the period in which the hedged forecast transaction affects the income statement. At 30 September 2011, 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, £0.1m relating to forward exchange contracts on the balance sheet at 30 September 2011 was released to the income statement (2010: £0.2m).

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.

The Board receives a detailed breakdown every month of all significant credit limits, amounts due and amounts overdue across the Group and, in the case of the latter, the relevant action being taken.

Notes to the Financial Statements continued

15. Financial risk management continued

Group continued

Credit risk continued

Trade receivables can be analysed as follows:

As at 30 September	2011 £m	2010 £m
Amounts neither past due nor impaired	17.8	15.7
Amounts past due but not impaired:		
– Less than 30 days	2.1	2.0
– 30–60 days	0.5	0.1
– More than 60 days	1.5	0.1
Total past due but not impaired	4.1	2.2
Amounts impaired	0.3	0.4
Impairment allowances	(0.3)	(0.4)
Carrying amount of impaired receivables	—	—
Trade receivables net of allowances	21.9	17.9

Trade receivables are considered to be impaired when the amount is in dispute, customers are believed to be in financial difficulty or if any other reason exists which implies that there is a doubt over the recoverability of the debt. No provision has been made in respect of the amounts shown as past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable in full.

Movements in the allowance for impairments were:

	2011 £m	2010 £m
At beginning of year	0.4	0.4
Utilisation of allowance	(0.1)	—
At end of year	0.3	0.4

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

The credit risk in respect of cash and cash equivalents and derivative financial instruments is limited because the counterparties with significant balances are established, international banks. As at 30 September 2011, the maximum exposure with a single bank for deposits was £29.0m (2010: £24.2m) for the Group. As at 30 September 2011, the mark to market exposure on forward foreign exchange contracts was a net liability position with any single bank, due to the weakening of Sterling against US Dollar and Japanese Yen (2010: net gain of £0.1m). The amounts on deposit at the year end represent the Group's maximum exposure to credit risk on cash and deposits.

Liquidity risk

The Group's objective in terms of funding capacity is to ensure that it always has sufficient short-term and long-term funding available, either in the form of the Group's cash resources or committed bank facilities. The Group has sufficient funds available in order to meet its current funding requirements for both revenue and capital expenditure. In order to further manage liquidity risk to an acceptable level, the Group has a committed bank facility of £40m, all of which was undrawn at the year end. This facility was renewed in 2007 and expires in September 2012.

As at 30 September 2011 the Group had a cash and cash equivalents balance of £72.3m.

Interest rate risk

The Group had no short-term borrowings at the balance sheet date.

Although the Group does hold substantial cash balances, its exposure to interest rate risk is not considered to be significant.

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Price risk
The Group's products contain a number of key raw materials and its operations require energy, notably electricity and natural gas. Any increase or volatility in prices and any significant decrease in the availability of raw materials or energy could affect the Group's results. Victrex strives to obtain the best prices and uses contractual means to benefit where appropriate and possible. The Group has a significant degree of control over its supply chain which enables it to effectively manage the risk in this area.

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

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

The Board does not expect to make significant share repurchases in 2012, 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	2011 £m	2010 £m
Total equity	221.6	211.3
Total assets	287.8	279.0
Equity ratio	77%	76%

Summary of categories of financial assets and liabilities

As at 30 September	Carrying amount and fair value 2011 £m	Carrying amount and fair value 2010 £m
Financial assets		
Derivative instruments designated as fair value through profit and loss ('FVTPL')	—	0.1
Derivative instruments in designated hedge accounting relationships	0.9	2.1
Loans and receivables	23.0	18.2
Cash and cash equivalents	72.3	77.3
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	(3.2)	(2.3)
Trade and other payables	(29.5)	(25.1)

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 62 to 64.

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 2011 the Company has intragroup loans outstanding totalling £20.7m (2010: nil). These loans are over terms of 7–8 years at interest rates of 7.15–7.40%.

Notes to the Financial Statements continued

16. Retirement benefit obligations

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

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

IAS 19 disclosures relating to defined benefits are as follows:

Principal actuarial assumptions

As at 30 September	2011	2010
Discount rate	5.30%	5.30%
Expected return on schemes' assets[1]	6.12%	6.46%
Future salary increases	5.00%	5.05%
Future pension increases	3.45%	3.50%
Mortality tables	S1NA CMI 2010 (1%)	PNA00 CMI 2009 (1%)
Life expectancy from age 62 of current pensioners:		
– Male	24.8 yrs[2]	25.5 yrs[3]
– Female	27.1 yrs[2]	27.4 yrs[3]
Life expectancy from age 62 of active and deferred members:		
– Male	26.0 yrs[4]	26.8 yrs[5]
– Female	28.5 yrs[4]	28.8 yrs[5]

[1] The future expected return on assets of 6.12% (2010: 6.46%) per annum has been derived from assumed returns of 7.5% (2010: 7.5%) per annum from equity assets, 3.8% (2010: n/a) per annum from gilts, 5.3% (2010: 5.3%) per annum from bonds and 0.5% (2010: 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 2011.

[3] Life expectancy from age 62 for members aged 62 in 2010.

[4] Life expectancy from age 62 for members aged 45 in 2011.

[5] Life expectancy from age 62 for members aged 45 in 2010.

Amounts recognised in the balance sheet

As at 30 September	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of funded obligations	(41.0)	(40.5)	(34.8)	(24.0)	(26.2)
Fair value of schemes' assets	34.8	31.0	24.0	17.6	19.1
Net liability before deferred taxation	(6.2)	(9.5)	(10.8)	(6.4)	(7.1)
Related deferred taxation asset	1.6	2.6	3.0	1.8	2.0
Net liability after deferred taxation	(4.6)	(6.9)	(7.8)	(4.6)	(5.1)
Change in assumptions and experience adjustments arising on schemes' liabilities	2.8	(2.9)	(9.0)	4.5	5.2
Experience adjustments arising on schemes' assets	(1.7)	2.0	1.8	3.6	0.5

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Changes in the present value of the funded obligation

	2011 £m	2010 £m
Defined benefit obligation at beginning of year	(40.5)	(34.8)
Exchange difference	—	0.1
Service cost	(1.7)	(1.4)
Interest cost	(2.2)	(2.0)
Actuarial gains/(losses)	2.8	(2.9)
Benefits paid	0.6	0.5
Defined benefit obligation at end of year	(41.0)	(40.5)

During the year ending 30 September 2012 the Group expects to contribute to its defined benefit pension schemes £2.3m, which includes normal contributions together with the first of four deficit funding contributions of £0.9m.

Changes in the fair value of the schemes' assets

	2011 £m	2010 £m
Fair value of schemes' assets at beginning of year	31.0	24.0
Expected return	2.1	1.6
Actuarial (losses)/gains	(1.7)	2.0
Contributions by employer	3.9	3.8
Contributions by employee	0.1	0.1
Benefits paid	(0.6)	(0.5)
Fair value of schemes' assets at end of year	34.8	31.0
Actual return on schemes' assets	0.4	(1.6)

Major categories of schemes' assets

As at 30 September	2011 £m	2010 £m
UK equities	8.2	5.9
Non UK equities	10.4	11.1
Gilts	4.6	—
Bonds	9.3	12.6
Cash	1.3	0.5
Insurance policies	1.0	0.9
Fair value of schemes' assets at end of year	34.8	31.0

Amounts recognised in the income statement

	Note	2011 £m	2010 £m
Current service cost		(1.7)	(1.4)
Contributions by employee		0.1	0.1
Interest on obligations		(2.2)	(2.0)
Other finance income and expenditure		2.1	1.6
Total included in 'staff costs'	4	(1.7)	(1.7)

Of the total included in staff costs, £0.9m is included within cost of sales (2010: £1.0m) and £0.8m is included within sales, marketing and administrative expenses (2010: £0.7m).

Notes to the Financial Statements continued

16. Retirement benefit obligations continued

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

	2011 £m	2010 £m
Cumulative amount at beginning of year	(12.9)	(12.0)
Movement in year	1.1	(0.9)
Cumulative amount at end of year	(11.8)	(12.9)

17. Trade and other payables

	Group		Company	
As at 30 September	2011 £m	2010 £m	2011 £m	2010 £m
Trade payables	5.7	3.7	—	—
Amounts owed to Group undertakings	—	—	6.9	5.9
Accruals	22.4	18.7	—	—
Other	1.4	2.7	—	—
	29.5	25.1	6.9	5.9

18. Share-based payments

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

Executive Share Option Scheme ('ESOS')

The Victrex 1995 ESOS came to the end of its ten year life in 2005. The exercise price of the granted options is equal to the market price of the shares on the date of grant. ESOS options are conditional on the employee completing three years' service (the vesting period). These options are exercisable within a ten year period starting three years from date of grant only if the Group achieves EPS growth exceeding inflation by an average of at least 3% per annum over the three year vesting period.

Outstanding options as at balance sheet date

Grant date	2011 Number of options	2010 Number of options
July 2004	2,023	2,023
December 2004	—	1,072
	2,023	3,095

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Executive Share Option Plan ('ESOP')

The Victrex 2005 ESOP replaced the ESOS in February 2005. All employees are eligible to participate in the Executive Plan. The Remuneration Committee currently excludes executive Directors from participating in this plan. Option awards are based on a percentage of basic salary, not exceeding 100% of salary. The exercise price of the options is equal to the market price of the shares on the date of grant. ESOP options are conditional on the employee completing three years' service (the vesting period). These options are exercisable starting three years from date of grant. The level of awards vesting will vary depending on EPS growth. In order for awards to vest the Group must achieve EPS growth exceeding the Retail Prices Index by an average of at least 2%, 3% and 4% per annum, over the three year vesting period, for awards up to 33%, from 33% to 66% and from 66% to 100% of salary respectively. Straight line vesting will occur to the extent that EPS growth falls between these average annual EPS growth targets. These options have a maximum term of ten years.

Outstanding options as at balance sheet date

Grant date	2011 Number of options	2010 Number of options
June 2005	19,226	43,807
December 2005	2,247	3,197
June 2006	56,229	107,947
December 2007	13,817	59,849
May 2008	143,234	309,186
December 2008	42,027	99,038
May 2009	39,501	40,487
December 2009	190,367	212,909
May 2010	15,878	18,220
December 2010	255,168	—
June 2011	28,941	—
	806,635	894,640

Sharesave Plan

The Victrex 2005 UK Sharesave Plan replaced the Sharesave Scheme during 2005. UK resident employees and full-time Directors of the Company or any designated participating subsidiary 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.

Outstanding options as at balance sheet date

Grant date	Vesting conditions	2011 Number of options	2010 Number of options
March 2006	Five years of service and saving	1,109	19,664
March 2007	Five years of service and saving	7,310	7,310
March 2008	Three years of service and saving	103	30,597
March 2008	Five years of service and saving	7,563	7,563
March 2009	Three years of service and saving	306,229	318,995
March 2009	Five years of service and saving	227,533	228,464
March 2010	Three years of service and saving	23,672	25,038
March 2010	Five years of service and saving	5,074	5,074
March 2011	Three years of service and saving	32,748	—
March 2011	Five years of service and saving	6,688	—
		618,029	642,705

Notes to the Financial Statements continued

18. Share-based payments continued

Stock Purchase Plan

US based employees (including executive Directors) are eligible to participate in the Victrex 2005 Employee Stock Purchase Plan. The price payable for each ordinary share shall be a price determined by the Board, provided that it shall not be less than 85% of the lower of the market value of an ordinary share on the date of grant or the date of purchase.

Awards may be granted over a number of ordinary shares determined by the amount employees have saved by the end of a one year savings period. There are no outstanding options as at balance sheet date (2010: nil).

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

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

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

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

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

Outstanding options as at balance sheet date

Grant date	2011 Number of options	2010 Number of options
December 2006	7,424	13,221
December 2007	35,731	64,596
	43,155	77,817

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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 base salary.

Awards normally vest in three equal tranches on the third, fourth and fifth anniversaries of the grant to the extent that the applicable performance conditions (see below) have been satisfied and provided the participant is still employed in the Company's Group. Participants will have a five year period from the date each tranche vests in which to exercise awards structured as nil (or nominal) cost options.

Participants will receive a payment (in cash and/or shares) on or shortly following the vesting of their awards, of an amount equal to the dividends that would have been paid on those shares between the time when the awards were granted and the time when they vest. Alternatively, participants may have their awards increased as if dividends were paid on the shares subject to their award and then reinvested in further shares.

The extent to which an award will be exercisable is dependent on two independent performance conditions with 50% determined by reference to the Company's TSR and 50% determined by reference to the Group's EPS:

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

Outstanding options as at balance sheet date

Grant date	2011 Number of options	2010 Number of options
February 2009	138,181	188,665
December 2009	63,529	93,963
February 2010	13,487	13,487
December 2010	63,398	—
June 2011	5,911	—
	284,506	296,115

Notes to the Financial Statements continued

18. Share-based payments continued

Number and weighted average exercise prices of share options

	ESOS and ESOP		Sharesave Scheme and Plan		Stock Purchase Plan		LTIP	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 October 2009	646p	1,545,230	375p	663,671	—	—	nil p	556,596
Granted during the year	816p	238,903	637p	32,197	403p	20,023	nil p	107,450
Forfeited during the year	731p	(451,550)	404p	(25,831)	—	—	nil p	(62,470)
Exercised during the year	553p	(434,848)	483p	(27,332)	403p	(20,023)	nil p	(227,644)
Outstanding at 30 September 2010	693p	897,735	383p	642,705	—	—	nil p	373,932
Granted during the year	1,355p	290,769	1,178p	40,535	748p	12,525	nil p	79,726
Forfeited during the year	1,003p	(14,746)	440p	(13,461)	—	—	nil p	(36,376)
Exercised during the year	664p	(365,100)	534p	(51,750)	748p	(12,525)	nil p	(89,621)
Outstanding at 30 September 2011	939p	808,658	421p	618,029	—	—	nil p	327,661
Range of exercise prices	355.0p–1,421.0p		348.0p–1,178.0p			—		nil p
2010	355.0p–939.5p		348.0p–658.0p			—		nil p
Weighted average contractual life (years)		7.9		2.0		0.4		7.8
2010		7.8		2.7		0.4		8.4
Exercisable at end of year	709p	236,776	525p	1,212		—		—
2010	642p	158,046		—		—		—

Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Stochastic model. The contractual lives of the options and expectations of early exercise are incorporated into this model.

Fair value of share options and weighted average assumptions

	As at 30 September 2011				As at 30 September 2010			
	ESOS and ESOP	Sharesave Scheme and Plan	Stock Purchase Plan	LTIP	ESOS and ESOP	Sharesave Scheme and Plan	Stock Purchase Plan	LTIP
Fair value at measurement date	296p	185p	338p	654p	204p	178p	270p	475p
Share price at grant	976p	559p	1,334p	788p	706p	525p	880p	626p
Exercise price	939p	421p	n/a	nil p	693p	383p	n/a	nil p
Expected volatility	33%	38%	33%	39%	30%	37%	30%	37%
Option life	10 yrs	4 yrs	1 yr	10 yrs	10 yrs	4 yrs	1 yr	10 yrs
Expected dividends	2.2%	3.6%	1.9%	0.3%	2.5%	3.6%	2.2%	0.5%
Risk-free interest rate	3.3%	2.1%	0.9%	2.1%	4.0%	2.3%	0.7%	2.4%

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

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

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Staff costs – equity-settled share-based payment transactions

	Note	2011 £m	2010 £m
ESOP		0.7	0.5
Sharesave Plan		0.4	0.4
Stock Purchase Plan		—	—
LTIP		0.5	0.9
	4	1.6	1.8

19. Share capital and reserves

Share capital

	2011		2010	
	Number	£m	Number	£m
Allotted, called up and fully paid shares of 1p each				
At beginning of year	83,604,504	0.8	83,122,301	0.8
Issued for cash	429,375	—	482,203	—
At end of year	84,033,879	0.8	83,604,504	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.

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 2011 was 367,403 (2010: 387,846). Distribution of shares from the trusts is at the discretion of the trustees. Dividends attaching to these shares have been waived.

Translation reserve

The translation reserve comprises all foreign exchange differences, since 1 October 2004 (as permitted by IFRS 1), arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends

	2011 £m	2010 £m
Year ended 30 September 2009:		
– Final dividend paid February 2010 at 14.0p per ordinary share	—	11.6
Year ended 30 September 2010:		
– Interim dividend paid July 2010 at 6.4p per ordinary share	—	5.3
– Final dividend paid February 2011 at 18.6p per ordinary share	15.5	—
– Special dividend paid February 2011 at 50.0p per ordinary share	41.6	—
Year ended 30 September 2011:		
– Interim dividend paid July 2011 at 8.0p per ordinary share	6.7	—
	63.8	16.9

A final dividend in respect of 2011 of £20.5m (24.5p per ordinary share) has been recommended by the Directors for approval at the Annual General Meeting in February 2012. These financial statements do not reflect this dividend.

Notes to the Financial Statements continued

20. Reconciliation of profit to cash generated from operations

	Note	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Profit after tax for the year		71.2	54.0	103.9	3.2
Income tax expense	7	23.0	20.9	—	—
Net financing income		(0.4)	—	0.1	—
Operating profit		93.8	74.9	104.0	3.2
Adjustments for:					
Depreciation	9	8.8	8.5	—	—
Amortisation	10	—	0.2	—	—
(Increase)/decrease in inventories		(9.7)	2.9	—	—
(Increase)/decrease in trade and other receivables		(5.5)	(3.2)	(42.8)	11.1
Increase in trade and other payables		4.5	10.2	1.0	—
Equity-settled share-based payment transactions	18	1.6	1.8	—	—
Changes in fair value of derivative financial instruments		(0.1)	(2.2)	—	—
Retirement benefit obligations charge less contributions		(2.2)	(2.2)	—	—
Dividends received from subsidiaries		—	—	(83.1)	(3.1)
Cash generated from operations		91.2	90.9	(20.9)	11.2

21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

As at 30 September	2011 £m	2010 £m
Not later than one year	1.4	1.0
Later than one year but not later than five years	3.2	1.7
Later than five years	3.9	3.2
	8.5	5.9

22. Reconciliation of net cash to movements in net cash

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
(Decrease)/increase in cash and cash equivalents in year	(5.1)	58.4	—	—
Effect of exchange rate fluctuations on cash held	0.1	0.3	—	—
Movement in net cash in year	(5.0)	58.7	—	—
Net cash at beginning of year	77.3	18.6	—	—
Net cash at end of year	72.3	77.3	—	—

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23. Related party transactions

Identity of related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the Company's accounts.

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Trading transactions with subsidiaries				
Administrative expenses paid on Company's behalf by subsidiaries	—	—	0.5	0.5
Management charge to subsidiaries	—	—	2.3	2.3
Amounts receivable from subsidiaries	—	—	54.4	30.7
Financing transactions with subsidiaries				
Dividends received from subsidiaries	—	—	83.1	3.1
Cash transfers received from subsidiaries	—	—	10.1	17.5
Cash transfers made to subsidiaries	—	—	31.5	6.3
Non-current amounts receivable from subsidiaries	—	—	20.7	—

The Group's post-employment plans are related parties and the Group's and Company's transactions with them are disclosed in note 16.

Details of transactions during the year relating to the Company's investments in subsidiaries can be found in note 11.

Details of loan balances between the Company and its subsidiaries can be found in note 15.

Transactions with key management personnel

The key management of the Group and Company consists of the Board of Directors. Details of Directors' remuneration, including non-cash benefits and contributions to post-employment defined benefit plans, are given in the Report on Directors' Remuneration on pages 34 to 41.

Directors of the Company control 4% of the voting shares of the Company, details of which are given on page 39.

Details of Directors' indemnities are given on page 33.

24. Accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements continued

24. Accounting estimates and judgements continued

Hedging

Group hedging policy is to defer the impact on profits of currency movements by hedging a proportion of projected transaction exposures. Forward exchange contracts are used to manage the exposure to fluctuations in foreign exchange rates. These forward contracts are entered into on the basis of forecasts of future trading and the valuation of these contracts is calculated using forward exchange market rates.

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

Share-based payments

The charge for share-based payment transactions is calculated in accordance with Group policy. The option valuation models used require subjective assumptions to be made including the future volatility of the Group's share price, expected dividend yields, risk-free interest rates and expected staff turnover. The Directors draw upon a variety of external sources to aid the determination of the appropriate data to use in such calculations. Note 18 contains information about the assumptions relating to share-based payment transactions.

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 potential impairment of the carrying value of such assets. No circumstances have been identified to suggest that this is the case.

Goodwill

Goodwill is reviewed annually to assess the requirement for impairment. Other intangible assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the carrying value of such assets is not supportable. Impairment testing on goodwill is carried out as described in note 10. Such calculations require judgement relating to the appropriate discount factors and long-term growth prevalent in particular markets as well as short-term business performance. The Directors also draw upon experience in making these judgements. Note 10 contains information about the assumptions relating to impairment testing.

25. Exchange rates

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

	2011		2010	
	Average	Closing	Average	Closing
US Dollar	1.57	1.56	1.58	1.58
Euro	1.16	1.16	1.15	1.15
Yen	135	120	153	132

Five Year Financial Summary
for the year ended 30 September

	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Results					
Revenue	131.0	141.1	103.8	189.5	215.8
Profit before tax	52.0	55.0	25.1	74.9	94.2
Balance sheet					
Property, plant, equipment and intangible assets	124.3	140.8	139.7	135.4	135.6
Inventories	27.9	31.7	37.2	34.5	45.0
Net cash	13.7	23.5	18.6	77.3	72.3
Trade receivables and other assets	24.1	27.4	25.4	31.8	34.9
Retirement benefit obligations	(7.1)	(6.4)	(10.8)	(9.5)	(6.2)
Trade payables and other liabilities	(41.4)	(50.2)	(41.9)	(58.2)	(60.0)
Equity shareholders' funds	141.5	166.8	168.2	211.3	221.6
Cash flow					
Net cash flow from operating activities	38.9	46.6	15.7	77.2	65.9
Capital expenditure	(37.2)	(25.0)	(7.5)	(4.5)	(9.0)
Acquisitions	(1.0)	—	—	—	—
Dividends and other items	(10.0)	(17.1)	(15.1)	(14.3)	(62.0)
Net (decrease)/increase in cash and cash equivalents	(9.3)	4.5	(6.9)	58.4	(5.1)
Ratios					
Earnings per ordinary share – basic	44.9p	47.8p	21.7p	65.1p	85.3p
Full year dividend per ordinary share	17.3p	18.3p	19.2p	25.0p	32.5p
Special dividend per ordinary share	—	—	—	50.0p	—
Sales volume					
Tonnes	2,508	2,626	1,547	2,535	2,860

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Notice of Annual General Meeting

Notice is hereby given that the nineteenth Annual General Meeting ('AGM') of Victrex plc ('the Company') will be held at 11am on 7 February 2012, at the Andaz Hotel, Liverpool Street, London, EC2M 7QN, to transact the following business:

Ordinary business

1. To approve the Report on Directors' Remuneration for the year ended 30 September 2011.
2. To receive the Company's Annual Report and Accounts for the year ended 30 September 2011, together with the reports of the Directors and the auditor.
3. To approve the payment of a final dividend of 24.5p per share on the Company's ordinary shares of 1p in respect of the year ended 30 September 2011.
4. To elect Dr P J Kirby who, having been appointed as a Director after the last AGM of the Company, retires and offers herself for election.
5. To elect Mr A S Barrow who, having been appointed as a Director after the last AGM of the Company, retires and offers himself for election.
6. To re-elect Ms A M Frew as a Director of the Company.
7. To re-elect Mr G F B Kerr as a Director of the Company.
8. To re-elect Mr P J M De Smedt as a Director of the Company.
9. To re-elect Mr L C Pentz as a Director of the Company.
10. To re-elect Mr D R Hummel as a Director of the Company.
11. To re-appoint KPMG Audit Plc as auditor of the Company and to authorise the Directors to determine their remuneration.

Special business

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

12. That the Board be and 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 nominal amount of £280,122; and

    b) up to a further nominal amount of £280,122 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 7 May 2013) 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.

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To consider and, if thought fit, pass the following resolutions as special resolutions:

13. That, conditional upon resolution 12 being passed, the Board be and hereby is given power to allot equity securities (as defined in the 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 12, 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 12 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(3) of the 2006 Act, to the allotment (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £42,018.

    Such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 7 May 2013) but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

14. That the Company be and is hereby authorised generally and unconditionally to make one or more market purchases (as defined in section 693(4) of the 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 number of 8,403,673 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 7 May 2013) but so that the Company may enter into a new contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after the authority ends and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority had not ended.

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

By order of the Board

G M Hulme
Company Secretary
5 December 2011

Notice of Annual General Meeting continued

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Annual Report.
2. To be valid, any proxy form or other instrument appointing a proxy must be lodged with the Company's Registrars, Equiniti, not less than 48 hours before the start of the AGM or any adjournment thereof.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the 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.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6pm on 5 February 2012 (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.
7. As at 2 December 2011 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 84,036,737 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 2 December 2011 are 84,036,737. There are no shares in treasury.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual available via www.euroclear.com/crest. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent Equiniti (ID RA19) by 11am on 5 February 2012. 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.

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10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Under section 527 of the 2006 Act members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or

    b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 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.

13. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

    a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    b) the answer has already been given on a website in the form of an answer to a question; or

    c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Notice of Annual General Meeting continued

Notes continued

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

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

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

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

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

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

    b) it is defamatory of any person; or

    c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 27 December 2011, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

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

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

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

    - the executive Directors' service contracts;
    - letters of appointment of the non-executive Directors;
    - deeds of indemnity in favour of the Directors; and
    - the Articles of Association.

Explanatory Notes

Ordinary business

Resolution 1 – Approval of the Report on Directors' Remuneration

This resolution is proposed to approve the Report on Directors' Remuneration as set out on pages 34 to 41.

Resolution 2 – Annual Report and Accounts

The Directors are under a duty in relation to each financial year to lay the Accounts and reports of the Directors and auditor before the Company in general meeting, giving shareholders the opportunity to ask questions on the contents.

Resolution 3 – Declaration of final dividend

A final dividend of 24.5p per ordinary share payable on 24 February 2012 has been recommended by the Directors for the year ended 30 September 2011. In accordance with the requirements of HM Revenue & Customs, all dividends are declared and paid net of income tax at the standard rate.

Resolutions 4 to 10 – Re-election of Directors

In accordance with the Articles of Association Dr P J Kirby and Mr A S Barrow (who were appointed as non-executive Director and Director respectively after the last Annual General Meeting of the Company) are required to retire. They will, however, seek election by the shareholders. Additionally, in accordance with the UK Corporate Governance Code 2010 all Directors offer themselves for re-election at the AGM. Biographical details of all of our Directors are set out on pages 22 and 23.

The Board considers each non-executive Director to be independent and confirms that, following formal evaluation (as referred to on page 26), they each continue to contribute effectively to the Board and to demonstrate commitment to their roles (including commitment of time for Board and Board Committee meetings).

Resolution 11 – Reappointment of auditor/auditor's remuneration

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

Special business

Resolution 12 – Authority to allot shares

The authority of shareholders is required to enable Directors to allot shares. Accordingly, in line with the Company's usual procedure, which is also standard practice amongst other public companies, this resolution seeks authority for the Directors to issue shares until the conclusion of next year's AGM of the Company or 7 May 2013, if sooner.

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

The Directors have no current intention of exercising this authority.

Resolution 13 – Permission to allot a limited number of shares other than to existing shareholders

When shares are issued for cash, they normally have to be offered first to existing shareholders in proportion to their current shareholding. This resolution will enable the Directors to allot shares for cash up to a nominal amount of £42,018, 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 7 May 2013, if sooner.

Explanatory Notes continued

Special business continued

Resolution 14 – Authority to purchase own shares

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 14 specifies the maximum number of shares which may be acquired (less than 10% of the Company's issued ordinary share capital as at the date of this Notice) and the maximum and minimum prices at which shares may be bought.

The Directors intend to use the authority only if, in the light of market conditions prevailing at the time, they believe that the effect of such purchase will be in the best interests of the Company and its shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account in reaching such a decision. Any shares purchased in this way will either be cancelled and the number of shares in issue will be reduced accordingly, or be held as treasury shares. Shares held as treasury shares can in the future be cancelled, resold or used to provide shares for employee share schemes.

As at 2 December 2011, options over a total of 1,420,412 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represents 1.69% of the Company's issued Ordinary Share capital at 2 December 2011. It would represent 1.88% of the issued Ordinary Share capital if the authority to buy the Company's own shares had been used in full at that date.

The authority will lapse at the earlier of the next AGM of the Company or 7 May 2013, if sooner.

Resolution 15 – Authority to hold general meetings (other than annual AGMs) on 14 clear days' notice

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

Recommendation

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

Financial Calendar and Advisers

Annual General Meeting	7 February 2012
Ex dividend date	8 February 2012
Record date*	10 February 2012
Payment of final dividend	24 February 2012
Announcement of 2012 half-yearly results	May 2012
Payment of interim dividend	July 2012

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

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For more info log on to www.victrex.com

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