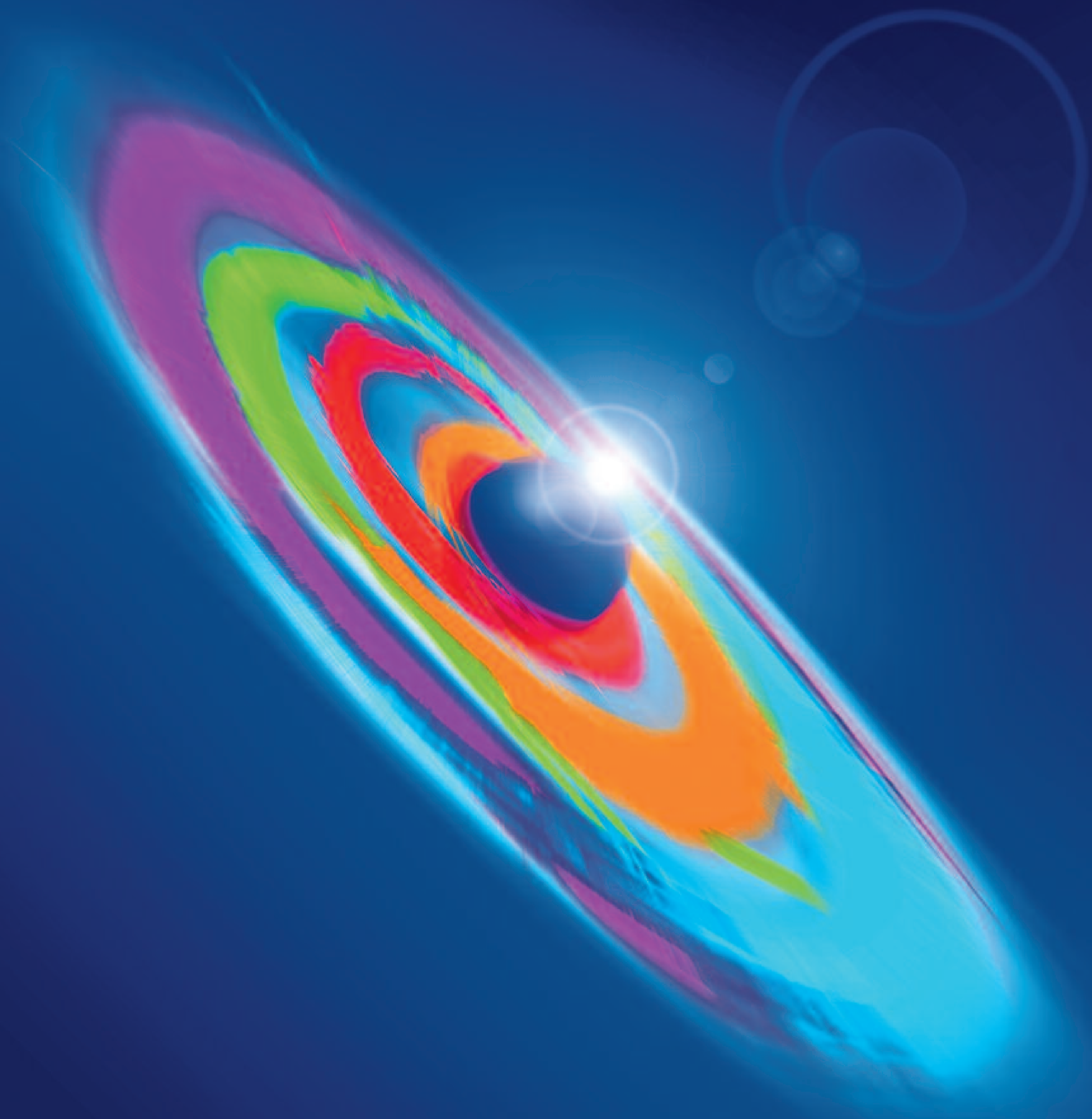
The Weir Group PLC
Annual Report 2006

Excellent
Engineering
Solutions



Financial Highlights 2006

Group results - continuing operations

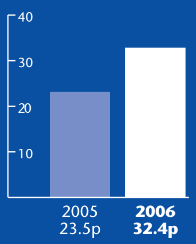
Revenue
£940.9m
Up 19%

Operating profit (2)
£87.7m
Up 32%

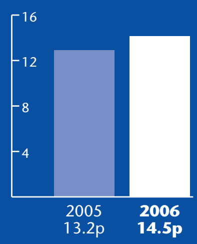
Pre-tax profit (2)
£87.1m
Up 40%

Order input (1)
£1,099.5m
Up 23%

Earnings per share (2)
32.4p
Up 38%



Dividend
14.5p
Up 10%



Net debt
£7.1m
Down 91%

(1) Excludes Joint Ventures & Associates; calculated at constant 2006 exchange rates

(2) Adjusted to exclude exceptional items

Contents:

The benefits of restructuring, the addition of Gabbioneta and our ongoing operational improvements all contributed to the Group's excellent results in 2006. We enter 2007 with a robust portfolio of businesses operating in buoyant end markets which provides an excellent platform for further improvement in the year ahead. The Group's healthy balance sheet and cash generation provide the necessary flexibility to pursue new capital investments and aligned acquisitions.

2006 Highlights (continuing operations):

- Order input(1) up 23% to £1099.5m
- Revenue up 19% to £940.9m
- Operating profit(2) up 32% to £87.7m
- Earnings per share(2) up 38% to 32.4p
- Dividend increase of 10% to 14.5p
- Strong cash generation reduces net debt to £7.1m

(1) Excludes joint ventures & associates; calculated at constant 2006 exchange rates
(2) Adjusted to exclude exceptional items

The Weir Group Worldwide

The Weir Group has a strong reputation for engineering excellence in the manufacture of specialist equipment and the delivery of through-life engineering solutions. The best manufacturing facilities in the Group deliver industry leading performance and every business has well defined plans to maximise operational performance.

Weir employs over 8,000 people worldwide, focused on our key markets. These range from mining and minerals processing to the defence and nuclear industry, from oil and gas exploration to power generation. In all these areas, we provide solutions that meet the engineering and operational challenges facing our customers.

For further information about The Weir Group PLC, visit **www.weir.co.uk**

Chairman's Statement: It is particularly rewarding to report the successful execution of the Group's five year programme to transform the operational and financial performance of the Group. In 2006, we saw double digit growth in revenue and profits and delivered our best operating year ever.

"While the Group's organic opportunities provide good development prospects, our strong cash generation and largely ungeared balance sheet provide the full range of options to create further growth."

Financial highlights

Group revenue from continuing operations increased 19% to £940.9m (2005: £789.4m). Continued strong growth from our Engineering Products Division reflects the strength of the oil, power and mining markets and the first full year of contribution from Weir Gabbioneta which was acquired in the final quarter of 2005. The Defence, Nuclear & Gas Division also benefited from buoyant conditions in the shipbuilding and naval sectors where Weir maintains significant market positions.

Operating profit before exceptional items from continuing operations at £87.7m (2005: £66.3m) was 32% above 2005, with Group subsidiaries at £77.2m (2005: £57.1m) and our joint ventures and associates contributing £10.5m against £9.2m in 2005. Operating margins, excluding attributable profits from our joint ventures and associates, as a percentage of revenue increased to 8.2% of sales against 7.2% last year. The benefits of the UK restructuring programmes and acquisition of Weir Gabbioneta in Engineering Products, together with a stronger performance from Defence, Nuclear & Gas offset lower margins from our Engineering Services Division.

Group pre-tax profits before exceptional items from continuing operations were up 40% to £87.1m (2005: £62.2m). Net exceptional gains of 15.7m resulted in a reported profit before tax from continuing operations of £102.8m. We recognised a £6.8m gain on the sale of the former Weir Valves & Controls site in Huddersfield and a once off gain of £10.7m on the agreement from the pension trustees to implement defined benefit changes to our main UK pension plan.

With an effective tax rate of 26% on attributable profits before exceptional items, earnings per share on the same basis amounted to 32.4p (2005: 23.5p). Reported earnings per share, taking account of exceptional items and discontinued operations, was 39.4p, an increase of 213%.

Cash generation from operations improved significantly to £134.5m (2005: £71.3m) reflecting the success of management's focus on improving working capital. The year ended with net debt of £7.1m against £76.4m last year. The continued strong cash generation capabilities of Group operations are clearly evident in these results.

The Board is recommending a final dividend of 10.75p per share making a total distribution for the year of 14.5p (2005: 13.2p), a 10% increase on 2005.

Strategy & structure

It is particularly rewarding to celebrate the successful execution of our five year programme to transform the operational performance and financial returns of the Group. The achievements have been substantial; a realigned portfolio of businesses, a change in culture and a clearly defined roadmap for operational excellence. In the year, we saw double digit growth in revenue and profits and delivered our best operating year ever.

The Engineering Products Division delivered dramatically improved results in 2006 and benefited from its portfolio realignment to the higher growth oil, power and mining markets which represented more than 80% of revenue in the year. The benefits from restructuring the underperforming UK businesses were clearly evident in this year's results with the two businesses contributing significantly to the division's 2006 performance.

In the Defence, Nuclear & Gas Division, the improvement has been impressive. In Defence, our geographic expansion into Canada, Spain and Australia underpins the substantial progress in the year. Our growing participation in the UK nuclear sector provides a further avenue for substantial growth. At the same time the liquid gas business benefited from buoyant demand in gas ship orders while extending its market and customer base in the European and onshore storage sectors.

The Engineering Services Division has grown considerably in recent years by expanding its position in Australia and North America and adding strategically important joint ventures in the Middle East. With the major restructuring of our Engineering Products Division largely behind us, our attention in 2006 turned to improving the performance of our Services activities in our more traditional markets. Restructuring activities in the United States, the Middle East and the UK were undertaken in the year and the division is now positioned for growth in margins and operational performance in 2007 and beyond.

At the outset of the Group's transformation programme, we recognised the need to respond to the changing demographics of our most important markets. We laid down plans to expand our footprint in the higher growth emerging markets of the Former Soviet Union, Asia, South America and the Middle East. Today these markets represent in excess of 30% of Group turnover and in 2007, we will make additional investments in new foundry operations in Brasil and the start-up of Minerals' wholly-owned greenfield operation in Suzhou, China.

The key management focus for 2007 is to accelerate the execution of the Weir Production System throughout the Group and reap additional benefits from concentrating on Lean processes. The collective operations of the Group made excellent progress during 2006 and the benefits are evident in this year's results. Improved working capital, reduced inventories and improved customer relationships were all delivered through a focused approach to achieving best practice.

In 2006, the Group's track record of acquisitions has been further enhanced with the successful integration of Weir Gabbioneta and our newest joint venture in Saudi Arabia both making considerable contributions during the year.

While the Group's organic opportunities provide good development prospects, our strong cash generation and largely ungeared balance sheet provide the full range of options to create further growth.

The Board

As previously reported, Keith Cochrane joined as Group Finance Director on 3 July 2006 and has made a significant contribution since joining.

Corporate governance

I remain confident that at the Weir Group we have the culture and required processes to protect effectively the interests of all of our stakeholders.

The Board's operational framework is underpinned by clearly defined strategies, vision and values which combine to create shareholder value through the effective use of our resources.

In 2006, the Group internal audit function was extended to complement our already robust external and peer group audits and self-certification programmes. The increased rigour in our processes and active benchmarking of financial best practice is already delivering benefits to the Group.

Prospects

The Group finished 2006 in excellent financial condition, with a strong order book and continued buoyant outlook for our most important markets. The positive market conditions experienced in 2006 are expected to continue in 2007 and we expect the improving performance from the Engineering Services Division and operational developments elsewhere to deliver a good level of progress in 2007.

People

We have over 8,000 employees working for Weir in 35 countries. I recognise that it is our people who drive our success and define the culture of excellence at Weir. I am grateful for the contribution of employees at all levels of our organisation and thank them for their tremendous enthusiasm and commitment throughout 2006. They have all worked hard to improve our processes and productivity and have achieved real progress in the year.

Finally, I would like to thank our shareholders who have believed in the Group's potential. I remain confident in the Group's ability to make further progress in the year ahead.

Sir Robert Smith
Chairman
21 March 2007

Chief Executive's Review: 2006 demonstrated the success of the Weir Group strategy, exiting non core activities, restructuring those which underperform, increasing exposure to higher growth markets and delivering improvements to underpin future growth. We remain on course to realise further improvements in 2007.

"A key component of our success in the year has been the strong portfolio of businesses with solid positions in growing and attractive markets."

In 2002, we first defined our ambition to achieve sector-best performance, by targeting those markets which offered the most attractive prospects and where we had a realistic ability to lead. The portfolio of Group businesses has changed dramatically since this time. We have largely restructured our underperformers, exited lower margin activities and acquired growth businesses in the higher margin, high growth oil sector.

At the same time we outlined our philosophy to meet and exceed customer expectations, which we passionately believed would play a direct role in the Group's earnings growth. We engaged the entire organisation in the implementation of the Weir Production System, a structured process geared to delivering a leaner and more disciplined organisation. Today, our best manufacturing facilities deliver industry leading performance and every business in the Group has well defined plans to maximise operational performance. We remain absolutely convinced that these developments will continue to unlock our full potential for increased customer satisfaction and improving financial returns.

The benefits of these strategies are clearly evident in our 2006 results. Group revenue increased 19% to £940.9m with over 80% of the £1.1bn input in the year tied to the mining, oil and gas, power generation and naval and marine markets.

Operating margins also improved substantially, particularly in our Engineering Products Division which reported 10.3% in 2006 against 7.4% back in 2002.

The significant reduction in the Group's debt is a direct reflection of the benefits of our Lean initiatives with improved working capital, lower inventories and improved on-time delivery all featuring prominently in the excellent cash generation achieved in the year.

Our Journey to Excellence

Engineering Products Division

Engineering Products posted new records in 2006 growing input 23%, revenue 21% and profits 49% when compared to 2005. The division includes the combined activities of our Minerals, Clear Liquid and Valves & Controls businesses which supply pumps, valves and ancillary equipment to the oil and gas, power generation, mining and general industrial markets.

A key component of the division's success in the year has been the strong portfolio of businesses with solid positions in growing and attractive markets. Input grew 23% to £683.8m with almost 80% being attributable to the mining, oil and gas and power generation markets. We achieved excellent results from Minerals (up 19%) and Clear Liquid (up 32%) which combined with 20% growth from Valves & Controls to achieve the Group's highest ever level of order input.

In 2006, the division's revenue grew 21% to £608.5m against £501.4m last year with a largely balanced workload of new project and aftermarket activity. The realigned portfolio of businesses specialise in safety critical, high wear applications where new project sales provide the foundations for medium to long-term spares and service sales streams.

Operating profits at £62.6m were 49% above 2005, validating our confidence in the strategy outlined back in 2002. Profitability improved in every area in the year and the full benefits of the previous year's UK restructuring, the acquisition of Gabbioneta and continued contribution from our operational excellence initiatives all featured in underlying margin growth to 10.3% against 8.4% last year.

Our Engineering Products segment includes a strong portfolio of businesses in the mining, oil and gas and power generation markets where the fundamentals point to sustained future progress. Global population is expected to expand dramatically in the next 25 years and this, combined with increasing infrastructure needs in China and India, is expected to underpin ongoing sector growth in the medium term.

The Engineering Products businesses reaped additional benefits from focusing on Lean processes and continued to accelerate their execution of the Weir Production System. As a whole, the initiative provides all our businesses with a common set of world class practices which provide the fuel to achieve improving results and prepare us for the challenges of the future.

Our **Minerals** businesses posted another year of solid progress with significant gains in input, revenue and profit when compared to 2005. The principal market for our Minerals business is global mining which accounts for more than 70% of the collective turnover in the year.

Minerals input grew 19% to £390.5m reflecting the ongoing strength of global mining markets, the benefits of management's emerging market strategy and our entry into the specialised areas of the power generation and oil sectors. The combination of the ongoing spares stream from the existing installed base and the potential business derived from new orders secured in the year provides a solid platform for future progress.

The Minerals business recognised at the outset of their strategic review in 2002 that they needed to respond to the changing demographics of the global mining market and implemented plans to establish and grow market positions in South America, Asia and the Former Soviet Union. Today the Group is the best geographically positioned of any supplier to the market with emerging countries representing 30% of 2006 input.

Power-related input totalled £47m in the year and reflects the increased global requirements for flue gas desulphurisation used to improve emissions in coal fired power stations. The Minerals team has built progressively a leading position in this high growth area of the market and during the year secured new contracts in China, Spain, Italy, Poland, Czech Republic and North America.

Minerals secured £26m of oil related orders, due in part to the success of their strategy to develop pump products for the Canadian oil sands market dating back to 2004. The highly abrasive application and growing investment rationale for the development of the world's significant deposits of oil sands provide the basis for a considerable growth driver for the future.

During the year, Minerals added significantly to its installed foundry capacity with new facilities coming on stream in South Africa and China and an expansion to the Chilean operations. All of these investments were launched successfully and added much needed capacity to respond to market opportunities. In 2007, further investments will be made to add foundry capabilities in Brasil and the Chinese business will enter full operational status.

Going forward the Minerals business will benefit from the favourable economic climate while continuing to make progress in the key pillars of its future strategy.

The **Valves & Controls** businesses made good progress in 2006 and contributed to the revenue and profit growth in the Engineering Products Division during the year. The principal markets for our Valves businesses are power and oil which represented more than 80% of input in 2006.

The Valves & Controls business continued to build on its achievements in the Chinese power market and was successful in its integration of our newly acquired wholly-owned subsidiary located at Suzhou. The increased activity in the domestic United States power market helped deliver growth in turnover in the United States operation.

Weir Valves & Controls France benefited from its ongoing success in Eastern European nuclear markets where upgrade work is being funded by the European Union and also work in the Middle East oil and gas markets. Growth in sales and profits from this business was evident in the 2006 results.

The restructuring of the Weir Valves & Controls UK operation is now complete and the move to a modern, appropriately sized facility was executed on time and under budget. The second half performance of the UK business provides increased confidence in the delivery of anticipated improvements and positions us well for further progress in 2007.

We remain encouraged by the prospects for the Valves & Controls businesses. The United States operation will move to larger premises to capitalise on the growing power opportunities in their domestic market and our recent acquisition in China, coupled to further progress from our UK and French operations, are expected to deliver further improvements in 2007.

Our **Clear Liquid** businesses contributed significantly to the excellent results of Engineering Products in 2006. Strong end markets, the benefits of prior year restructuring and the addition of Gabbioneta were all significant contributors to the Clear Liquid businesses improved results.

Clear Liquid includes a portfolio of pump businesses with solid positions in growing and attractive markets. In 2006, input increased 32% to £222.7m reflecting the continued strength of the oil, power and general industrial markets which represented more than three quarters of total orders booked in the year.

The results for Clear Liquid include the full year benefits from the prior year restructuring of Weir Pumps. This included an extensive analysis of their business portfolio and a strategy to deploy resources to the oil and power sectors from where the most value could be derived. The current strength of these sectors has contributed greatly to the improvement and we continue to develop our strategy to sustain this success in a cyclical downturn.

The 2006 results include a full year contribution from Gabbioneta which was acquired in the final quarter of 2005. Gabbioneta grew its input substantially to £50.2m due, principally, to the continued buoyant project activity in the downstream oil market which represents the vast majority of the company's target market. The business is now fully integrated and has an active programme to implement the Weir Production System to accelerate operational and financial progress in the future.

The Clear Liquid speciality businesses continued to perform well with excellent progress at our operations in Missouri and California which benefited both from stronger domestic demand and the increased geographic reach of the Group. Weir Lewis Pumps, which specialises in highly aggressive acid pumps, continued to benefit from phosphate processing investments in the Former Soviet Union and Middle East and Weir Floway, our specialist vertical turbine business, achieved significant share gains in the critical application fire pump market.

The medium term outlook for the oil, power and related general industrial markets remains positive and this, coupled to our ambitious plans for operational improvement, provide a solid platform for further progress in 2007.

Engineering Services Division

Input from **Engineering Services** increased 5% to £236.6m (2005: £225.5m). Revenue increased 3% to £225.2m (2005: £218.8m) producing an operating profit of £12.4m against £13.6m in 2005, primarily due to once off costs of £4.4m related to restructuring initiatives in the UK, United States and Middle East.

In the UK, input grew 6% to £60.0m (2005: £56.7m) with new hydro orders contributing to solid growth in our power generation activities. Rationalisation of the number of UK Service Centres was largely completed during the year and 2007 results are expected to reflect the improving returns.

At our Middle East business, input grew 62% to £26.9m (2005: £16.6m) with significant new orders booked in oil services. Once off costs were taken in the year to realign overheads and refocus the operation on the oil sector. Good second half improvements are now expected to underpin further progress.

The Canadian operation had another successful year benefiting from continued buoyant market conditions and Weir's growing position in the Oil Sands sector. In the United States, we took the decision to close our loss making service centres which, while disappointing, will result in the remaining United States businesses contributing positively to Services results in the coming year.

The Australian operations performed well in the year, growing revenue and profits when compared to 2005 and our investment in larger facilities in Western Australia, which will come on-line in the first half of the year, is expected to provide further growth in 2007.

The restructuring work undertaken in 2006 was necessary to reposition the Engineering Services Division in those sectors and geographies which are critical to the future of the Group. The rationalisation of our UK infrastructure, closure of smaller less profitable United States Service Centres and refocus towards the oil services sector in the Middle East leave the division better equipped to improve margins and take advantage of the significant opportunities available for accelerated growth.

We remain optimistic of the prospects within our Services Division. The restructuring investments made in 2006 together with the excellent progress from our joint ventures in Saudi Arabia and Abu Dhabi provide the foundations for significant improvement in 2007.

Defence, Nuclear & Gas Division

The Defence, Nuclear & Gas Division delivered a further year of solid progress with significant gains in input, revenue and profit when compared to the results of 2005. The division includes the combined activities of our UK based gas storage and nuclear businesses and our global activities in defence.

Input grew 60% to £179.1m with over 90% attributable to the naval and marine markets. We achieved excellent results from Weir LGE which benefited from the continued strength of the new build ship market, while Weir Strachan & Henshaw, our defence and nuclear business, reported significant new project work in the year.

In 2006, the division's revenue grew 57% to £107.2m against £68.3m last year. The majority of growth in the year was due to the liquid gas operations achieving predetermined milestones on new ship contracts which grew their revenue to £58.1m in 2006 against £22.1m last year.

Operating profits at £9.8m were 46% above 2005 with both the liquid gas and defence activities making progress during the year. Operating margin at 9.1% was slightly below the 9.8% achieved in 2005 and reflects the balance of new project work which remains at early completion stages when compared to the work stream last year.

The liquid gas operation, Weir LGE, is the market leader in the design, project management and commissioning of facilities for the shipbuilding and onshore storage of liquid gas. During the year, input grew 23% to £98.8m with the absence of significant onshore work being more than offset by increased orders booked in the marine market.

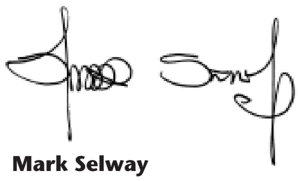
Turnover and profits from the liquid gas business also grew significantly when compared to 2005, as revenue and profit taking milestones were achieved on orders booked in prior periods. The marine market cannot realistically be expected to sustain the new build work evidenced in 2005 and 2006 and therefore order intake is expected to decline significantly in 2007. Revenue and profits can, however, be expected to be maintained for the medium term as new projects now extend into 2009.

The defence and nuclear businesses performed well, improving both revenue and profits in 2006. Order input was £80.3m against £31.8m last year and our increased presence in Australia and Canada contributed significantly to the results. Recent investments in these territories, and the award of the previously announced Spanish submarine contract, provide a strong defence order book going into 2007.

2007 Outlook

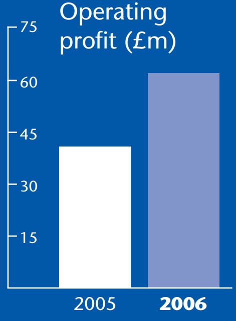
The Group remains in good financial condition with a much improved order book and a continuing level of confidence in our most important markets.

By remaining on course, capitalising on our strong portfolio of businesses and striving for continued operational improvement, we will deliver a good level of progress in 2007.



Mark Selway
Chief Executive
21 March 2007

Engineering Products: includes the combined activities of our Minerals, Clear Liquid and Valves & Controls operations which collectively grew their input, revenue and profits when compared to last year.



Operating profit
£62.6m
Up 49%

Revenue
£608.5m
Up 21%

Order Input
£683.8m
Up 23%

Operational review

Input grew 23% to £683.8m with almost 80% being attributable to the oil and gas, mining and power generation markets. We achieved excellent results from Minerals (up 19%) and Clear Liquid (up 32%) which combined with 20% growth from Valves & Controls to achieve the Group's highest ever level of order input.

Operating margins before exceptional items as a percentage of revenue increased to 10.3% against 8.4% in 2005. Increased revenue in the Minerals business, improved performances at the restructured Valves and Clear Liquid operations and the inclusion of Weir Gabbioneta's higher margin product sales for the full year, all contributed to the improved result.

Our Engineering Products segment includes a strong portfolio of businesses in the mining, oil and gas and power generation markets where the fundamentals point to sustained future progress.

A key component of the division's success in the year has been the strong portfolio of businesses with solid positions in growing and attractive markets.

The Engineering Products businesses reaped additional benefits from focusing on Lean processes and continued to accelerate their execution of the Weir Production Systems. As a whole, the initiative provides all our businesses with a common set of world class practices which provide the fuel to achieve improving results and prepare us for the challenges of the future.

Key achievements

- *Engineering Products delivered the highest ever level of order input.*
- *Principal market of global mining accounted for more than 70% of Minerals revenue.*
- *Valves and Controls built on achievements in Chinese, United States and Eastern European power markets.*
- *Clear Liquid's 32% input increase reflected good levels of growth by the speciality pump businesses in respective markets.*
- *Strong portfolio of business in mining, power generation and oil and gas markets point to sustained future progress.*

Mining

On a commodity basis coal, alumina, copper, iron ore, platinum and gold prices held at or near historically high levels over the year, prompting increased levels of both new plant construction and upgrading, particularly in the traditional mining markets of South America and Australia.

Power

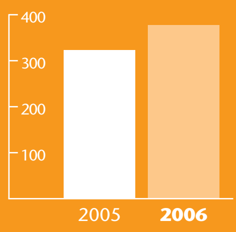
Power generation is a strong and growing market for Weir Engineering Products businesses. The traditional power markets of Western Europe and North America continue to demand life-extension, plant refurbishment and enhancement solutions. China remained the focus of new-build activity for both conventional and nuclear power stations, with good opportunities also in India. Weir's track record in safety and delivery has given us a strong position in the nuclear upgrade market in the Former Soviet Union.

Oil & Gas

Oil prices continued to be high in 2006, which meant that both the upstream and downstream oil markets were buoyant, growing globally at over 15% and at much higher levels in some markets where we are strong. With high oil prices increasing the cost of pipeline downtime, the reliability of Weir products and our ability to deliver local engineering support have proved important factors in winning new work.

Minerals: Specialist businesses delivering and supporting slurry equipment solutions for global mining and mineral processing, the power sector and general industry.

Scot Smith
Divisional Managing Director



Order input
£390.5m
Up 19%

Product brands
WARMAN
GEHO
CAVEX
ISOGATE
VULCO

Operational review

2006 was a strong year for Weir Minerals. We invested additional resources to improve operational excellence in all of our factories, furthered our geographical expansion and improved our product portfolio.

We have continued to push through the implementation of the Weir Production System and now have a rigorous and proven system of Lean assessment and audit to ensure that all our operations attain world-class standards. This is key to meeting growth in demand.

2006 also saw a great turnaround and very satisfying improvement in the level of operational delivery to our customers. At the start of 2006, the combination of massive and rapid market demand and insufficient capacity resulted in a considerable delivery backlog. This has now been rectified and we are consistently achieving on-time delivery to customers to the required quality standards.

New foundries were successfully established in South Africa and China, with the first pours for both taking place on schedule in November. We expect both foundries to be in full production by mid-2007.

Rubber Engineering finished its first full year as part of Weir Minerals. It now supports our North American facilities and will also help us to exploit additional elastomer opportunities that we identify in the market.

Our geographical expansion plans continue. We are bringing together our Russian activities under one managing director. This will provide better continuity in customer support and ensure successful future growth. Our Indian company experienced strong growth, and increased its top line by 35%. It remains focused on growing our installed base and the spares market and strengthening our routes to market in all areas of the country.

We continue to expand and improve our product portfolio. The new WS series slurry valve was launched successfully and all regions are now marketing, manufacturing and selling it. The first Warman SLR pump field tests are also in progress.

Around the world, our end customers continue to look to us to improve their production processes. Our divisional and local strategies, strong management teams and expanding global coverage ensure that we can support them regardless of their location.

Key achievements

- *Record sales of flue gas desulphurisation pumps into China, supplying 20 separate power plants.*
- *Record slurry pump sales into the Australian and South East Asian mining industries.*
- *Significant growth in India, with output 35% higher than 2005 and profit more than doubled.*
- *Weir Minerals China foundry comes online, with first pour achieved on schedule in November.*
- *Launch of new foundry in South Africa, using existing space made available through implementation of Lean initiatives.*
- *Continuing success of Geho product lines – sold 1,000th Geho industrial pipeline pump.*
- *European order input increases by 33%.*
- *North American operation wins Top 25 Factory Award.*
- *Focus on operational excellence saw Lean scores across the Minerals businesses improve by 22%.*

"The minerals industry is still being driven by a buoyant market and our strategy of aligning our capacity with customer needs in 2006 has paid off. Continuing our Lean programme and expanding geographically in line with our customers should see us make further progress in 2007."

Scot Smith, Divisional Managing Director

Case Study

Engineering excellence at Weir Minerals Australia

Harder ore at Xstrata's Ernest Henry Mine in Queensland, Australia, led to a 30% reduction in the wear life of the Warman type AH pump operating in the mill circuit. This adversely affected production and increased maintenance costs. Our local marketing and engineering departments moved into action.

When design changes to the components of the metal lined pump did not create the desired product life, a more radical approach was considered. The new, rubber lined Warman MCR pump designed in Madison for the South American market was showing good results in similar applications, which had previously been the domain of metal pumps.

The first trial of the MCR pump at Ernest Henry Mine yielded promising results and after further design improvements, the pump reached the target wear life. In addition to increasing the wear life by 63%, pump throughput also increased by 8%.

Ernest Henry has now replaced all its mill circuit pumps with rubber lined Warman MCR pumps.

Checking the wear rate on the rubber liners in a Warman MCR Mill Circuit pump.

Weir Minerals best-in-class products are designed and built to reduce downtime and minimise disruption in heavy duty, abrasive or corrosive processes. A robust global supply operation is backed by excellent local engineering support.

Primary input breakdown

Minerals	68.0%
Power	12.1%
General industrial	11.6%
Oil	6.7%
Water & Wastewater	1.6%

Geographic breakdown

Americas	45.4%
Europe & FSU	16.0%
Australia	13.9%
Indo Pacific	13.7%
Middle East & Africa	8.6%
UK	2.4%

Market review

Businesses within Weir Minerals supply slurry equipment solutions to mining, mineral processing, sand and aggregate, power and oil sands markets around the world.

All of our markets remained buoyant in 2006 and we anticipate another year of growth in 2007. As customers continue to consolidate, we are increasingly moving towards setting up global account management, using inter- and intra-divisional collaboration to capitalise on available opportunities across the Group.

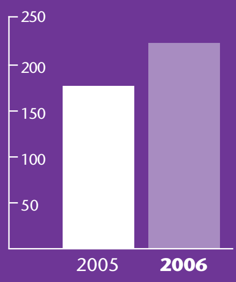
We are also focusing on expanding our service offerings. In South America, customers have fully embraced the 'full service model', which sees Minerals service centres and teams embedded with customers. To replicate this development across all regions, we have established a global working group to help instill a more consistent approach in all our centres, based on Lean processes. This is coordinated by the Hazleton Service Centre, a showcase facility, which sets the benchmark for the Minerals businesses.

The Weir Minerals design centre is involved in redesigning our older products and developing solutions to take us into new areas of our customers business. This supports our strategy of ringfencing customers, so that they don't need to go anywhere else for any part of their process. Our strategy also includes building collaborative frameworks with other players within the market to offer a combined product portfolio that benefits everyone.

In terms of geographic significance, North America, South America and Australia remain the three key drivers for Minerals. However, future growth opportunities in Russia, China and India present strong prospects for the future.

Our operations in India and China continue to experience very rapid growth. India won significant contracts within the local power generation market during the year and now includes a 50-strong design team, which provides engineering design and modelling services to the whole Group. The opening of our first dedicated foundry in China now provides a low cost source enabling us to attack the indigenous Chinese market more aggressively.

Clear Liquid: World-class businesses providing end-to-end pumping solutions for major oil and gas, power generation, water and hydrocarbon processing projects.



Order input
£222.7m
Up 32%

Our brands
Weir
Lewis
Floway
Gabbioneta
Roto-Jet®
Wemco®
Girdlestone
Begemann
Zeron 100

Operational review

2006 was a year of significant achievement, with all businesses benefiting from our strategy of focusing on higher technology, higher margin and speciality activities while exiting lower margin markets.

The acquisition of Italian pump manufacturer Weir Gabbioneta has been an excellent strategic fit and the integration of this business has been highly successful. The Group is investing in strengthening the organisation and improving the core processes of the company and Weir Gabbioneta is now well placed to benefit from continued growth in the downstream oil and gas markets.

Weir Pumps delivered a significant improvement in 2006 results due to the restructuring undertaken in 2005 and by refocusing the business on its most profitable activities. These initiatives delivered full year profits following significant losses in previous years.

We experienced further growth in our existing higher margin, niche businesses of Weir Lewis, Weir Specialty Pumps and Weir Floway.

The improvement in Weir Floway was particularly pleasing as it stems from the successful implementation of a number of operational and growth initiatives, as well as the appointment of a new managing director. The company produced an input increase of 27%, with much of the growth driven by international expansion. Targeting fire protection pumps for offshore oil exploration platforms has proved highly successful. Weir Floway has developed supply partners whose technology uniquely supports this niche market and the team has established itself as a leader in the design and manufacturing of this product line.

Weir Lewis recorded another excellent year, on top of a very strong 2005 and saw input increase by 29%, with significant new orders from Northern Africa.

Our Manchester foundry played an important role in supporting both the Clear Liquid businesses and other Weir Group companies in 2006. The demand for castings during the year was very strong and resulted in an extension of lead times throughout the industry. However, the Manchester foundry was able to maintain short lead times and give Weir companies a competitive advantage on many projects. This vertical integration and control of a critical component of our products has been important in meeting our customers needs. Indeed, much of Weir Gabbioneta's casting work was moved to the Manchester foundry to help Gabbioneta deliver key projects on time. This was a prime example of how Weir companies work together to maximise the Group's competitive advantage.

With our most important markets continuing to remain buoyant, our investment in Lean manufacturing and excellent project management principles has enabled us to meet increased demand from our customers. Lean principles are being driven across all of our businesses, including Weir Gabbioneta and we remain well placed to sustain ongoing continuous improvement.

Following a year of consolidation and controlled expansion, Weir Clear Liquid Division is looking forward to continued growth in 2007 and beyond.

Key achievements

- *Gabbioneta integration completed successfully and order input increased by 30%.*
- *Restructuring of Weir Pumps delivered significant improvement.*
- *Weir Lewis order intake up 29%, with significant progress in North Africa.*
- *Weir Floway order input up 27%, with growing position in the international fire pump market.*
- *Weir Pumps experienced continued success in the Chinese nuclear market.*
- *Manchester foundry gave other Weir companies significant competitive advantage when high demand led to increased industry lead times.*
- *Materials business in Manchester increased input by 32% and won major projects for supply to Chile, Spain and the Middle East.*
- *Continued investment in implementing Lean principles resulted in improvements in quality, on time delivery and working capital across the Clear Liquid businesses.*

"2006 saw Weir Clear Liquid deliver a strong performance as a result of executing our strategy to focus on higher margin, specialist markets, successfully integrating Gabbioneta and restructuring Weir Pumps in Scotland. Weir Clear Liquid is well placed to grow in 2007."

Stephen Bird, Divisional Managing Director

Weir Clear Liquid is continuously enhancing and developing its product range to solve the technical and operational challenges facing its customers, enabling them to improve performance and compete effectively worldwide.

Primary input breakdown:

Oil	43.8%
General industrial	17.3%
Power	15.4%
Water & Wastewater	14.3%
Minerals	8.1%
Naval & Marine	1.1%

Geographic breakdown:

Americas	29.2%
Middle East & Africa	26.9%
Indo Pacific	17.8%
Europe & FSU	15.8%
UK	9.9%
Australia	0.4%

Market review

The primary markets for Weir Clear Liquid are oil and gas, power generation, specialist water and wastewater and speciality products for general industrial markets. The strategy is to strengthen participation in higher margin activities and focus our resources on those markets where we believe we can lead and bring added value to our customers.

Oil prices remained high in 2006, which meant that both the upstream and downstream oil markets continued to be buoyant and growing globally. This resulted in significant business opportunities for Weir Pumps and Weir Gabbioneta, in particular.

We experienced strong growth in the Chinese power generation market in 2006 and expect this will continue due to Chinese plans for significant long-term investment in their future. Our increased regional sales presence and an international reputation for both technical expertise and excellent quality resulted in significant orders for Weir Pumps in this market – with particular demand for concrete volute units and our unique integral turbine pumps.

We remain selective about our activities in the water and wastewater markets and will continue to focus on more technical, higher margin products. We currently operate successfully in the UK clean water market and in the United States, where we have leading positions in our selected municipal water and wastewater markets.

The minerals and mining sector continues to be a growth market, particularly with regard to our Weir Floway vertical turbine pumps. By working closely with Weir Minerals, we have been able to grow our market share considerably, particularly in South America.

The niche Weir Lewis and Weir Specialty Pumps businesses enjoyed considerable success, outpacing market growth rates, and we anticipate equally impressive results in 2007.

Our 2006 performance in the general industrial market was also strong. The sector continues to grow at 3-4% and the Clear Liquid businesses are well placed to grow ahead of this market.

Case Study

Weir Floway Targets Offshore Oil Exploration Market

Weir Floway enjoyed a highly successful 2006 with input up 27%. Much of this growth was driven by international expansion.

Weir Floway's strategy for international growth includes the active pursuit of the highly engineered international fire pump market. Targeting fire protection pumps for offshore oil exploration platforms has been highly successful. Floway has developed supply partners whose technology uniquely supports this niche market and the team has established itself as a leader in design and manufacturing of this product line.

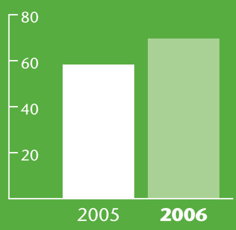
Continuing efforts to maximise penetration in this market include the addition of dedicated engineering resources to design modular fire pump skid packages for quicker delivery and common specifications from platform builders. This new design will enable Floway to meet the market demands for documentation while driving down manufacturing costs. Floway anticipates that the worldwide demand for new oil resources will continue to drive sales in the export fire pump market sector. The development of new fabrication capabilities at Floway is underway and expected to increase the profits for fire pumps by bringing work in-house for better plant utilisation.

Weir Floway's 2006 export fire pump order input has grown significantly and this growth complements Floway's already strong presence in mining and other speciality vertical turbine pump applications internationally.

Weir Floway's highly engineered fire pump achieving international growth in the offshore oil exploration market.

Valves & Controls: Specialising in high integrity valves for critical service, process protection and plant safety applications in the power generation and oil & gas sectors.

Phil Clifton
Divisional Managing Director



Order input
£70.6m
Up 20%

Our brands
Atwood & Morrill
Batley Valve
Blakeborough Controls
Hopkinsons
MAC Valves
Sarasin – RSBD
Sebim
Tricentric

Operational review

During 2006, all the Valves & Controls businesses delivered significant improvements in their financial performance compared with the previous year, showing the benefit of the recent transformational changes.

The restructuring of our UK operation was completed on time and under budget in the first quarter of 2006. As expected in such a major transformation, we have had to work hard to develop the new supply chain and we are now in a stronger position going forward.

The capabilities, quality and reliability of the supply chain remain crucial to Weir Valves & Controls, due to the demands of our highly technical nuclear valves at the higher quality end of the market. As a consequence, Weir is investing in its own foundries, including the Clear Liquid facilities in Manchester and Minerals foundries worldwide, with benefits for all businesses.

Our French operation enjoyed considerable success, turning the business around over the last two years and recording strong growth and excellent profit performance in 2006. Delivery of the first Ukrainian nuclear contracts to programme and budget led to further nuclear valve work being won in the Ukraine, in addition to significant orders from China and a major three-year nuclear service contract for EDF in France. The commercial safety valve business achieved more output from the consolidated facility than the previous two factories combined, with the implementation of Weir Production Systems and Lean thinking reducing bottlenecks and smoothing flow through the facility.

The acquisition of our new factory in Suzhou, China, was completed to plan and this operation was integrated utilising the now proven Weir 100 day integration plan. We now have a modern facility operating to world-class quality and safety standards, based on the Weir Production System and Lean thinking.

In the United Arab Emirates, we restructured our operation and commenced production of valves using a local supply chain. In this region, we collaborate closely with Weir Services to provide both valve assembly and testing locally, which has proven to be very successful.

In the year, product development was focused on modifying existing products to meet new customer needs, including our French nuclear valve range for the United States market. We are also re-working products for use in the next generation of conventionally fuelled power stations, which operate at much higher pressure.

Key achievements

- *Restructuring and relocation of the UK business and the implementation of a new business model based on a higher proportion of outsourcing.*
- *Transformation of our French operation, resulting in strong growth and excellent profit performance.*
- *Acquisition and integration of a new wholly owned subsidiary in Suzhou, China, including the successful introduction of Weir Production Systems.*
- *Significant order wins for the Middle East oil and gas market.*
- *Increased output and profitability from our commercial valve operation in North Carolina following the implementation of Lean principles.*
- *Creation of a Weir Group nuclear forum to maximise opportunities in the power generation market across all Group businesses.*
- *All the Valves & Controls businesses significantly improved their Weir Production System scores, resulting in delivery and lead time improvements in all plants over the year.*

"The transformation of the Valves & Controls businesses in France and the UK was substantially completed during 2006 and has shown significant improvement in profitability. Together with improvements in the United States operations and the new plant in China, this gives a strong platform for further profitable growth in the future. The oil and gas market continues to be strong, but most pleasing is the growth we are now seeing in the power generation market, both conventional and nuclear, where we have good products, strong references and excellent engineering skills."

Phil Clifton, Divisional Managing Director

Case Study

Cryogenic valves for China's first LNG plant

China, the hungriest and thirstiest energy market in the world, is likely to require the import of 19 million tonnes of Liquefied Natural Gas (LNG) by 2010. Construction of China's first LNG terminal and associated high-pressure pipelines is currently underway in Guangdong Province. Weir Valves & Controls was contracted to supply a range of control valves for the project.

The valves we supplied included butterfly valves, globe control valves and cryogenic globe valves. Based on our standard BV500 and BV990 ranges and manufactured in stainless steel, the valves were fitted with specially constructed cryogenic valve bonnets to ensure maximum heat dispersion and packing protection at cryogenic temperatures.

The cryogenic valves were required to undergo a rigorous round of cryogenic tests in a bath of liquid nitrogen to prove the integrity of the valve body and seals. They were then slowly returned to ambient temperatures and re-tested to ensure continuing seal integrity.

All of our valves passed this extensive testing and were successfully supplied in 2006.

Assembly of Blakeborough control valves for cryogenic use in China.

Weir Valves & Controls products reflect our state-of-the-art product development and manufacturing focus. Our global sales operation and engineering capability enable us to offer the whole-project, whole-process solutions our customers require.

Primary input breakdown

Power	56.0%
Oil & Gas	25.5%
General industrial	17.5%
Minerals	0.6%
Naval & Marine	0.3%
Water & Wastewater	0.1%

Geographic breakdown

Europe & FSU	29.5%
Americas	27.0%
Middle East & Africa	16.1%
UK	14.7%
Indo Pacific	12.6%
Australia	0.1%

Market review

The two key sectors in which Weir Valves & Controls businesses operate are power generation and oil and gas.

The power generation market showed strong growth during 2006 – and not just in China. We are now seeing coal and nuclear plants in the advanced stages of planning in both Europe and North America. We have taken the decision to relocate our nuclear valve operation to a new site in Massachusetts and have high expectations for this facility.

A Weir Group nuclear forum was established to capitalise on the opportunities in this important market across the Group businesses. Weir is particularly well placed in the nuclear market on account of its technically advanced products, strong installed base (over 75% of the world's reactors use Weir equipment) and excellent engineering capabilities.

We are also optimistic about opportunities in the conventional power generation market. The latest conventionally fuelled power stations operate at higher pressure. In 2006, we adapted our products to meet the requirements of this new operating environment.

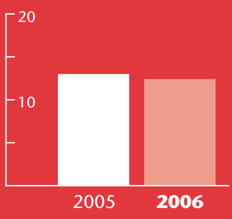
The oil and gas markets are robust and growing. Businesses operating in this sector continued to perform strongly in 2006 and we won significant orders, including several for the Middle East.

We are continuing to invest in local people and training in key emerging markets around the world and introduced new sales and operational offices in Dubai, Beijing and South Africa.

In 2006, we focused on after-market activities with several of the businesses improving their processes to become responsive to changing and ever more demanding customer requirements. The growth achieved in this area is very encouraging and we see further opportunities for 2007.

Engineering Services: Weir's reputation for engineering excellence extends to the technical support of both our own installed base and other manufacturers equipment. Engineering Services works across all Weir markets, supporting both the Engineering Products businesses and the Defence, Nuclear & Gas operations. Weir Services also provides equipment maintenance, engineered solutions, process support and asset management across major industrial sectors. A global programme of state-of-the-art analysis, design and production technology for spare parts is delivered through local and on-site engineering service centres.

Operating profit (£m)



Operating profit
£12.4m
Down 9%

Revenue
£225.2m
Up 3%

Order input
£236.6m
Up 5%

Operational review

2006 was a year of transition and consolidation for much of the Weir Services Division. All of the businesses continue to strengthen our offerings in niche markets, using our expertise and experience to improve customer service, enhance equipment performance and accelerate delivery. We continued to exit non-core products and activities that are not aligned to our strategy of offering higher margin integrated engineering solutions.

In North America, we enjoyed significant success in the Oil Sands markets of western Canada. During the year, we won a very high percentage of the bids that were tendered for the specialised equipment we supply, and also saw significant improvements in our distribution products business, for which we sell other Weir products throughout the region.

After careful evaluation, the decision was made to close our unprofitable United States service centres. While we were disappointed with the need to take this action, neither the competitive environment nor the margins provided by these businesses were sufficient to provide ongoing opportunities and satisfactory returns.

In the Middle East, our major facility in Dubai turned performance around and showed significant improvements in the second half of the year. Switching focus onto more localised opportunities in the oil sector resulted in considerable success, with input substantially up on the previous year.

Dubai also became the first location in the Group to achieve OHSAS 18001 accreditation following the successful audit of its Health & Safety Management System by independent certification bodies.

We enjoyed considerable success through our new joint venture with Amco in Saudi Arabia, which made significant progress during the year. We have great expectations for the business going forward.

Our Australian operations had an excellent year, exceeding targets following a two-year investment strategy.

2006 was a year of major restructuring in the UK as we consolidated facilities and resources to focus on the most profitable activities and markets. We also won significant contracts and received notable health and safety and outstanding customer service accolades from Scottish & Southern Energy and Sandon Dock. Our field service group performed well, with increased profits and safety improvements that saw them complete the entire year with no Lost Time Accidents.

The Weir Production System was successfully implemented during 2006. Its introduction was well supported throughout the division and across all geographic regions.

In 2007, we will continue to focus on value added services and integrated engineering solutions, working together with other Weir divisions to share technical resources and facilities that will enable profitable growth for all.

Key achievements

- *Success in the Oil Sands markets of western Canada.*
- *Adoption of Weir Production System produced operational benefits across North America and the UK.*
- *Weir-Amco joint venture in Saudi Arabia grew 50%.*
- *Aramco recognised our Saudi facility for outstanding customer support.*
- *Market refocus produced significant improvements in Dubai's performance in the second half.*
- *Opened new facility in Bangalore, India.*
- *Australia met all of its targets, reflecting growth over previous years.*
- *Alloa business in the UK won three large Hydro projects.*
- *Secured five year Canadian Natural Resources asset management contract in North Sea oil and gas industry.*

"Weir Services continues to be a strong customer focused organisation and prides itself in solving customer problems. We continue to listen to our customers, developing the organisation to reflect the demands of the marketplace. In 2006, we invested significantly in facility realignments to have more capable facilities with stronger technical and project management skills to enhance our position in our core markets."

Steve Simone, Divisional Managing Director

Case Study

Weir-Amco: joint venture success

Weir-Amco, our newest joint venture company, is the licensed authorised repair facility for Hydril Blow-out Preventors in one of the largest oil related markets in Saudi Arabia.

In April 2005, prior to the joint venture, Amco was placed on provisional status by Hydril and was under threat of losing its preferred status. The new Weir management team and Weir-Amco employees have not only managed to attain fully approved status again, but have also received accolades from both customers and Hydril management.

At the start of the joint venture operations, investigations revealed that the lack of specific threading capability was causing major delays in the delivery of blow-out preventors to customers.

The use of the Weir Production System has successfully reduced turnaround of threading parts from three weeks to 3-4 days. Weir-Amco now has full in-house capability to turnaround Hydril Blow-out Preventors and the number of Blow-out Preventors received from customers has almost doubled in 2006 from 2005.

During 2006, the estimated value of Hydril work also doubled, including winning back major customers, which were lost prior to Weir's involvement.

Blow-out Preventors for the oil industry go through the service facility.

Photograph: Muskeg River Mine in the Canadian Oil Sands, courtesy of Shell Canada Limited

The specialist technical expertise of Weir service engineers and project managers enables customers to improve their operations by reducing downtime, enhancing the performance and extending the working life of process-critical equipment.

Primary input breakdown

Oil	35.6%
General industrial	22.5%
Power	18.0%
Minerals	10.4%
Water & Wastewater	7.5%
Naval & Marine	6.0%

Geographic breakdown

Americas	48.1%
UK	25.4%
Middle East & Africa	11.8%
Australia	11.0%
Europe & FSU	2.4%
Indo Pacific	1.3%

Market review

The oil and gas industries around the world remain busy, driven by growing demand and buoyant prices and this continues to be a key sector for Weir Services. Billions of dollars are being committed to projects in the energy rich regions of the world, such as western Canada, Middle Eastern countries, Western Australia and the Caspian region. Weir Services is involved in projects ranging from small productivity enhancement programmes to major greenfield operations for the Oil Sands in Western Canada and increasing drilling capacity by 50% in Saudi Arabia.

The Oil Sands business in western Canada has increased significantly in recent years and the division experienced continued success in this area in 2006. The industry has committed to $10bn of investment in this region over a 10 year period, so it is likely that we will continue to stay focused on this market for the foreseeable future.

The power industry is also experiencing significant growth and we are seeing a commitment to increase capacity through a combination of new facilities, the investigation of renewable energy options and equipment life extensions driven by ageing plants. New plants are prominent in China and India, while upgraded plants are planned for North America and Europe.

Around the world, commodities markets remain strong and the mining industry is being driven by demand in China, as well as Australia and Canada. The importance of safety and equipment specification within the industry means that it is essential to offer an integrated engineering solution rather than a simple repair service. We are generating successful business in this area and have enjoyed upturned market conditions in 2006.

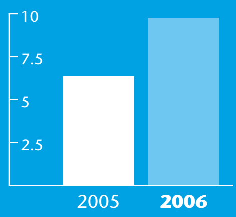
Weir Services is well positioned to take advantage of buoyant market conditions globally through our existing service network around the world. Our ability to marshal technical resources to the sometimes difficult locations of our customers sets us apart from the general competition. We also enjoy an excellent reputation for solving ongoing performance or equipment problems, providing the technical expertise and experience that customers need to help to create optimal solutions for the long haul.

As a consequence of limited supply, customers are increasingly looking to work more closely with our Services Division, which offers a stable supply of qualified field labour and capable re-manufacturing locations. To maximise the opportunities this situation presents, we will continue to promote the division as an integrated solutions provider, rather than simply a repair and maintenance supplier. This puts us in an ideal position to benefit from the move by customers towards long-term asset management contracts and their requirement for more partnership-style relationships.

Defence, Nuclear & Gas: Specialist engineering design businesses, responsible for the design and management of complex engineering projects.

Phil Clifton
Divisional Managing Director

Operating profit (£m)



Operating profit
£9.8m
Up 46%

Revenue
£107.2m
Up 57%

Order input
£179.1m
Up 60%

Operational review

The nuclear and defence businesses delivered another strong performance in 2006, successfully building on our reputation for engineering excellence by working with customers to solve very specific problems in the defence and nuclear sectors.

In these buoyant markets our strengths lie in the ability to design and produce control systems and mechanical handling solutions, which meet very specific, safety critical and challenging requirements, such as the mechanical handling of weapons or nuclear waste.

We experienced significant growth overseas, successfully implementing our strategy for opening up new markets outside of the traditional UK market, with contract wins for the Spanish, Canadian, Dutch, Korean and Australian navies. The long-awaited confirmation of our Spanish submarine contract was particularly welcome.

Within the nuclear industry, we remain focused on the UK market, where there is considerable opportunity in nuclear decommissioning waste management and clean up operations, once funding commitment is secured.

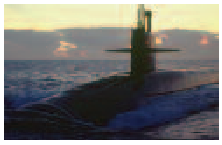
Weir LGE, our liquid gas shipping and onshore storage business, had another exceptionally strong year in 2006 making a significant contribution to divisional profits and winning virtually every new order possible during the year.

The market for marine LPG gas carriers grew at record levels for the third successive year, with limited availability of building slots forcing owners to order now for deliveries into 2009. However, following the recent boom in orders, we are expecting demand for large and medium sized LPG carriers to decline significantly in 2007 and throughout 2008.

We are continuing to develop our onshore LPG storage facility expertise and forecast a healthy and steady growth of opportunities for the future.

Key achievements

- *Major contract awarded to design and manufacture the Weapons Discharge and Handling System for new Spanish conventional submarines.*
- *Successful installation of an Intermediate Level Waste handling system at Hunterston 'A' nuclear facility.*
- *Five year Through-Life Support contract signed in Australia, enhancing our already close relationship with the Australian Navy and Defence Department.*
- *Record year saw Weir LGE build on its leading position in LPG carrier market.*
- *Successfully extended Weir customer base to include Norwegian ship owners.*
- *Continued successful delivery of major equipment for the Royal Navy Astute submarine programme.*
- *Continued growth in support of the Canadian Navy submarine programme.*
- *Continued growth with British Energy to maintain and improve fuelling systems on its ACR nuclear power stations.*



Defence

Growth in defence spending remains positive worldwide. Many major maritime and land system projects are predicted to start in the near future in the United States, Europe, Australia, Canada and the Far East.

Nuclear

The potential for nuclear power revitalisation and demand for decommissioning solutions have brought new confidence to the nuclear markets. We forecast an increasing demand for competent systems providers with strong technological skills and detailed regulatory knowledge.

Gas

The LPG transportation and onshore storage market remains robust with increasing long-term new storage requirements particularly in the Middle East.

Primary input breakdown	
Naval & Marine	91.7%
Power	5.5%
General Industrial	2.8%

Geographic breakdown	
Indo Pacific	54.8%
Europe & FSU	21.7%
UK	15.4%
Australia	5.5%
Americas	2.6%

"The Defence, Nuclear & Gas Division successfully opened up new markets for our defence business and is well positioned to take advantage of activity in the nuclear power market. In the burgeoning gas market, Weir LGE significantly exceeded its growth expectations."

Phil Clifton, Divisional Managing Director

Financial Review: These financial results demonstrate the effectiveness of the operational improvements we have made and the strong underlying cash generation of the Group.

"The Group includes a strong portfolio of businesses in the oil and gas, power generation and mining markets where fundamentals point to sustained future progress."

Operating Structure

The trading activities of The Weir Group PLC comprise the manufacture of pumps and valves and ancillary equipment for the oil and gas, power generation, mining and general industrial markets (the Group's Engineering Products Division); the provision of equipment maintenance, process support and asset management services (which constitutes the Engineering Services Division) and the specialist design of turnkey engineering projects, (the Group's Defence, Nuclear & Gas Division). The Group also has a number of investments under joint ventures and associates, the most significant of which is the shareholding in Devonport Management Ltd (DML), the owner and operator of the Devonport Royal Dockyard, which services, maintains and repairs the UK's nuclear submarine fleet. The results of these joint ventures and associates are reported separately.

Results overview

These financial results demonstrate the operational improvements we have made and the strong underlying cash generation of the Group. The Group includes a strong portfolio of businesses in the oil and gas, power generation and mining markets where fundamentals point to sustained future progress.

Reported revenue increased by 19% in 2006, from £789.4m to £940.9m with all three divisions achieving growth over 2005. Buoyant conditions in the mining, oil and gas, power generation and marine markets, together with a full year contribution from Weir Gabbioneta, contributed to the year's results. Favourable exchange benefits from the translation effects of overseas subsidiaries contributed £0.9m to the revenue growth.

Operating profits before exceptional items rose 32% to £87.7m for 2006. Excluding attributable profits from our joint ventures and associates, the operating margin was 8.2% of revenues against 7.2% last year. Increased operational leverage, the UK restructuring programmes and the full year effect of the Weir Gabbioneta acquisition benefited Engineering Products. Together with a stronger performance from Defence, Nuclear and Gas, this offset lower margins in the Engineering Services Division caused by once off restructuring costs which are expected to deliver improved performance in 2007. Attributable profits, reported on an after tax basis, from our joint ventures and associates contributed £10.5m against £9.2m in 2005.

Net exceptional profits of £15.7m were recognised in the year. These represent a gain on sale of £6.8m on the former Weir Valves & Controls site in Huddersfield, costs of £1.8m in respect of the previously announced UK restructuring and a one-off gain of £10.7m arising on the implementation of agreed changes to the defined benefits arrangements in our main UK pension scheme.

Net interest costs of £5.5m were £0.9m higher than 2005 as a consequence of higher average net debt levels following the Gabbioneta acquisition in 2005. The net interest costs were covered 16 times by operating profit from continuing operations before exceptional items. In addition, there was a £4.4m improvement in the net income earned from the Group's pension schemes reflecting the improved expected return on plan assets.

Profit before tax before exceptional items increased 40% on the previous year at £87.1m (2005: £62.2m). Reported profit before tax increased 174% to £102.8m (2005: £37.5m), reflecting the impact of exceptional items in both years.

Details of the trading highlights of each of these segments are set out below.

Engineering Products

Input grew 23% to £683.8m with almost 80% being attributable to the oil and gas, mining and power generation markets. We achieved excellent results from Minerals (up 19%) and Clear Liquid (up 32%) which combined with 20% growth from Valves & Controls to achieve the Group's highest ever level of order input.

Revenue on a constant currency basis increased 21% to £608.5m in 2006 (2005: £501.4m) due to continued strong demand from our core mining, oil and power markets and good levels of organic growth across the division's pumps and valves products. Underlying revenue growth, excluding the part year impact of the Weir Gabbioneta acquisition on the 2005 comparatives, was 17%. The impact of foreign currency movements was minimal.

Operating margins before exceptional items as a percentage of revenue increased to 10.3% against 8.4% in 2005. Increased revenue in the Minerals business, improved performances at the restructured Valves & Controls and Clear Liquid operations and the inclusion of Weir Gabbioneta's higher margin product sales for the full year, all contributed to the improved result.

The two UK restructuring programmes are now complete following a further charge of £1.8m in 2006 in addition to the £24.7m booked in the prior year. The total cost of £26.5m was £4.5m below the anticipated cost of £31.0m advised at the time of our 2005 restructuring announcement. In addition, a gain of £6.8m was recognised on the sale of the Huddersfield site.

Operating profits before exceptional items increased 49% to £62.6m (2005: £41.9m) due to continued strong performances from the Minerals activities, the benefits of restructuring in both Clear Liquid and Valves and the full year impact of Weir Gabbioneta on the 2006 results.

Engineering Services

Input from Engineering Services increased 5% to £236.6m (2005: £225.5m) with strong growth across the power and oil sectors. On a constant currency basis revenue increased 3% to £225.2m (2005: £218.8m) reflecting both the impact of a number of large one off contracts in 2005 and a conscious focus on the most profitable activities and markets. Operating profits were £12.4m compared to £13.6m in 2005. This reflected an improvement in the underlying trading performance of the division offset by one off costs of £4.4m arising from restructuring activities in the UK, United States and Middle East.

Good progress was made by the Canadian and Australian operations during the year. In the UK, the rationalisation of the UK Service Centre network was largely completed and, in the United States, the decision was taken to close the remaining loss making Service Centres. In the Middle East, one off costs were taken in the year to realign overheads and refocus the operation on the oil sector.

We are encouraged by the prospects for growth within our Services Division. Our joint ventures in Saudi Arabia and Abu Dhabi made good progress and the restructuring investments made in the United States, UK and Middle East provide a solid foundation for margin progress in the year ahead.

Defence, Nuclear & Gas

This division comprises those businesses in the Group where revenue is derived from the specialist design of turnkey engineering projects for the defence, nuclear and gas markets. The division's revenue in 2006 increased 57% to £107.2m (2005: £68.3m), with gains in the marine market as revenue milestones were achieved on a number of major contracts. Operating profit grew 46% to £9.8m against £6.7m in 2005.

Joint Ventures & Associates

The Group's share of profit from its joint ventures and associates increased 14% to £10.5m. The increased profits from DML reflect the benefits of the improved performance of its pension scheme, which offset the impact of favourable profit taking on a number of key contracts in the prior year. The full year contribution from the Group's 49% share of its joint venture in Saudi Arabia also contributed to the improved result when compared to 2005.

Taxation

The tax charge for the year of £19.9m (2005: £13.8m) on attributable profits of £76.6m, before exceptional items and excluding joint ventures and associates, represents an underlying effective rate of 26% (2005: 26%). This differs from a theoretical expected rate of 31.3% (2005: 31.3%) principally as a consequence of the tax efficient use of capital and the recognition of historic losses and temporary differences in the United States. The underlying tax rate is expected to rise in 2007 as these historic losses are utilised.

The reported tax charge on profits before tax was £22.6m (2005: £13.8m) reflecting the additional tax due on exceptional items. There is no tax payable on the gain on sale of the Huddersfield site as a consequence of capital losses available for offset.

In accordance with IFRS, earnings from joint ventures and associates are reported on an after tax basis, with a tax charge of £3.7m reflected within these net earnings.

Earnings and Dividends

Earnings per share before exceptional items was 32.4p, an increase of 38% compared to 2005. Reported earnings per share, taking account of exceptional items and discontinued operations, was 39.4p, an increase of 213%. The weighted average number of ordinary shares in issue increased to 207.1m as a result of the issue of 1.3m shares during the year to fulfil option exercises.

Subject to shareholder approval, the total dividend for the year is 14.5p, an increase of 10% over last year's total of 13.2p. This represents dividend cover (being the ratio of earnings per share before exceptional items to dividend per share) of 2.2 times compared to 1.8 times in 2005. Going forward, the Group will look to sustain a progressive dividend policy and cover of at least 2 times.

Cash flows

The Group has delivered strong growth in cashflows, with cash generated from operations of £134.5m substantially ahead of 2005 (£71.3m) as a consequence of increased profitability and a £34.9m improvement in net working capital, despite increased trading volumes. This improvement arose from relative reductions in receivables and inventory levels and increased advanced receipts of £10.9m which are expected to unwind in 2007. A £7m special contribution was made during the year to reduce further the deficit in the Group's UK defined benefit pension plans.

Net capital expenditure was £26.6m (2005: £25.3m) reflecting continued investment across the business. This represents 1.5 times depreciation, and we expect to spend around 2 times in 2007. In addition, proceeds from the sale of the Huddersfield site of £8.3m were offset by exceptional cash restructuring costs of £5.8m.

The reduction in net debt resulting from positive cashflows was £56.9m which, taken together with a £12.4m positive currency translation effect on overseas borrowings, resulted in a year end net debt position of £7.1m, down from £76.4m in 2005.

Liquidity and Funding

Our general policy is to finance the Group through a mixture of debt and equity. The Group's capital structure is managed centrally with the objective of optimising the returns to shareholders over time, whilst safeguarding the Group's ability to continue as a going concern.

The Group has a £300m multi-currency revolving credit facility and Canadian dollar credit facilities of $180m, all maturing in 2009. These have standard covenant and variable rate interest structures and all covenants were met in 2006. Foreign currency denominated borrowings of £145m equivalent were outstanding under these facilities as at 29 December 2006.

The maturity profile of committed banking facilities is regularly reviewed and well in advance of their expiry such facilities are extended or replaced as required.

The Group held net cash balances of £139m as at 29 December 2006, of which £98m was held in the UK and the remainder held as operating funds by Group companies worldwide.

In addition, the Group has several committed and uncommitted bank facilities under which advance payment and performance guarantees are issued to support normal contract terms.

Treasury Management & Policies

The Group's treasury policies seek to reduce financial risk and to ensure adequate controls over treasury activities group-wide. Treasury activities are largely delegated to the Group's operating companies and are carried out within this policy framework. Under treasury policy, all material foreign exchange exposures are hedged, typically by means of forward contracts matching the underlying contract cash flows, to provide certainty of future revenues and costs. No speculative transactions are undertaken. Group Treasury monitors exposures group-wide and reports regularly to support Group financial risk management processes. Although all companies with risk exposures undertake hedging transactions, only three companies apply hedge accounting for such transactions for IFRS purposes. The Group does not hedge foreign exchange translation exposure.

Further information on financial risk management objectives and policies can be found in note 31 on page 85.

Exchange Rates

The Group operates in a number of foreign currencies. The results of overseas operations are translated into sterling at average exchange rates for the year. Net assets are translated at year end rates. Whilst there was no material net year on year impact on the income statement in respect of revenues and profits, the general strengthening of sterling against major currencies towards the year end resulted in a negative net asset translation effect of £12.8m.

Details of principal exchange rates used are contained in Note 32 on page 85.

Retirement Benefits

The Group has 16 pension plans around the world of which six are defined benefit plans, the most significant being the UK and Canadian plans. All defined benefit plans are closed to new members. The net retirement benefits obligation deficit reported at 29 December 2006 was £3.9m (2005: £61.6m). During the year, the pension plans have benefited from rising equity markets and bond yields, contributing to gains of £33m, and a further £7m special contribution was made by the Company into the UK plans. In addition, the trustees of the main UK plan agreed to the implemented defined benefit changes which further reduced the plan deficit by £10.7m. Against the background of this improved position, the Group and trustees are undertaking a review of investment strategy with a view to reducing future volatility risk.

Net Assets

Net assets at 29 December 2006 were £371.9m (2005: £291.0m), with the increase due to the improved profitability of the business and gains from pension fund performance considerably offsetting an adverse foreign exchange translation effect.

Litigation

There are 52 asbestos related actions outstanding against Group companies in the United States. All such actions are robustly defended.

Critical Accounting Policies

The financial statements have been prepared in accordance with IFRS and the material accounting policies are set out on pages 48 to 53 of this report. There have been no changes to the accounting policies adopted in 2005.

Applying accounting policies requires the use of certain judgements, assumptions and estimates. The most important of these are set out below. Further judgements, assumptions and estimates are set out in the financial statements.

Long term contracts

Approximately 14% of revenue was derived from long term contracts. The timing of revenue and profits recognition in long term contractual arrangements is important and is usually measured by reference to the stage of completion of contract activity at the balance sheet date. This assessment necessarily requires a high degree of judgement. For other aspects of revenue recognition, our accounting policies allow revenue to be recognised only when the risks and rewards of ownership have passed to the customer.

Impairment

IFRS requires companies to carry out impairment testing on any assets that show indications of impairment and annually on goodwill and intangibles that are not subject to amortisation. This testing involves exercising management judgement about future cashflows and other events which are, by their nature, uncertain.

Retirement benefits

The assumptions underlying the calculation of retirement benefits are important and based on independent advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligations.

Keith Cochrane
Finance Director
21 March 2007

Board of Directors: The Board's operational framework is underpinned by clearly defined strategies, vision and values which combine to create shareholder value through the effective use of our resources.

Mark Selway
Executive Director

Aged 47, was appointed chief executive in June 2001. Before his appointment, he was a director of Britax International plc and managing director of its automotive components division. Following the purchase of that division by Schefenacker International AG in 2000, he became a director of that company and executive director of Schefenacker Vision Systems.

Alan Mitchelson
Executive Director

Aged 57, is a solicitor and joined the Group in March 2000 as group company secretary. He was appointed a director in December 2001. Before joining the Company, he was legal director and company secretary of Highland Distillers plc, following a number of years as a legal advisor with Trafalgar House plc.

Keith Cochrane
Executive Director

Aged 42, is a chartered accountant and was appointed group finance director in July 2006. He was formerly group director of finance at ScottishPower plc. Before that he was with Stagecoach Group plc where he was group finance director before becoming group chief executive in 2000.

Audit Committee

Stephen King (Chairman)
Christopher Clarke
Michael Dearden

Remuneration Committee

Michael Dearden (Chairman)
Christopher Clarke
Professor Ian Percy

Nomination Committee

Sir Robert Smith (Chairman)
Michael Dearden
Professor Ian Percy
Lord Robertson
Mark Selway

Group Operations Executive Committee
From left to right

Keith Cochrane
Finance Director

Mark Selway
Chief Executive

Alan Mitchelson
Corporate Services Director and Company Secretary

Phil Clifton
Valves & Controls and Defence, Nuclear & Gas Divisional MD

Steve Simone
Services Divisional MD

Scot Smith
Minerals Divisional MD

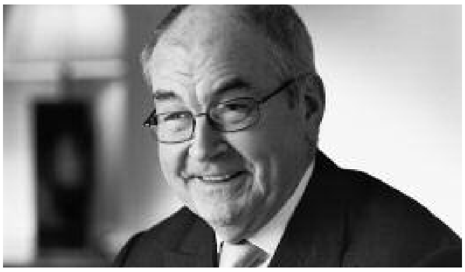
Stephen Bird
Clear Liquid Divisional MD

Sir Robert Smith
Chairman

Aged 62, was appointed chairman in July 2002. He is chairman of Scottish and Southern Energy plc and a non-executive director of 3i Group plc, Standard Bank Group Limited and Aegon UK plc. He was formerly chief executive of Morgan Grenfell Asset Management, a member of the Financial Services Authority and of the Financial Reporting Council and chairman of Stakis plc.

Stephen King
Non-Executive Director

Aged 46, was appointed a non-executive director in February 2005. He has been group finance director of De La Rue plc since January 2003. He was formerly group finance director of Midlands Electricity plc and held senior financial roles with Seeboard plc and Lucas Industries plc. He was also a director of Camelot Group plc until May 2006.



Michael Dearden
Non-Executive Director

Aged 64, was appointed a non-executive director in February 2003. A graduate of Oxford University, he was formerly with Burmah Castrol plc, where he was CEO of Castrol International. He is a non-executive director of Johnson Matthey plc and Travis Perkins plc. He was chairman of Minova International Ltd until December 2006.

Christopher Clarke
Non-Executive Director

Aged 61, was appointed a non-executive director in 1999. A graduate of Cambridge University and of the London Business School, he was formerly a director of Samuel Montagu & Co. Limited and HSBC Investment Banking. He is a Deputy Chairman of the Competition Commission and a non-executive director of Omega Insurance Holdings Ltd.

Professor Ian Percy CBE
Deputy Chairman & Senior Non-Executive Director

Aged 65, was appointed a non-executive director in 1996. He was formerly senior partner of accountants Grant Thornton, president of the Institute of Chartered Accountants of Scotland and chairman of The Accounts Commission for Scotland. He served as a member of the Treasury and DTI Co-ordinating Committee on Audit and Accounting in 2003 and was chairman of Companies House until December 2006. He is senior non-executive director of Cala Group Limited, non-executive deputy chairman of Ricardo plc and chairman of Queen Margaret University, Edinburgh.

Lord Robertson of Port Ellen (George)
KT, GCMG, HonFRSE, PC
Non-Executive Director

Aged 60, was appointed a non-executive director in February 2004. He was Secretary General of NATO (1999-2003) and before that Secretary of State for Defence (1997-99). Lord Robertson is chairman of Cable and Wireless International Operating Board. He is a non-executive director of Western Ferries (Clyde) Ltd. He is also an advisor to the Royal Bank of Canada, Europe, on the Advisory Board of Englefield Capital, senior counsellor with The Cohen Group (USA), President of Chatham House and deputy chairman of TNK-BP.

Directors Report

The directors are pleased to present their 113th annual report, together with the audited financial statements, for the 52 weeks ended 29 December 2006.

Cautionary statement

This annual report and financial statements have been prepared for the shareholders of the Company, as a body, and no other persons. The various reports contain forward looking statements that are subject to risk factors because of the nature of the sector and markets in which the Group operates and reflect the knowledge and information available at the date of the preparation of these financial statements.

Statements in the Chief Executive's Review, the Operational Review and the Financial Review on divisional performance are made on a continuing business basis, excluding discontinued operations and exceptional items.

Except as otherwise stated in the Chief Executive's Review, the Operational Review and the Financial Review, growth rates and other comparative data in respect of divisional revenue and operating profits are given on a constant exchange rate basis. Underlying growth using constant exchange rates is defined as a non-GAAP measure because, unlike actual growth, it cannot be derived directly from the information in the financial statements. This measure removes the effects of currency movements, which allows us to focus on the changes in sales and expenses driven by volume, prices and cost levels relative to the prior period.

Underlying constant exchange rate growth is calculated by re-translating the prior year's performance at current exchange rates and adjusting for other exchange effects, including hedging.

Results

The Group profit attributable to members for the 52 weeks, after taxation, amounted to £81.6m.

Dividends

The directors recommend a final ordinary dividend of 10.75p per share to be paid on 1 June 2007 to ordinary shareholders whose names are on the Company's register at close of business on 4 May 2007. Together with the interim ordinary dividend of 3.75p per share paid on 10 November 2006, this makes the total dividend for the year 14.5p.

Principal activities and business review

A review of the Group's operations, principal activities, future developments, together with a description of the principal risks and uncertainties affecting the business and key performance indicators can be found in the Chairman's Statement on pages 2 to 3, the Chief Executive's Review on pages 4 to 6, the Operational Review on pages 7 to 16, the Financial Review on pages 17 to 19 and the Corporate Social Responsibility Report on pages 37 to 40, which are incorporated into this report by reference, as well as within this report.

Other reports

The annual report includes a separate Corporate Governance Statement, which is on pages 26 to 28, Audit Committee Report on page 29, Nomination Committee Report on page 30 and Remuneration Committee Report on pages 31 to 36.

Directors

Details of the current directors of the Company are set out on pages 20 and 21. Chris Rickard resigned from the Board on 30 June 2006. Keith Cochrane was appointed to the Board on 3 July 2006. The directors who retire this year by rotation are Sir Robert Smith and Alan Mitchelson. In addition, as he has been a non-executive director for more than nine years, Professor Ian Percy is subject to annual re-election. In accordance with article 97 of the articles of association of the Company, Keith Cochrane also retires at the forthcoming annual general meeting and, being eligible, offers himself for election. Sir Robert Smith, Alan Mitchelson and Professor Percy offer themselves for re-election.

Director's indemnities

The Company has granted indemnities to each of its directors in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors to the extent permitted by the Companies Act and the Company's articles of association. In addition, directors and officers of the Company and its subsidiaries are covered by Directors & Officers liability insurance.

Share capital

During the year, options were exercised by participants in the Company's share option schemes as a consequence of which 1,328,633 ordinary shares of 12.5p each were allotted and issued. No awards under the Group Long-Term Incentive Plan vested during the year. Details of the options and awards outstanding under each of the Company's share schemes at the end of the year are set out in note 28 to the Group financial statements.

At the 2006 annual general meeting, shareholders renewed the Company's authority to make market purchases of up to 20.64m ordinary shares (representing 10% of the issued share capital). No shares were purchased under this authority during the 52 weeks to 29 December 2006 and at the forthcoming annual general meeting the Board will again seek shareholder approval to renew the annual authority for the Company to make market purchases.

Substantial shareholders

The Company has been notified of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 21 March 2007 (excluding treasury shares):

	Number of shares	Percentage Holding
Threadneedle Asset Management Holdings Limited	18,745,148	9.02%
M&G Investment Management Limited	12,230,775	5.88%
Fidelity International Limited and FMR Corp	10,785,213	5.19%
AXA Investment Managers UK Limited	10,469,815	5.04%
Legal & General Investment Management Limited	8,382,291	4.03%

Annual general meeting

The annual general meeting will be held on 9 May 2007. A separate letter is being sent to all shareholders containing the Notice of Meeting and the resolutions to be proposed.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Charitable contributions

During the year, Group companies made the following contributions:

- charitable (being specifically health, heritage, educational and community) purposes £169,218 (2005: £101,757).
- the Group made no political contributions during the period (2005: nil).

Audit and auditors

So far as each of the directors is aware, there is no relevant audit information (as defined by section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware.

Each of the directors has taken all of the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming annual general meeting.

Principal risks

Risk is inherent in our business activities and as a consequence of operating a sound risk management process the Group has identified the following principal risks and uncertainties, which it believes could have a materially adverse effect on its business, turnover, profit, assets, liquidity, resources and reputation.

The nature of risk is such that no list can be comprehensive and it is possible that other risks may arise, or that risks not currently considered material may become so in the future. Any forward-looking statements in the annual report or otherwise made by the Group should be considered in light of these risk factors.

The Group operates controls as described in the Corporate Governance report to mitigate against these risks.

Economic, political and natural catastrophe risks

The Group operates in 35 countries around the world including several within Africa, Middle East, Asia and South America. While benefiting from the opportunities and growth in these regions, the Group is exposed to the economic, political and business risks associated with international operations, such as sudden changes in regulation, expropriation of assets, imposition of trade barriers and wage controls, limits on the export of currency and volatility of prices, taxes and currencies. The Group's diversified geographic footprint mitigates against any exposure within any one country in which it operates.

The Group's operations are exposed to varying degrees of natural catastrophe risk, such as earthquake and flood, as well as security risk, in the various manufacturing locations in which it operates. Where cost effective, such risks are mitigated through physical measures designed to counter the impact of a catastrophe. The value of assets and associated profits are also protected by insurance.

Market cycles

Over 70% of the Group's revenues are generated from the power generation, oil and gas and mining sectors and its performance may be impacted by market trends across these sectors. The provision of both original equipment and aftermarket sales and services spreads this risk together with the broad geographical diversification of the Group.

Legislative risks

Revision of environmental legislation in various countries takes time and the Group monitors this in order to anticipate the effect on its business and that of its customers. Unforeseen legislative changes may have an adverse impact on operations and tighter environmental legislation may increase manufacturing costs. However, it can also provide opportunities to offer customers new solutions to meet the more stringent environmental standards.

Intellectual property

The Group operates in a competitive market and constantly has to take steps to prevent misappropriation of its intellectual property rights. The Group relies on a combination of patent rights, licensing arrangements and contractual arrangements to establish and protect those rights, as well as occasionally bringing law suits against third parties.

Industry competition

The markets for many of the Group's products are fragmented and highly competitive. The Group competes against large and well established global companies, as well as local companies, and low cost replicators of spare parts, on the basis of price, technical expertise, timeliness of delivery, previous installation history and reputation for quality and reliability. To remain competitive, the Group invests continuously in its manufacturing, marketing, customer service support and distribution networks. The diversity of operations reduces the possible effect of action by a single competitor and combined with the application of Lean manufacturing ensures the Group's competitive advantage is sustained.

Product liability claims

The Group faces an inherent business risk of exposure to product liability and warranty claims in the event that a failure of a product results in, or is alleged to result in, bodily injury, property damage and consequential loss. The Group maintains insurance coverage for product liability claims where possible. For warranty claims not covered by insurance, warranty costs may be incurred which the Group may not be able to recover.

Foreign exchange risk

The Group sells its products in over 100 countries and has manufacturing operations in over 15 countries with the result that two forms of currency risk - transaction and translational exposures, arise:

- Transactional currency exposure arises when operating subsidiaries enter into transactions denominated in currencies other than their functional currency. Foreign exchange transaction exposures are identified and managed directly by the Group's operating subsidiaries within the policies and guidelines established by Group Treasury. Group Treasury enter into foreign exchange hedging transactions on behalf of subsidiaries in accordance with the Group's policies and procedures.
- Translational risk arises due to exchange rate fluctuations in the translation of the results of overseas subsidiaries into sterling and trading transactions in foreign currencies.

The Group makes limited use of derivative financial instruments to hedge balance sheet translation exposures. On significant acquisitions of overseas companies, borrowings are raised in the local currency to minimise the translation risk. It remains the Group's policy not to hedge profit and loss account translation exposures.

Transaction exposures are hedged where deemed appropriate and where they can be reliably forecast with the use of forward exchange rate contracts.

Directors Report (Continued)

Tax
The effective rate of tax paid by the Group may be influenced by a number of factors including changes in law and accounting standards and the Group's overall approach to such matters, the results of which could increase or decrease that rate. The Group seeks to manage its financial structure efficiently to minimise the overall tax burden on the business where practicable. The continued ability of the Group to manage its businesses in this way cannot be guaranteed and so could affect the Group's financial performance.

Pensions
Estimates of the amount and timing of future funding obligations for the Group's pension plans are based on various assumptions including, among other things, the actual and projected market performance of the pension plan assets, future long-term corporate bond yields, increased longevity of members and statutory requirements. In the last year, the relative improvement in equity markets together with increased bond yields has reduced the deficit. The Group continually reviews this risk and takes action to mitigate where possible. In addition, while the Group is consulted by the trustees on the investment strategies of its pension plans, the Group has no direct control over these matters as the trustees are directly responsible for the strategy.

Acquisitions
The Group has made a number of acquisitions in recent years as part of its growth strategy and may make acquisitions in the future. While the Group identifies expected synergies, cost savings and growth opportunities prior to completing any acquisition, these benefits may not always be achieved within the anticipated timescale or may not achieve all of the anticipated benefits.

To mitigate against this, the Group implements a vigorous due diligence process and ensures clear financial targets are in place together with ensuring any acquisition is put through a formal approval process. The Group also has its internal 100 day plan to ensure that the integration process runs as smoothly as possible.

Delivery performance
The Group's ability to meet customer delivery schedules is dependent on a number of factors including sufficient manufacturing capacity, access to raw materials, inventory control, sufficient trained and equipped employees, engineering expertise and the appropriate planning and scheduling of the manufacturing process. Many of the contracts it enters into require long lead times and therefore contain clauses on on-time delivery. Failure to deliver in accordance with customer expectation could subject the Group to financial penalties, may result in damage to customer relationships and could impact on the Group's financial performance.

Managing joint venture relationships
The Group must ensure that the selection of new joint venture partners and the relationship with its partners in its existing joint ventures is managed effectively to ensure the full potential for the joint venture is achieved. Failure to achieve alignment of objectives and manage relationships effectively may negatively impact the Group's financial performance.

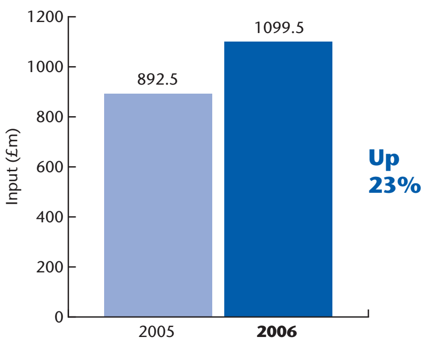
Employee issues
Group performance depends on the skills and efforts of its employees and management team across all of its businesses. In striving to be an employer of choice, the Group recognises that failing to attract new talent and retain existing expertise, knowledge and skills in operations, products and infrastructure areas such as information technology could have a negative impact on its business. In addition, the success of Group acquisitions will depend on the Group's ability to retain management personnel of acquired companies.

Health & safety
The Group operates in a number of demanding environments. Safe working practices are extremely important to protect everyone on the Group's sites. The Group has developed quality and safety processes within each of its businesses which are regularly audited by professional bodies and customers. The Group operates long established working practices and controls to minimise damage and injury. If the Group cannot maintain a safe place for all its employees to work this could result in a number of negative outcomes to the Group including:

- fines and penalties;
- loss of key customers;
- exclusion from certain market sectors deemed important for future development of the business; and
- damage to reputation.

Group performance
In 2006, the Group's strategy was underpinned by focusing on a number of key performance measures. The following measures are the ones that the Board feel communicate the performance and strength of the Group as a whole. However, management use further performance measures to run and assess the performance of their individual divisions, rather than the Group as a whole.

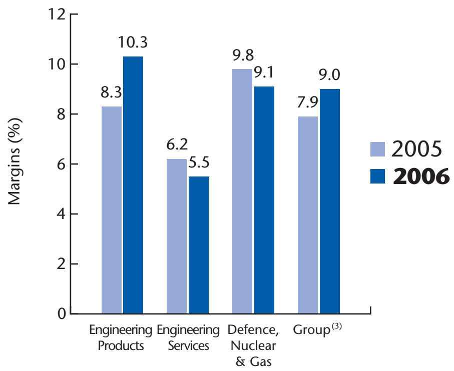
Input - continuing operations [1]



Order input is a key measure used to evaluate market trends, establish forward sales and enable the efficient management of production schedules. Order input is defined as the expected revenues to be generated from contractually committed orders received.

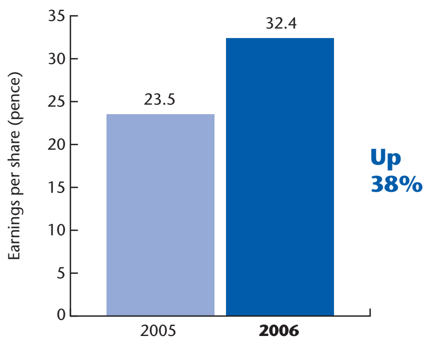
(1) Excludes joint ventures and associates; calculated at constant 2006 exchange rates.
(2) Calculated at constant 2006 exchange rates.
(3) Group weighted average.
(4) Adjusted to exclude exceptional items.

Operating margins - continuing operations [2]



One of the Group's key objectives has been to improve business operating margins. These are monitored on an ongoing basis. Operating margins are defined as operating profits expressed as a percentage of revenues. These are calculated before taking account of any exceptional items to focus on underlying trading performance.

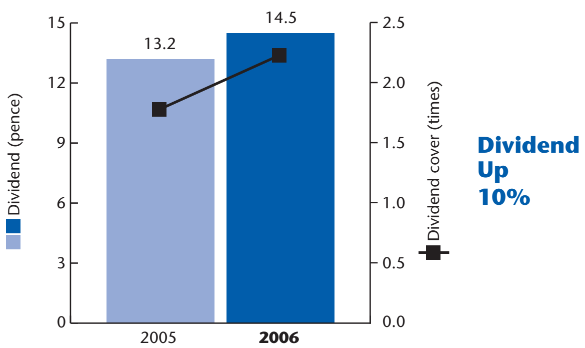
Earnings per share - continuing operations [4]



The Group seeks to deliver long-term shareholder value as evidenced in part through the growth in underlying earnings per share. Growth in underlying earnings per share is a key measure in determining the vesting of shares under the Group's incentive schemes.

Underlying earnings per share is represented by profit for the period from continuing operations, before exceptional items, divided by the weighted average number of shares in issue.

Dividend and dividend cover - continuing operations



Shareholder value is also generated through the payment of annual dividends to shareholders. Our ability to sustain such payments is measured against the dividend cover ratio with our current policy being to sustain dividend cover of at least two times. Dividend cover is defined as basic earnings per share from continuing operations, before exceptional items, divided by the annual dividend per share.

Weir Production System implementation

The Group's goal is consistently to meet customer demand on time with the least cost method, through implementation of the Weir Production System, adapted from the Toyota Production System. By eliminating waste, quality is improved and production time and costs are reduced. The key objective is to embed the appropriate practices across all business processes to produce just what is needed, when it is needed, in the most efficient way.

The Group has adopted the Lean Management philosophy focusing on reduction of the Seven Wastes to improve overall customer value. These are:

- transportation
- motion
- overproduction
- scrap
- inventory
- waiting time
- the processing itself.

Due to the importance of ownership in the process, the measurement of performance is by an evaluation across all Group companies comparing their current plant practice against world-class practice and performance.

The evaluation involves an audit of each manufacturing site which results in the site being awarded a Lean Score. Audits are performed annually by internal peer groups. The Lean Score for each site is then totalled and expressed as a Group Lean Score. The results for 2005 and 2006 are as follows:

2005	**2006**	%age Change
76	**104**	37% increase

The Group Lean Scores are interpreted as follows:

- 0-60 score means the site needs significant improvement, action is required;
- 61-99 score means relatively good practice, but regular follow up and further improvements are required;
- 100-150 is world-class practice where process has taken root and needs to be maintained and further improved.

The scores awarded to individual businesses are used to identify improvement actions and set future targets.

By order of the Board
Alan Mitchelson
Secretary

Glasgow
21 March 2007

Corporate Governance Statement

The Combined Code

The Company remains committed to the highest standards of corporate governance and manages its affairs in accordance with the Combined Code on Corporate Governance (the "Combined Code") issued by the Financial Services Authority in July 2003. During the 52 weeks ended 29 December 2006, the Company complied with the Combined Code provisions. This statement describes how the Company has applied the Combined Code.

The Board

The Board comprises the chairman, chief executive, group finance director, corporate services director and five non-executive directors, all of whom are independent. The Board meets regularly throughout the year with ad hoc meetings as necessary. In the year to 29 December 2006, the Board met seven times. Meetings are held at the head office in Glasgow, London at the time of the Company's annual and interim announcements and at operating locations. The following table identifies the number of board and committee meetings held during the past year and the attendance record of individual directors.

	Board Meetings	Committee Meetings: Audit	Remuneration	Nomination
No. of meetings in year	7	3	4	3
Sir Robert Smith	7			3
Christopher Clarke	7	3	4	
Keith Cochrane(1)	4			
Michael Dearden	7	3	4	3
Stephen King	7	3		
Alan Mitchelson	7			
Professor Ian Percy	7		4	3
Chris Rickard(2)	3			
Lord Robertson	6			2
Mark Selway	7			3

(1) Appointed to the Board on 3 July 2006
(2) Resigned from the Board on 30 June 2006

Directors appointed to the Board other than at an annual general meeting of the Company are required to retire at the following annual general meeting when they may offer themselves for election. One third of the remaining members of the Board (or, where that number is not a whole number, the nearest lower whole number) are required to retire by rotation, subject to all directors submitting themselves for re-election at least once every three years. In line with best practice under the Combined Code, any director who has held office for more than nine years is required to submit himself for re-election.

On joining the Board, directors are provided with documentation on the Company and its activities. New directors are provided with an appropriate induction programme and, where appropriate, site visits are arranged to major business units. Ongoing training is provided as necessary.

A formal process for evaluating the performance of the Board is undertaken annually. This process is conducted internally based on a detailed questionnaire completed by each director and individual and collective discussions. The senior non-executive director, as part of this appraisal process, also meets with the other directors as a group to consider the effectiveness of the Board.

The evaluation examines the balance of skills of the directors, the operation of the Board in practice including its corporate governance and the operation and content of board meetings. The findings are used to assist the Board in its consideration of the opportunities for improvement in the performance of the Board and its directors.

During 2006, the Board also conducted an internal review of the effectiveness of the Audit, Nomination and Remuneration Committees incorporating a questionnaire covering such matters as the role and organisation of each committee, meeting arrangements, information provision and effectiveness. Following completion of these questionnaires by the members of each committee, the chairman met with the respective chairmen of the Audit and Remuneration Committees to discuss the feedback. The results of this evaluation were reported to the Board and, where areas for improvement had been identified, actions were agreed.

Additionally, a one-to-one appraisal of all board members is undertaken annually, including the chairman, whose appraisal is carried out by the senior non-executive director.

There is an agreed procedure for directors, where appropriate, to take independent professional advice on any matter at the Company's expense. The company secretary is responsible for ensuring that board procedures are followed and all directors have direct access to the advice and services of the company secretary. The company secretary is also responsible for facilitating the induction and professional development of the board members and information flows within the Board, its committees and between the non-executive directors and senior management.

There is an agreed list of matters which requires to be authorised by the Board, such as the approval of the Group strategic plan, Group budget and risk management strategy. Major acquisitions and disposals, as well as major capital spend, are authorised by the Board and are subsequently monitored by the Board after execution. The Board also approves the issue of full year and interim reports.

All directors bring their own independent judgement to all major matters affecting the Group. Each of the non-executive directors is considered by the Company to be independent. Notwithstanding his presence on the Board for a period of more than nine years, the Board considers Professor Percy, who continues to be a member of the Board and the Remuneration and Nomination Committees, to be independent in character and judgement. He brings a wealth of experience to the Board's deliberations and is considered to be free from any business or other relationship that could materially interfere with his independent judgement.

The views of executive directors are not limited to those operational or functional areas for which directors have prime responsibility. Board and committee papers are sent to directors in sufficient time before meetings and any further back-up papers and information are readily available to all directors on request to the company secretary. The chairman ensures that non-executive directors are properly briefed on any issue arising at board meetings and non-executive directors have access to the chairman at any time.

The roles of chairman and chief executive are separate. The chairman's primary role is to ensure that the Board is effective in its task of setting and implementing the Company's direction. The chief executive is responsible for management of the business and developing the appropriate organisational structure for a global organisation. The chief executive chairs the Group Operations Executive Committee.

The non-executive directors are independent of management. None of the non-executive directors has any material business or other relationship with the Company. Each member of the Board has considerable experience at senior level in other companies, which allows for well informed and broadly based debate. The Board structure ensures that no individual or group dominates the decision-making process. Professor Ian Percy has been designated the senior non-executive director to whom any concerns can be conveyed.

The executive directors have contracts of service with one year's notice, whilst non-executive directors are appointed on a rotational basis for periods of up to three years.

Board committees

Where appropriate, matters are delegated to board committees, all of which have written terms of reference, which are available on the Company's website. The company secretary acts as secretary to all these committees.

The principal board committees are the Audit Committee, the Nomination Committee and the Remuneration Committee (details of which are contained on pages 29 to 36).

Group Operations Executive Committee

The Group Operations Executive Committee is responsible for ensuring that each of the Group's businesses is managed effectively and that the operational objectives of the Group, as approved by the Board, are achieved. Its role includes the preparation of the Group budget for approval by the Board, management of business performance to achieve the Group budget, establishing and maintaining reporting systems providing clear and consistent information on all aspects of business performance, managing and minimising corporate risk and ensuring that the necessary mechanisms are in place to achieve effective inter-divisional co-ordination in areas such as purchasing, branding and career development planning. It also approves major items of capital expenditure within limits authorised by the Board. The Group Operations Executive Committee meets each month. Its membership comprises the chief executive, group finance director, corporate services director and the four divisional managing directors. In the year to 29 December 2006, the Group Operations Executive Committee met 12 times.

General Administration Committee

The principal duties of the General Administration Committee are to allot shares under the various share option schemes and other matters of a routine nature. This Committee comprises executive members of the Board and meets as required.

Principles of business conduct

As an international company, the Group's approach to maintaining high ethical standards is critical to its business success. The Group's Operating Policies, which provide guidance in this area, have been communicated throughout the Group through its intranet. A copy is available from the Group secretariat. These policies are reviewed on a regular basis.

Shareholders

The Company maintains regular dialogue with its shareholders. The investor relations programme includes formal presentations of full year and interim results. Feedback from these presentations is reported to the Board, which gives investors an opportunity to comment on the quality of the communications they receive in their contact with the chief executive and group finance director. Attendees at the results presentations include the chairman, the executive directors and the senior non-executive director. The Company also encourages communication with private shareholders throughout the year and welcomes their participation at shareholder meetings. In addition to the chairman's statement at the annual general meeting, a trading update to shareholders is given and details of the Company's trading activities are on display. The directors attend the annual general meeting when the chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions.

Notice of the annual general meeting is sent to shareholders at least 20 working days before the meeting. The Company conducts the vote at the annual general meeting by electronic poll and the result of the votes (including proxies) is published on the Company's website after the annual general meeting.

Communications

The Board considers that the annual report and financial statements and interim statements present a balanced and understandable assessment of the Group's performance and prospects. In addition to information which any company is under a legal or regulatory requirement to publish, the Group frequently publicises other business developments through the national or specialised press or in its own newspapers and bulletins which have wide circulation.

The Company's website at www.weir.co.uk provides additional company information, is regularly updated and includes the presentations to shareholders given at the announcements of the full year and interim results. The website also contains an online version of the notice of the annual general meeting, the annual report and financial statements and the interim report.

Corporate Governance Statement (Continued)

Internal control

In accordance with the Turnbull Guidance on internal control, the Board ensures that there is an ongoing process for identifying, evaluating and managing the significant risks faced by Group companies. This process has been in place throughout 2006 and up until the date of this report, except that it did not apply to the Group's material joint ventures and associates. As part of the integration programme, Weir Gabbioneta only became fully integrated into the Risk and Control Framework and the Group system of internal control in February 2006.

The directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring both the system and the maintenance of effective internal control in each of the businesses which comprise the Group. In addition, each operating company is responsible for the operation of key internal controls and to formally assess the effectiveness of the internal control environment through the submission, twice yearly, of the financial scorecard.

An internal audit function is in place to review and challenge the effectiveness of key internal controls and to suggest relevant actions to address potential weaknesses. The internal audit review programme is based on a 'risk based approach' that helps to prioritise resource upon the areas of perceived greatest risk to the Group. This process is supplemented by a number of peer reviews that seek to further monitor and evaluate the process of internal control and share best practice around the Group.

Internal audit and peer review reports are provided to the Group Operations Executive Committee as well as to the Audit Committee which considers and determines relevant action in respect of any control issues raised.

As part of the control framework, each Group operating company and business prepares a Risk and Control Framework for their respective business. As part of this process, the operating companies prepare a report identifying the relative probability and severity of the risks identified, the process for managing and mitigating these risks and the means by which management might be assured that the processes are effective. These frameworks are considered and approved by the chief executive, group finance director and the Group Operations Executive Committee. In addition, a Group Risk and Control Framework is prepared, taking account of the significant risks identified by the individual units together with other group-wide risks. The Group Risk and Control Framework is considered and adopted by the Board which is responsible for the risk management strategy. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has monitored the effectiveness of the Group's system of internal control during the year. This is refined as necessary to meet changes in the Group's business and associated risks. Regular performance reports are provided to the Group Operations Executive Committee and/or the Audit Committee or the Board. Where weaknesses are identified, plans and timetables for addressing them are also reported.

In addition to the Group Risk and Control Framework, other procedures which are fundamental to the Group's system of internal control are as follows:

Control environment

There is a clearly defined organisational structure within which individual responsibilities are identified and monitored. Businesses follow well understood procedures and are required to comply with them.

Main control procedures

The Group has identified a number of key areas which are subject to regular reporting to the Board. These controls include procedures for seeking and obtaining approval for major investments and transactions.

Group-wide standards

There are, for application throughout the Group, operating policies and a standards manual which set out policies and procedures with which all Group companies are required to comply. The manual is communicated to all Group operating companies through the Group intranet.

The managing directors are responsible for ensuring that each company observes and implements the policies and procedures set out in the manual which was reviewed in 2006.

Information systems

There is a comprehensive budgeting system in place with an annual budget approved by the Board. Management information systems provide directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year.

The Group's internal control procedures described in this section have not been extended to cover its interests in joint ventures and associates. The Group has board representation on each of its joint venture and associate companies where separate systems of internal control have been adopted.

Audit Committee Report

The Audit Committee is charged with responsibility to the Board for satisfying itself, on behalf of the Board as a whole, that the financial affairs of the Group are conducted with openness, integrity and accountability and in accordance with such existing statutory and regulatory provisions and codes as are applicable to the Group and to report on these matters to the Board.

Its duties are to:

- consider the appointment, resignation or dismissal of the auditors and the level of audit fee;
- discuss with the auditors the nature and scope of the audit;
- review the draft interim and annual financial statements before submission to the Board for approval;
- discuss any problems and reservations arising from the annual audit and any matters the auditors may wish to raise;
- discuss with the auditors the Group's system of internal financial controls and any auditors recommendations for improvement;
- consider the findings of internal investigations and management's response;
- oversee the implementation of systems for financial control and risk management;
- pre-approve non-audit services provided by the auditor;
- review the internal audit programme and its implementation;
- receive and review internal audit reports;
- review treasury policy.

The chairman of the Committee is Stephen King. The other members of the Committee are Christopher Clarke and Michael Dearden. The secretary to the Committee is Alan Mitchelson. In addition the chief executive, group finance director and the internal and external auditors also attend each meeting. The Board is satisfied that Stephen King has recent and relevant financial experience.

The Committee has the ability to call on the Group's staff to assist in their work and also has access to independent advice. The chairman of the Committee receives additional remuneration for his duties, details of which are set out on page 34. The Committee meets each January, March and August and at other times as appropriate. During the March meeting the Committee undertakes a full review of the audit with the Group's auditors.

There were three meetings in 2006. In the course of 2006, the Committee discussed the following matters:

a) operational issues identified by the auditors in both their audit and interim review;

b) the Internal Audit Charter and Strategy;

c) the Group Risk and Control Framework;

d) the Group accounting policies;

e) the scope of the function and the findings of internal audit reviews undertaken by PriceWaterhouseCoopers and the Internal Auditor;

f) Corporate Governance Reporting;

g) the fees for Ernst & Young for 2006;

h) the audit strategy for year end 2006 audit; and

i) the fraud and error guidelines contained in IAS240.

Both the Group internal auditor and PriceWaterhouseCoopers undertake their activities in conjunction with the Group's usual peer group review process.

The Committee maintains a policy on the appointment and role of the auditors. This includes guidelines on their appointment which is subject to review at least every five years and on their ongoing work to ensure that the independence of the Group's auditors is not threatened, particularly by the provision of non-audit services. Prior approval of the Committee is required where the expected cost of non-audit services provided by the appointed external auditors is in excess of £75,000.

The day-to-day implementation of the Committee's policy is delegated to the group finance director who in turn monitors the business units to ensure that all engagements fall within the Committee's guidelines. Fees payable to Ernst & Young in respect of taxation advice of £nil (2005: £0.5m) and audit and assurance services of £1.0m (2005: £1.0m) in respect of 2006 were approved by the Committee.

The Group maintains a 'whistle blowing' policy in line with the Public Interest Disclosure Act 1998 to enable employees, on a confidential basis, to raise concerns internally in cases where they believe they have discovered malpractice or impropriety. This is reviewed on an ongoing basis. Complaints can be made either to line managers or directly to the company secretary who will appoint an investigating officer. Action will be taken in cases where the complaint is shown to be justified and at all times the complainant is informed of progress and outcomes. In addition, the auditors Ernst & Young can be brought in to review procedures if appropriate. The 'whistle blowing' policy is published on the Group intranet.

The Committee's terms of reference are available from the company secretary on request and can also be found on the Company's website.

Stephen King
Chairman of the Audit Committee
Signed and approved for and on behalf of the Board
21 March 2007

Nomination Committee Report

During 2006, the members of the Nomination Committee were Sir Robert Smith (chairman), Michael Dearden, Professor Ian Percy, Lord Robertson and Mark Selway. Alan Mitchelson acts as secretary to the Committee. The Committee meets at least twice a year and at other times when necessary. The Committee uses external search consultants to assist it in its work.

The Committee primarily monitors the composition and balance of the Board and its committees and identifies and recommends to the Board the appointment of new directors. The Committee's terms of reference establish a framework through which it can operate to ensure the selection process of board candidates is conducted in a formal, disciplined and objective manner. When considering candidates, the Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for the particular appointment. The Committee also reviews the succession planning and leadership needs of the organisation and ensures that, on appointment, all directors receive a formal contract or letter of appointment as appropriate. The Committee's terms of reference are available from the company secretary and can also be found on the Company's website.

Appointments to the Board are approved by the Board as a whole. However, it is the role of the Committee to make recommendations to the Board in respect of the appointment of new executive or non-executive directors. The process by which the Committee brings candidates to the Board has been agreed by the Board. In the case of executive directors, the Committee has recommendations presented to it by the chief executive and thereafter nominates candidates for consideration by the Board. The procedure for non-executive directors is that the Committee identifies and nominates candidates for consideration by the Board to fill vacancies as and when they arise.

During the year the Committee reviewed:

a) the Group's current committee structure and procedures including the composition and membership of each of the board committees;

b) the induction programme for new directors;

c) the training for directors;

d) the appointment of Keith Cochrane as group finance director;

e) the board evaluation process; and

f) the board recruitment process.

Sir Robert Smith
Chairman of the Nomination Committee
Signed and approved for and on behalf of the Board
21 March 2007

Remuneration Committee Report

Committee membership

The chairman of the Remuneration Committee is Michael Dearden. The other members of the Committee are Christopher Clarke and Professor Ian Percy. The secretary to the Committee is Alan Mitchelson. The Committee consists exclusively of non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters decided by the Committee. New Bridge Street Consultants LLP ("NBSC") continued to provide external advice in formulating remuneration policy and its implementation during 2006. NBSC's appointment was renewed by the Committee in 2007. NBSC do not undertake any other work for the Group other than remuneration work. In carrying out its business, the Committee consults with the chairman and the chief executive as appropriate.

Committee responsibilities

The responsibilities of the Committee are as follows:

- to determine the policy on the remuneration and performance of executive directors of the Company;
- to determine the conditions of employment, including levels of salary, pension arrangements, bonuses, incentives and share options of executive directors of the Company;
- to determine targets for any performance-related pay schemes; and
- to recommend to the Board the remuneration of the chairman of the Board.

The Committee met four times in 2006. The Committee is constituted, and operated throughout the year, in accordance with the relevant provisions of the Combined Code. This report complies with the Directors Remuneration Report Regulations 2002. The Committee's terms of reference are available from the company secretary on request and can also be found on the Company's website. NBSC's terms of appointment are available on request from the company secretary.

Executive directors remuneration policy

The Committee has adopted the following policy for the remuneration of executive directors throughout 2006. It is intended that this policy will apply in 2007 and future years.

The objective of the Company's remuneration policy is to attract, motivate and retain executive directors with the necessary abilities to manage and develop the Group's activities successfully for the benefit of shareholders.

Accordingly, the Committee sets remuneration packages for the executive directors to reflect both the size and complexity of the business and individual responsibilities. It also takes into consideration the remuneration practices adopted by other companies of similar size and international spread of operations. For all senior executives, the Group policy is to provide a significant part of their total potential reward through performance based incentive plans (annual bonus and long-term incentives) as described below.

To ensure the interests of management remain aligned with those of shareholders, executive directors are encouraged to build up a meaningful shareholding in the Company by both the purchase of shares and/or the retention of a proportion of their share awards. In addition, executive directors are obliged to convert part of their bonus into shares under the Group incentive plan so that over a five year period they build up a meaningful shareholding.

Executive directors remuneration comprises the following:

a) a basic salary, which is set by the Committee for each executive director by reference to companies of a similar size and industry practice. With effect from 1 April 2007, the salaries of Keith Cochrane, Alan Mitchelson and Mark Selway will be increased by 3.5%;

b) an annual performance-related bonus. Bonus payments are intended to reflect the achievement of agreed business objectives and positive contribution to stretching the performance of the Group. The Committee reviews the bonuses payable on an annual basis and sets the targets at the beginning of the financial year. The targets used are based primarily on normalised pre-tax profits but can also on occasion include other performance measures. In 2006, the maximum potential bonus receivable by the chief executive was 85% of salary and for the other executive directors 75% of salary. In 2007, the maximum bonus potential for the chief executive has been increased to 125% of salary and for the other executive directors 100% of salary to bring them into line with current industry benchmarks. The performance criteria has remained unchanged. As a member of the Long-Term Incentive Plan ("L-TIP"), the chief executive is required to contribute 25% of his bonus in exchange for which he receives a conditional award of investment shares. The other executive directors are required to contribute 20% of their bonuses in the same manner. Investment share awards are subject to forfeiture if the director leaves the Group within three years. Bonuses are non-contractual and non-pensionable;

c) participation in the L-TIP, details of which are set out on the following pages;

d) participation in the Company's pension plan by Alan Mitchelson, details of which are set out below; and

e) other benefits-in-kind, which are the provision of a car allowance, participation in a Group health care scheme, travel allowance and death in service insurance. The Committee believes that the level and provision of benefits-in-kind is consistent with that provided by other comparable companies.

Pensions

Alan Mitchelson is a member of the Company's 1972 pension and life assurance plan. The plan is a defined benefit contributory plan with the active members contributing 8% of salary, the balance of the cost of the plan is met by the Company having taken account of the Trustee's opinion arrived at by considering the funding recommendations of the plan's independent actuary.

Remuneration Committee Report (Continued)

The plan targets a pension of two thirds of final salary payable at normal retirement date, providing a member then has at least 24 years pensionable service. Where a member has less than 24 years pensionable service to normal retirement date their pension currently accrues at 1/36th of final salary per annum.

For members, whose pensionable service starts after June 1989, salary (both for contributions and for plan benefits) is subject to a plan specific earnings cap. This is currently £108,600.

The plan provides for a surviving spouse's pension of one half of the member's pension and, in certain circumstances, for a dependent child's pension until the child attains the age of 18 years (or 25 years if in full time further education). Pensions in payment and deferred pensions increase by an amount equal to retail price inflation up to 5% per annum.

Life assurance cover of five times salary is provided separately for each of the executive directors.

Mark Selway and Keith Cochrane are responsible for their own pension arrangements.

Long-Term Incentive Plan (L-TIP)

During 2006, the Weir Group operated an incentive whereby awards of Performance Shares, Matching Shares and Investment Shares were made:

i) Performance Shares – Performance shares are conditional awards to acquire free shares subject to company performance (see below). In 2006, conditional awards of performance shares were made worth 70% of salary to the chief executive, 100% of salary to the new group finance director and 45% to the corporate services director. It is the Committee's intention in 2007 to make an award worth 70% of salary to the chief executive, 80% of salary to the corporate services director and 45% of salary to the group finance director. However, in the case of recruitment this may be up to 150%.

ii) Matching and Investment Shares - Matching shares are conditional awards to acquire free shares, subject to Group performance (see below) granted in connection with an individual's investment from their annual bonus. Under the L-TIP, executive directors are required to compulsorily defer an element of any Group bonus earned (currently 25% for the chief executive and 20% for the other executive directors) in exchange for which they are awarded investment shares. In addition, executive directors are also allowed to voluntarily invest a further portion of their Group bonus (subject to any cap imposed by the Committee, currently 10%) to be further eligible for an award of matching shares. In return, the executive directors are eligible to receive a conditional award of matching shares worth a maximum of 2.5 times the pre-tax value of the bonus "invested" under the L-TIP. It is intended that the voluntary element will be increased to 20% for the 2007 awards.

The awards are based on the Group's share price, using the average published closing price for the three dealing days immediately preceding the date of award.

The conditional awards of performance and matching shares are only receivable if a highly demanding performance condition is achieved. For the performance share awards granted in 2006, the performance condition will be based on the growth in the Group's Total Shareholder Return ("TSR") over a single three-year performance period (three consecutive financial years, beginning with the year in which the award is made) relative to the growth in the TSR of a comparator group ("the Comparator Group"). The Comparator Group comprises the following 18 companies: AGA Foodservice Group, Bodycote International, Cookson Group, Enodis, FKI, Halma, IMI, Meggitt, Mitie Group, Morgan Crucible Company, Rolls-Royce, Rotork, Senior, Smiths Group, Spirax-Sarco Engineering, Tomkins, Wood Group and WS Atkins. For awards granted in 2007, the Comparator Group will comprise the same companies. Only if the Company's TSR ranks in the upper quintile of this group will the full awards be receivable. This reduces on a sliding scale so that for median performance, 25% of the awards will be receivable. For below median performance, none of the awards will be receivable.

TSR has been selected as the appropriate performance criteria by the Committee as it is felt that such a measure clearly aligns the interests of the senior executives with those of shareholders. The TSR calculation will be performed independently for the Committee, at the time of vesting.

In addition to TSR performance, for any of the performance and matching shares to vest, the growth in the Company's earnings per share over the performance period must be equal to or greater than the growth in the UK Retail Prices Index over the same period.

Share option schemes

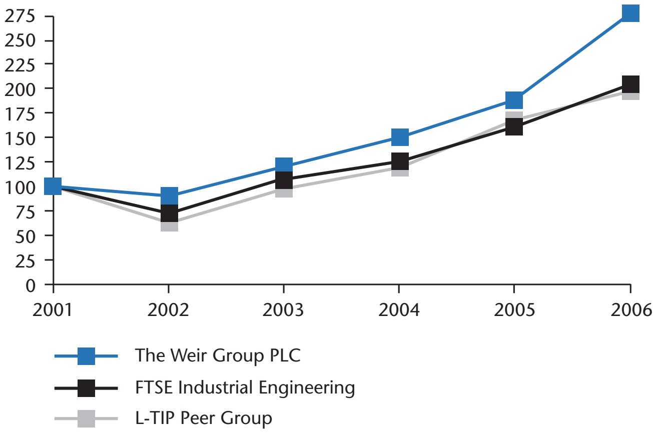
The Company operated a discretionary executive share option scheme ("the Executive Scheme") on a global basis. The Executive Scheme, which was approved in 1994, expired in May 2004. Under the rules of the Executive Scheme, share options were granted up to a maximum value of four times a participant's earnings. Options were granted at the mid market price of a share at the date of grant. The right to exercise an option under the Executive Scheme is subject to performance conditions as determined by the Committee at the date of grant.

The performance criteria applicable in 2004 were for the growth in the Company's normalised earnings per share over a three year period to either exceed by nine per cent the growth in the retail price index of the UK over that three year period or exceed the weighted average growth during that three year period of the normalised earnings per share of those companies in the FTSE All Share Industrial Engineering Sector. Under the terms of the Scheme, this is re-tested every year from the third anniversary of the grant of the option to the date the option lapses.

In addition, the Company operated a Savings-related Share Option Scheme in the UK, which the executive directors were eligible to participate in on the same terms as all other employees and which was not subject to performance criteria. This scheme was closed in 2004.

Performance graph

The graph below compares the Company's total shareholder return performance over a five year period against the L-TIP Comparator Group and the FTSE All Share Industrial Engineering Sector Index. The Board believes that both the FTSE Index and the Comparator Group represent an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.



This chart shows the value, at the end of the 2006 financial year, of £100 invested in The Weir Group PLC over the last five financial years compared with the value of £100 invested in the average of the L-TIP Comparator Group and the FTSE All Share Industrial Engineering Sector Index. The other points plotted are values at intervening financial year ends.

Directors contracts/terms of appointment

The details of the service contracts in relation to the executive directors and letters of appointment in relation to the non-executive directors who served during the year are:

Director	Contract commencement date	Unexpired term/next re-election	Notice period by company
Sir Robert Smith	6 February 2002	9 May 2007	6 months
Christopher Clarke	14 December 1999	May 2008	6 months
Michael Dearden	17 February 2003	May 2009	6 months
Stephen King	3 February 2005	May 2008	6 months
Professor Ian Percy	11 October 1996	9 May 2007	6 months
Lord Robertson	1 February 2004	May 2009	6 months
Keith Cochrane	3 July 2006	12 months	12 months
Alan Mitchelson	12 December 2001	12 months	12 months
Chris Rickard	19 January 2004	resigned on 30 June 2006	
Mark Selway	5 June 2001	12 months	12 months

Executive directors service contracts

To recruit the best executives, the Committee has in the past and may in the future, agree contractual notice periods which initially exceed 12 months particularly as it is often necessary for executives to relocate their families. All the directors who served during the year (including Chris Rickard up to his date of resignation) have service contracts with the Company that provide for a minimum period of notice of six months by the individual and 12 months by the Company. In the event that the Company terminated an executive director's service contract other than in accordance with its terms, the Committee, when determining what compensation, if any, should properly be paid by the Company to the departing director, will give full consideration to the obligation of that director to mitigate any loss which he may suffer as a result of the termination of his contract.

Executive directors external appointments

The executive directors are permitted, with Board agreement, to take up one non-executive appointment provided that there is no conflict of interest and that the time spent would not impinge on their work for the Group. None of the executive directors has at the date of this report any such non-executive appointment. Remuneration from any external appointments will be passed to the Company.

Letters of appointment

The chairman and each of the non-executive directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the directors can be removed in accordance with the Company's articles of association. The chairman and all non-executive directors are subject to re-election by shareholders at least every three years, with the exception of any director whose appointment exceeds nine years, in which case there is a requirement for annual re-election.

Remuneration of the chairman & non-executive directors

The remuneration of the chairman is agreed by the Board on the recommendation of the Committee. Fees of the non-executive directors are determined by the Board. In determining the fee levels, account is taken of the time commitment, scale of roles, market norms and comparison with companies of equivalent size based on information provided by NBSC. Neither the chairman nor any of the non-executive directors participate in any of the Company's incentive plans or receive pension or other benefits, except that the chairman is entitled to participate in the Group health care scheme and an additional allowance is made available to non-executive directors to reflect the additional time commitment in attending intercontinental board meetings and operational visits. The chairman and the non-executive directors are not involved in any discussions or decisions about their own remuneration.

The non-executive directors fees and chairman's remuneration are reviewed annually by the Board. With effect from 1 April 2007, the chairman's remuneration will be increased to £175,000 and the basic fee for each of the non-executive directors will be increased to £40,000. In addition, each of the chairmen of the Audit and Remuneration Committees is paid an additional fee which from 1 April 2007 is to increase to £7,500. There is to be no change to the fee for the combined role of deputy chairman and senior non-executive director of £10,000.

Remuneration Committee Report (Continued)

Directors' remuneration

	Notes	Salary & Fees £	Bonus £ (note iv)	Benefits £ (note v)	Total 2006 £	Total 2005 £
Chairman and non-executive directors:						
Sir Robert Smith		146,250	-	418	146,668	135,354
Christopher Clarke		35,000	-	9,623	44,623	32,000
Michael Dearden	i	40,000	-	-	40,000	35,201
Stephen King	ii	40,000	-	-	40,000	30,583
Professor Ian Percy	iii	45,000	-	11,967	56,967	42,000
Lord Robertson		35,000	-	-	35,000	32,000
2005 Retiree		-	-	-	-	18,500
		341,250	-	22,008	363,258	325,638
Executive directors:						
Keith Cochrane		179,075	129,375	12,600	321,050	-
Alan Mitchelson		283,350	200,250	14,615	498,215	437,598
Mark Selway		531,940	448,800	18,997	999,737	905,472
Chris Rickard		136,383	107,625	994	245,002	506,101
		1,471,998	**886,050**	**69,214**	**2,427,262**	2,174,809
Previous year comparatives		1,367,630	788,800	18,379		

Audited

(i) The fees for Michael Dearden include £5,000 for services as chairman of the Remuneration Committee (2005: £3,201).

(ii) The fees for Stephen King include £5,000 for services as chairman of the Audit Committee (2005: £1,250).

(iii) The fees for Professor Ian Percy include £10,000 for services as deputy chairman and for his role as senior non-executive director (2005: £10,000).

(iv) The bonus figures for Keith Cochrane, Alan Mitchelson and Mark Selway include £25,875 (2005: £nil), £40,050 (2005: £26,100) and £112,200 (2005: £60,945) respectively, which will be compulsory deducted from their bonus in exchange for which they will be awarded investment shares which, subject to remaining employed with the Group, will be receivable on the third anniversary of the 2007 award.

(v) Benefits include, as appropriate, in the case of the executive directors participation in the Group health care scheme, travel allowance and death in service insurance and in the case of the non-executive directors the additional allowance made available to reflect the time commitment in attending the intercontinental board meeting and site visits held in October in Australia.

Directors' interests in performance and other share plans

	Plan or Scheme	Notes	As at 30 Dec 2005	Granted during year	Exercised during year	Lapsed during year	As at 29 Dec 2006	Exercise Price	Date from which ordinarily exercisable	Normal expiry date
Keith Cochrane	L-TIP 2006	iii	-	76,695	-	-	76,695	nil	24.08.09	24.11.09
		Total	-	**76,695**	-	-	**76,695**			
Alan Mitchelson	L-TIP 2004	iii	47,166	-	-	-	47,166	nil	11.06.07	11.09.07
	L-TIP 2005	iii	32,925	-	-	-	32,925	nil	01.04.08	01.07.09
	L-TIP 2006	iii	-	54,062	-	-	54,062	nil	04.04.09	04.07.09
		Total	**80,091**	**54,062**	-	-	**134,153**			
Mark Selway	SRSOS	iv	3,497	-	(3,497)	-	-	201p	01.07.06	01.01.07
	L-TIP 2004	iii	142,801	-	-	-	142,801	nil	11.06.07	11.09.07
	L-TIP 2005	iii	105,524	-	-	-	105,524	nil	01.04.08	01.07.08
	L-TIP 2006	iii	-	144,764	-	-	144,764	nil	04.04.09	04.07.09
		Total	**251,822**	**144,764**	**(3,497)**	-	**393,089**			
Chris Rickard	ESOS	v	164,835	-	-	-	164,835	273p	01.04.07	01.04.14
	ESOS	v	15,165	-	-	-	15,165	295.75p	22.04.07	22.04.14
	L-TIP 2004	iii, v	40,132	-	-	40,132	-	nil	11.06.07	11.09.07
	L-TIP 2005	iii, v	39,453	-	-	39,453	-	nil	01.04.08	01.07.08
		Total	**259,585**	-	-	**79,585**	**180,000**			

Audited

(i) The closing market price of the shares at 29 December 2006 was 534p and the range for the year was 376.75p to 551.25p.

(ii) Since 2000, the exercise of options granted under the Executive Share Option Scheme ("ESOS") is subject to the growth of the Company's normalised earnings per share over a three year period, either exceeding by nine per cent the growth in the retail price index of the UK over that three year period, or exceeding the weighted average growth during that three year period of the normalised earnings per share of those companies in the FTSE All Share Industrial Engineering sector. Between 1994 and 1999, the growth in the retail price index was required to be exceeded by six per cent.

(iii) The number of awards shown under the L-TIP is subject to achieving the performance conditions referred to on page 32 under both the Performance and Matching Plan. These figures shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved. Awards take the form of nil cost options and have no performance retesting facility. The market price on 4 April 2006 and 24 August 2006 was 445p. No shares have vested as at 29 December 2006.

(iv) On 18 July 2006, Mark Selway exercised options over 3,497 shares at a price of 201p under the Savings-related Share Option Scheme ("SRSOS"). The market price on the date of exercise was 384p. The gain in respect of this exercise was £6,399. The aggregate gains made on all option exercises by directors during the year totalled £6,399 (2005: £676,136).

(v) Chris Rickard's options under the Executive Share Option Scheme can be exercised by him until 1 October 2007 and 22 October 2007. All of Chris Rickard's L-TIP awards have lapsed.

Long-term Incentive Plan

		Performance Share Awards (Note iii)	Compulsory Investment Awards (Notes i&ii)	Matching Share Awards (Notes ii&iii)	Total
Keith Cochrane	2006 Award	76,695	-	-	76,695
	Total	**76,695**	**-**	**-**	**76,695**
Alan Mitchelson	2004 Award	33,443	n/a	13,723	47,166
	2005 Award	32,925	-	-	32,925
	2006 Award	27,338	5,939	20,785	54,062
	Total	**93,706**	**5,939**	**34,508**	**134,153**
Mark Selway	2004 Award	107,283	n/a	35,518	142,801
	2005 Award	105,524	-	-	105,524
	2006 Award	84,096	17,334	43,334	144,764
	Total	**296,903**	**17,334**	**78,852**	**393,089**

(i) Compulsory investment awards are not subject to performance conditions.

(ii) No matching or compulsory investment awards were awarded in 2005 to Alan Mitchelson and Mark Selway as no bonus was awarded.

(iii) The figures shown above are maximum entitlements and the actual number of shares which vest will depend on the performance conditions being achieved as set out on page 32.

Directors pension benefits

Alan Mitchelson was a member of a defined benefit scheme provided by the Group during the year. Mark Selway and Keith Cochrane are responsible for their own pension provision. Up until his departure, Chris Rickard was responsible for his own pension provision. Pension entitlement and the corresponding transfer values were as follows during the year:

		Disclosures under Directors Remuneration Report Regulations 2002							Listing Rules	
		Accrued pension			Transfer value of accrued pension					
Name of Director	Notes	At year start	Increase during the year	At year end	At year start	Change during the year net of directors ordinary contributions	Directors ordinary contributions	At year end	Increase in accrued pension during the year (net of inflation)	Transfer value of Increase (net of inflation)
		£	£	£	£	£	£	£	£	
Contributing member:				(note 1)		(note 3)				(note 2)
Alan Mitchelson	4, 5, 6	18,627	3,546	22,173	328,166	79,497	8,508	416,171	2,959	50,228

Audited

1. The pension entitlement shown is that which would be paid annually on normal retirement, prior to any cash commutation, based on pensionable service to the end of the year.
2. The transfer value of the increase in accrued pension has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and includes an allowance for the risk cost of death in service benefits less the director's ordinary contributions over the year.
3. The change in the amount of the transfer value over the year is made up of the following elements:
   a) transfer value of the increase in accrued pension (net of inflation);
   b) transfer value of the increase in accrued pension (due to inflation);
   c) increase in the transfer value of accrued pension at year start due to ageing;
   d) impact of any change in the economic or mortality assumptions underlying the transfer value basis; and
   e) less the director's ordinary contributions.

   The change in the amount of the transfer value over the year includes the effect of fluctuations in the transfer value due to factors beyond the control of the Group and directors, such as stockmarket movements which will be reflected within d) above.
4. Directors have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in the above table.
5. The figures allow for the impact of the plan specific earnings cap. Alan Mitchelson does not have an entitlement to an excepted (formerly known as unapproved) pension from the Group.
6. Payment of actual transfer values (from the defined benefit scheme) are currently reduced below 100% of their value. The figures above do not reflect this reduction.

Directors interests

The interests of the directors in the ordinary shares of the Company as at 29 December 2006 and at the end of the preceding financial year were as follows:–

	As at 29 December 2006			As at 30 December 2005 [iii]		
	shares	**shares under option**	**L-TIP awards**	shares	shares under option	L-TIP awards
Sir Robert Smith	**50,000**	-	-	50,000	-	-
Christopher Clarke	**10,000**	-	-	10,000	-	-
Keith Cochrane	**3,500**	-	**76,695**	3,500	-	-
Michael Dearden	**10,000**	-	-	10,000	-	-
Stephen King	**1,050**	-	-	-	-	-
Alan Mitchelson	**67,767**	-	**134,153**	66,385	-	80,091
Professor Ian Percy	-	-	-	-	-	-
Lord Robertson	**2,637**	-	-	2,637	-	-
Mark Selway	**126,426**	-	**393,089**	122,929	3,497	248,325

(i) At the date of this report the interests of the directors in the shares of the Company remain as stated above.

(ii) No director had, during or at the end of the year, any material interest in any contract of any significance in relation to the Company's business, in any debenture stocks of the Company, or in the share capital or debenture or loan stocks of any subsidiary.

(iii) In the case of Keith Cochrane, the comparative figure is as at his date of appointment to the Board.

Michael Dearden
Chairman of the Remuneration Committee
Signed and approved for and on behalf of the Board
21 March 2007

Corporate Social Responsibility Report

Our approach

The Weir Group is a global organisation, working in sectors and industries that have a significant impact on human and natural resources. As an organisation, our core values include integrity, self-determination and valuing people. These values ensure we remain focused on meeting our responsibilities to our customers, suppliers, employees and shareholders, as well as to the communities where we work.

By ensuring that corporate social responsibility is an inherent part of leadership that crosses all boundaries in our organisation, we seek to combine business success with support for people, communities and the environment. We recognise that corporate social responsibility requires us first and foremost to listen to our external and internal customers in everything we do and to respond to their needs through the enduring excellence of our actions, policies and processes.

We involve and inform our employees as much as possible within regulatory constraints. Given the diverse nature and geographical spread of our operations, it would be inappropriate and impractical to apply uniform procedures group-wide and each company is therefore responsible for achieving and maintaining appropriate consultation and communication with its employees. We communicate generally with employees through the production and distribution on a regular basis of printed and electronic newspapers and bulletins for employees to promote awareness of current progress and developments within the Group.

The Group gives full and fair consideration to employment applications from disabled persons. Where an employee becomes disabled, arrangements are made wherever practicable to continue employment by identifying an available job suited to that person's capabilities and providing any necessary retraining. The Group's career development programme encourages disabled employees to reach their full potential.

Throughout 2006, the Group Operations Executive Committee reviewed the safety, quality and environmental performance against the objectives set for 2006. The primary concerns are to reduce accidents in the workplace and maintain high standards of environmental management in all of our activities.

In line with this philosophy, we pursue excellence through our global Health, Safety and Environmental Forums whose goal is to eliminate work-related injuries, prevent pollution, conserve resources, comply with regulatory requirements and improve performance. These forums annually review our performance in these areas, collect data, share best practice and plan for the coming year. In turn, these plans are disseminated and included within individual business plans throughout our operations. This ensures consistency in performance measurement and improvement activities. Forum members also perform cross company safety audits to identify practices that are working well and areas for improvement. Concern reports are used to track completion of corrective actions.

During 2006, the European HSE Group Forum has been working toward all our major European operations achieving OHSAS 18001 accreditation and most companies anticipate completing their gap analysis by the end of 2007 with a view to all sites achieving accreditation by the end of 2008. OHSAS 18001 (Occupational Health Safety Assessment Series) was developed by the British Standards Institute as a health and safety management framework allowing organisations to ensure that they are consistently and accurately identifying hazards and risks within their organisation. Providing a platform for eliminating and managing these identified risks, the system supports the organisation to continually improve its products, people and process by fulfilling the overhanging safety policy that indicates the company's commitment and objectives. OHSAS 18001 offers a proactive approach to reducing accidents, near misses, and other incidents year on year.

Employees

The root cause of 95% of accidents is as a result of behaviours. Conventional approaches to accident reduction will go some way to help achieve the business goal of reducing injuries in the workplace. However, to further reduce accident rates, a behavioural approach to safety must be adopted. There are a variety of programmes that have been developed to meet this need but many have been found to be cumbersome, over complicated for much of the workforce and ultimately impractical if covering a wide variety of workplace hazards.

The Weir Group has adopted a behavioural system known as Safe Start. The programme is designed to supplement current Health and Safety and Engineered Management controls and is not designed to replace tailor made training for a multitude of workplace hazards. The whole principle behind its concept is to heighten awareness to those hazards and maintain them in the mind whilst at work, in the home and when travelling. The success of the programme lies in its ability to allow employees to understand its message and allow the "self triggers" to bring safety to the fore. The key to its success is involvement and understanding at all levels of the organisation.

The concept of Safe Start revolves around four states of mind contributing to critical errors:

The Four States of Mind	Cause or Contribute to One of More of
• Rushing	• Eyes not on task
• Frustration	• Mind not on task
• Fatigue	• Line of fire
• Complacency	• Loss of balance, traction or grip

The training is given in five weekly one hour units and examines the critical errors, whilst also teaching techniques that will reduce the risk of injury. The training is rolled out in the same manner to all employees, including the managing director and the office cleaner. The strength of the programme lies in its simplicity and takes the approach of making "Common Sense Common Practice".

The Weir Group is committed to an accident free health and safety environment based on the belief that all accidents are preventable. The Group Operations Executive Committee drives this commitment through operations globally. The businesses record all near misses and injuries within their operations and these are analysed on a continuous basis to reduce the number of lost time accidents through improvement of the working environment.

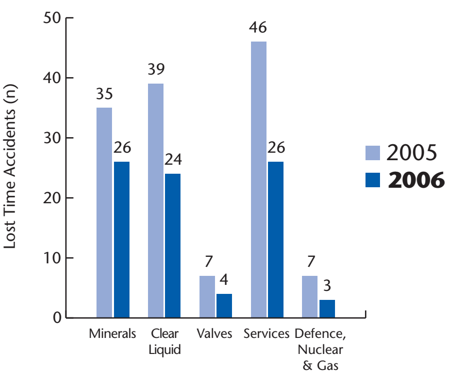
Corporate Social Responsibility Report (Continued)

The Group's policy on health and safety requires that all our companies take a proactive responsible attitude to the protection of their employees health and safety. All companies carefully evaluate risks to personnel wherever they are working and take appropriate steps to minimise such risks. These include ensuring that project design engineers consider design factors that minimise or eliminate the risk of accidents to personnel during site installation and commissioning. All Group companies are required to comply with the legislation governing health and safety at work and to conduct regular formal health and safety reviews at plant and site level. These reviews are undertaken by nominated managers and employees to ensure that risks are properly evaluated, events leading to accidents are examined and appropriate remedial or avoidance action initiated and subsequently monitored. Formal reporting procedures have been implemented so that the safety performance of individual companies is monitored and peer-to-peer audits are conducted in order to provide a critical assessment of each company's performance.

The increased focus in this important issue includes full investigations of all accidents being carried out and reported at the Group Operations Executive Committee meetings.

The key measure of safety performance is the number of lost time accidents ("LTAs"). The Weir Group adopts a more stringent lost time measurement criterion than the industry norm of 3 days. The recorded LTAs use the Group definition of 'incidents resulting in lost time of more than 4 hours'.

Lost Time Accidents



Note: The 2005 totals have been restated to include Weir Gabbioneta in the Clear Liquid figures and Saudi Arabia in the Services figure.

The companies who have the highest numbers of accidents are audited by our insurers to ensure that the proper systems and processes are in place. The reduction can also be attributed to improvements in education and training and adoption of Lean manufacturing principles. In 2006, we started to focus not only on accidents, but on near misses to further improve the safety culture that is being engendered across the Group.

Environment

- The Weir Group is committed to the protection of the environment in which all its companies operate.
- Each Weir company will comply with the relevant regulatory requirements applicable to its business.
- Each Weir company will ensure that it is seen to be a good citizen in the community in which it operates and adopt practices aimed at minimising the environmental impact of its operations.

Maintenance of the Group's environmental policy is the responsibility of the Group Operations Executive Committee, while its implementation is the responsibility of divisional managing directors. Each Weir division is required to report on environmental performance and maintain environmental management practices.

The Group policy is that all its operations will be ISO 14001 accredited. ISO 14001 is an internationally recognised specification for an effective structured environmental management system which helps organisations achieve environmental and economic goals as well as assisting in the implementation of environmental policy. An ISO 14001 accredited environmental management system provides our customers, employees and shareholders with the assurance that our environmental performance meets and will continue to meet our legal and environmental policy requirements. Through the Group Health, Safety and Environmental Forums, all new businesses are brought into line with best practice and assisted where the skills are not available in the implementation of ISO 14001. In addition the Forums are a useful arena to allow local and international environmental legislative developments to be monitored before they become law. This proactive approach allows us to conform with future environmental legislation before laws are passed by voluntarily taking action on specific issues.

As part of our integrated commitment to our ISO 14001 accreditation, we have a rolling programme as part of our 100 day integration plan which we put in place in relation to any new business unit. In 2006, the integration plans at Weir Gabbioneta, Weir China, Weir Services in Saudi Arabia, Abu Dhabi, India and Malaysia, plus service centres in Grand Prairie, Saskatchewan and Woolongong and the Minerals Rustenberg Service Centre all included action plans to gain compliance within a prescribed timescale. Full compliance is targeted for early to mid 2007.

Environmental Performance

The Group policy is to minimise its environmental impact and any environmental incidents are reported to the Group Operations Executive Committee on a monthly basis. The definition of a reportable incident:

"Any incident which involves the accidental release, emission or discharge of contaminants to air, water or land and requires outside resources to control or is required to be reported to a regulatory agency".

In both 2005 and 2006, the Group recorded one environmental incident. The environmental incident which took place in 2006 occurred in Saudi Arabia when effluent was discovered leaking from drains at the rear of the main site. A contractor was brought in to repair and clean up, laying new drains to the septic tanks. A new drainage system and relocation of the septic tanks have now been included in the site improvement plan.

As all our businesses have an objective of continuous improvement, our environmental initiatives focus on minimising waste generation, preventing pollution and reducing energy consumption.

Initiatives during 2006 include:

Weir Strachan & Henshaw are launching a Cycle to Work Scheme in 2007, which will offer employees a long-term loan of a cycle and related cycle equipment tax-free under a salary sacrifice scheme. The scheme has been established with support from cyclescheme.co.uk. The employee should use the cycle for at least 50% of their trips to work. They are also allowed to use it for leisure and holidays. The aim of the scheme is to encourage employees to cycle to work instead of using their car, thereby promoting a healthy lifestyle and reducing pollution.

The **Weir Minerals Australia** foundry is a large consumer of electricity and its Artarmon site undertook an energy consumption study to identify mitigation methods of electricity consumption. The study was conducted in 2006 and an energy efficiency and reduction plan was approved. The main opportunities identified for energy reduction or improved efficiency per ton of product produced, include the updating of furnaces and air compressors. During 2007, it is planned to replace this equipment and continue with a rigorous preventative maintenance aimed to identify and correct air leaks. Other energy efficiency and reduction opportunities currently underway are related to reduction in the consumption of LPG by implementing the Weir Production System waste elimination principles in terms of reduction in the amount of fork-lift traffic. Specifically, the project of relocating the pump assembly shop near the warehouse will significantly reduce internal transport needs.

Weir Services Australia, although a global company, are recycling at a local level. With two endangered species living in their local area, the Red Crowned Toadlet and the Somersby Mintbush, Weir Services feel that they have more cause to recycle than most. They have reviewed the waste that each department creates and effectively found a way for reusing or recycling. In their workshops they recycle and reuse rubber, plastic sheeting, broken pallets, mild steel, stainless steel, brass, white metal and packaging materials. In the office they reuse both sides of the paper before recycling it along with printer cartridges and at the request of staff they are now recycling all plastic and glass bottles, cardboard, steel and aluminium cans.

Community

During the year, Group companies were involved in numerous community, social and cultural initiatives. Causes, events and charities are often nominated and driven by our employees, reflecting their own interests and social engagement. We also participate in a range of educational and training initiatives, including:

Recently about 80 employees at **Weir Vulco Chile** participated in the construction of four houses for four underprivileged families located 120 miles west of Santiago.

Weir Minerals Australia has been involved for many years in sponsoring and participating in a Design and Construct Competition for 2nd year Engineering Students throughout Australia and New Zealand. This is organised in conjunction with the Australian Institution of Engineers and is open to all universities in Australia and New Zealand. Each university conducts its own competition, with the winners gathered together for the national final in Sydney which is sponsored by the company (2006: A$32,000). In addition the company arranges:

- a tour of the company's Artarmon factory by all 60 or so competing students and officials;
- participation by staff as judges in the final event; and
- presentation of the awards at the function dinner.

The 2006 Warman Student Design-and-Build Competition National Final, was won by the team from the University of Auckland, sending the Warman Trophy and $1000 prize money to New Zealand for the third year in a row. The University of Adelaide team was given the Judges Award for innovation. This year's specification, code named "Project ABC – Autonomously Beautify Countryside", asked the students to design a device, in response to a fictional requirement for the planet Gondwana. The objective was to design, build and prove a prototype device in a laboratory environment that served to accurately and rapidly distribute wild flower seeds along the planet's highways. Along the way, students not only learned about engineering design but also project management, sustainability principles and team work and the results ranged from sophisticated mechatronic systems to devices crafted from such things as Lego, old farming machinery, skateboard wheels, car parts and rubber bands.

Corporate Social Responsibility Report (Continued)

The Social Responsibility Committee at **Weir Minerals Africa** was involved in various company and community projects to uplift previously disadvantaged communities. Project acceptance is based on the contribution to the improvement of quality of life.

In 2006, the company assisted with the following donations and sponsorships:

- Purchased its cleaning materials from Tembisa Self Help Association for the Disabled, who make such items on their premises, thus providing employment to some disabled residents.
- A donation of R25,000 to Tembisa Child and Family Welfare for use in providing for the children in their care. An additional R25,000 was also donated towards the cost of a replacement bus.
- A donation of R25,000 to Tembisa Self Help Association for the Disabled as well as providing financial support to their Casual Day sticker campaign.
- Financial assistance was given to employees' children to cover some of the costs of schooling and tertiary studies.
- Subscribing to the East Rand Industrialists Network who are involved in the upliftment and maintenance of the industrial area facilities.
- R5,000 was donated to the University of the North West to sponsor some orphaned children to attend a sports camp.

Weir Minerals Europe's strategy is to work towards becoming a neighbour of choice. This increasing pro-active approach is reflected through the company's approach to both environmental impact minimisation and social stewardship. In 2006, the Todmorden site set aggressive targets to reduce the volume of waste to landfill and to improve recycling with sand and slag waste to landfill being reduced by 31%. Plans for 2007 include the installation of a chromite separation plant, which should enable the company to improve its reuse of chromite sand by 20%. General waste to landfill was reduced by 24% through improvements in internal waste streaming. The site also demonstrated substantial improvements in recycling, increasing wood and cardboard recycled by 73%. This was achieved primarily through the combining of wood and cardboard waste, to simplify the waste streams and reduce inclusion in general waste to landfill. Metal scrap recycled improved by 20% despite the outsourcing of metal fabrications in mid 2006, although this should be viewed against volume increases through the machine shop during 2006 generating increased levels of swarf waste.

The business also actively supports local events and charities, which during 2006 included charitable donations (totalling £2,000) specifically targeted at the local community through a diverse range of organisations including schools, the arts, the fire brigade and young peoples' clubs. Financial sponsorship was also provided for the organisation of a Polish cultural event aimed at encouraging understanding and integration of Polish workers, predominantly employed at the site, into the local community and was supported by the staff. In addition the company provided match sponsorship for a friendly international Poland v England football match held in the town.

For the year ahead, it is planned that the site will be the principal location for a local two day event titled "Made in Todmorden" which will involve community outreach to show the local community the activities carried out on site, the products and people, to aid a demystification of the business and promote a closer affinity between the larger local community and the site.

Marketplace

We recognise that our corporate social responsibility also reflects the way we behave towards our suppliers. The Group does not operate a standard policy in respect of payments to suppliers and each operating company is responsible for agreeing the terms and conditions under which business transactions are conducted, including the terms of payment. It is Group policy that payments to suppliers are made in accordance with the agreed terms. At 29 December 2006, the Group had an average of 61 days purchases outstanding in trade creditors.

Many Weir companies are collaborating closely with suppliers to address environmental considerations throughout the supply chain, particularly in areas such as raw materials, packaging and recycling, to our mutual benefit.

Research & development

Research and development has a vital role to play in meeting our corporate social responsibilities. The development of new products that are more environmentally benign in both manufacture and operation and the substitution of harmful materials, offer competitive advantage to ourselves and to our customers.

We recognise that many of our products are themselves contributors to environmental protection in critical areas such as power generation, nuclear handling and subsea oil and gas exploration. We are therefore investing in research and development to continuously improve their performance.

2007 will see ongoing investment in design, research and development, in which our corporate social responsibility and business objectives are closely aligned.

The Weir Group PLC Financial Statements

for the 52 weeks ended 29 December 2006

Group Financial Statements

Company Financial Statements

Directors Statement of Responsibilities

The directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the directors are required to

- select suitable accounting policies in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors Report

Independent auditors report to the members of The Weir Group PLC

We have audited the Group financial statements of The Weir Group PLC for the 52 weeks ended 29 December 2006 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 32. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Company financial statements of The Weir Group PLC for the 52 weeks ended 29 December 2006 and on the information in the Remuneration Committee Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Directors Statement of Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors Report is consistent with the financial statements. The information given in the Directors Report includes specific information that is contained in the Chief Executive's Report, the Operational Review, the Financial Review and the Corporate Social Responsibility Report that is cross referred from the Directors Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Financial Highlights 2006, 2006 Highlights, the Chairman's Statement, the Chief Executive's Report, the Operational Review, the Financial Review, the Board of Directors, the Directors Report, the Corporate Governance Statement, the Audit Committee Report, the Nomination Committee Report, the unaudited part of the Remuneration Committee Report and the Corporate Social Responsibility Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 29 December 2006 and of its profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors Report is consistent with the Group financial statements.

Ernst & Young LLP
Registered Auditor
Glasgow
21 March 2007

Consolidated Income Statement

for the 52 weeks ended 29 December 2006

		52 weeks ended 29 December 2006			52 weeks ended 30 December 2005		
	Notes	**Before exceptional items £m**	**Exceptional items (note 5) £m**	**Total £m**	Before exceptional items £m	Exceptional items (note 5) £m	Total £m
Continuing operations							
Revenue	3	**940.9**	**-**	**940.9**	789.4	-	789.4
Cost of sales		**(679.5)**	**-**	**(679.5)**	(570.7)	-	(570.7)
Gross profit		**261.4**	**-**	**261.4**	218.7	-	218.7
Other operating income		**2.1**	**6.8**	**8.9**	1.5	-	1.5
Selling & distribution costs		**(119.3)**	**-**	**(119.3)**	(106.6)	-	(106.6)
Administrative expenses		**(67.0)**	**10.7**	**(56.3)**	(56.5)	-	(56.5)
Restructuring costs		**-**	**(1.8)**	**(1.8)**	-	(24.7)	(24.7)
Share of results of - joint ventures	15	**2.4**	**-**	**2.4**	1.7	-	1.7
- associates	15	**8.1**	**-**	**8.1**	7.5	-	7.5
Operating profit		**87.7**	**15.7**	**103.4**	66.3	(24.7)	41.6
Finance costs	6	**(10.8)**	**-**	**(10.8)**	(6.6)	-	(6.6)
Finance income	6	**5.3**	**-**	**5.3**	2.0	-	2.0
Other finance income - retirement benefits	24	**4.9**	**-**	**4.9**	0.5	-	0.5
Profit before tax from continuing operations		**87.1**	**15.7**	**102.8**	62.2	(24.7)	37.5
Tax expense	7	**(19.9)**	**(2.7)**	**(22.6)**	(13.8)	-	(13.8)
Profit for the period from continuing operations		**67.2**	**13.0**	**80.2**	48.4	(24.7)	23.7
Profit for the period from discontinued operations	8	**1.4**	**-**	**1.4**	2.3	-	2.3
Profit for the period		**68.6**	**13.0**	**81.6**	50.7	(24.7)	26.0
Attributable to							
Equity holders of the Company		**68.6**	**13.0**	**81.6**	50.6	(24.7)	25.9
Minority interests		**-**	**-**	**-**	0.1	-	0.1
		68.6	**13.0**	**81.6**	50.7	(24.7)	26.0
Earnings per share	9						
Basic - total operations				**39.4p**			12.6p
Basic - continuing operations		**32.4p**		**38.7p**	23.5p		11.5p
Diluted - total operations				**38.8p**			12.5p
Diluted - continuing operations		**32.0p**		**38.2p**	23.4p		11.4p

Consolidated Balance Sheet

at 29 December 2006

	Notes	29 December 2006 £m	30 December 2005 £m
ASSETS			
Non-current assets			
Property, plant & equipment	11	**116.6**	119.2
Intangible assets	12	**180.1**	187.5
Investments in joint ventures & associates	15	**33.5**	20.9
Deferred tax assets	23	**19.3**	17.4
Retirement benefit plan surpluses	24	**7.8**	-
Forward foreign currency contracts	30	**4.9**	0.4
Total non-current assets		**362.2**	345.4
Current assets			
Inventories	16	**120.9**	122.8
Trade & other receivables	17	**203.8**	207.3
Construction contracts	18	**34.9**	28.2
Forward foreign currency contracts	30	**6.5**	2.3
Income tax receivable		**0.1**	0.6
Cash & short term deposits	19	**146.3**	109.6
Total current assets		**512.5**	470.8
Total assets		**874.7**	816.2
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	20	**7.5**	10.9
Trade & other payables	21	**212.4**	178.8
Construction contracts	18	**46.3**	39.2
Forward foreign currency contracts	30	**3.0**	4.6
Income tax payable		**19.4**	7.3
Provisions	22	**27.3**	26.1
Total current liabilities		**315.9**	266.9
Non-current liabilities			
Interest-bearing loans & borrowings	20	**145.9**	175.1
Forward foreign currency contracts	30	**1.8**	3.1
Provisions	22	**13.6**	14.6
Deferred tax liabilities	23	**13.9**	3.9
Retirement benefit plan deficits	24	**11.7**	61.6
Total non-current liabilities		**186.9**	258.3
Total liabilities		**502.8**	525.2
NET ASSETS		**371.9**	291.0
CAPITAL & RESERVES			
Share capital	25	**26.4**	26.2
Share premium	25	**35.4**	32.5
Treasury shares	25	**(10.7)**	(10.7)
Capital redemption reserve	25	**0.5**	0.5
Foreign currency translation reserve	25	**(2.9)**	9.9
Hedge accounting reserve	25	**3.5**	(3.7)
Retained earnings	25	**319.3**	235.9
Shareholders equity		**371.5**	290.6
Minority interest	25	**0.4**	0.4
TOTAL EQUITY		**371.9**	291.0

Approved by the Board of Directors on 21 March 2007

Mark Selway *Director*

Keith Cochrane *Director*

Consolidated Cash Flow Statement

for the 52 weeks ended 29 December 2006

	Notes	**52 weeks ended 29 December 2006 £m**	52 weeks ended 30 December 2005 £m
Cash flows from operating activities	26		
Cash generated from operations		**134.5**	71.3
Additional pension contributions paid		**(7.0)**	(10.0)
Fundamental restructuring costs paid		**(5.8)**	(16.6)
Income tax paid		**(14.6)**	(7.9)
Net cash generated from operating activities		**107.1**	36.8
Cash flows from investing activities			
Acquisitions of subsidiaries & joint ventures	26	**(2.1)**	(75.6)
Disposals of subsidiaries & joint ventures	26	**(1.8)**	14.2
Purchases of property, plant & equipment & intangible assets		**(27.6)**	(25.7)
Exceptional proceeds on sale of property		**8.3**	-
Other proceeds from sale of property, plant & equipment & intangible assets		**1.0**	0.4
Proceeds from sale of other investments		**-**	0.2
Interest received		**5.3**	1.9
Dividends received		**1.5**	4.0
Net cash used in investing activities		**(15.4)**	(80.6)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**3.1**	6.3
Purchase of treasury shares		**-**	(10.7)
Proceeds from borrowings		**90.7**	170.0
Repayments of borrowings		**(110.2)**	(84.5)
Interest paid		**(10.2)**	(8.3)
Dividends paid to equity holders of the Company		**(27.7)**	(26.6)
Net cash (used in) generated from financing activities		**(54.3)**	46.2
Net increase in cash and cash equivalents		**37.4**	2.4
Cash and cash equivalents at beginning of period		**104.0**	95.6
Foreign currency translation differences		**(2.3)**	6.0
Cash and cash equivalents at end of period	19	**139.1**	104.0

Consolidated Statement of Recognised Income & Expense

for the 52 weeks ended 29 December 2006

	Note	**52 weeks ended 29 December 2006 £m**	52 weeks ended 30 December 2005 £m
Income & expense recognised directly in equity			
Gains (losses) taken to equity on cash flow hedges		**11.5**	(10.7)
Exchange differences on translation of foreign operations		**(12.8)**	13.9
Actuarial gains on defined benefit plans		**33.0**	22.1
Share of associate's actuarial gain on defined benefit plans		**4.4**	4.8
Transfers to the income statement			
On cash flow hedges		**(1.1)**	0.3
Tax on items taken directly to or transferred from equity	7	**(12.5)**	(2.9)
Net income recognised directly in equity		**22.5**	27.5
Profit for the period		**81.6**	26.0
Total recognised income & expense for the period		**104.1**	53.5
Attributable to			
Equity holders of the Company		**104.1**	53.4
Minority interests		**-**	0.1
		104.1	53.5
Effect of changes in accounting policy			
Net gain on cash flow hedges on first time application of IAS39		**-**	2.4

Notes to the Group Financial Statements

1. Authorisation of financial statements & statement of compliance

The consolidated financial statements of The Weir Group PLC for the 52 weeks ended 29 December 2006 were approved and authorised for issue in accordance with a resolution of the directors on 21 March 2007. The comparative information is presented for the 52 weeks ended 30 December 2005. For practical reasons, the Group prepares its financial statements to the week ending closest to the Company reference date of 31 December. The results on this basis are unlikely to be materially different from those that would be presented for a period of one year. The Weir Group PLC is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

The consolidated financial statements of The Weir Group PLC have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of The Companies Act 1985.

The principal activities of the Group are described in note 3.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently to all periods presented in these financial statements.

These financial statements are presented in sterling. All values are rounded to the nearest 0.1 million pounds (£m) except when otherwise indicated.

The format of the consolidated income statement presented in these consolidated financial statements differs from that used in the Group's consolidated financial statements for the 52 weeks ended 30 December 2005 and the Group's 2006 Interim Report. The format of the consolidated income statement included within these consolidated financial statements, which presents exceptional items in separate columns, has been adopted as it presents information in a format that is more relevant to users of the financial statements. The comparative information has been reclassified accordingly.

Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Details of the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described on page 19.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of The Weir Group PLC ("the Company") and its subsidiaries (together, "the Group"), and the Group's share of its joint ventures and associates results. The financial statements of subsidiaries, joint ventures and associates are prepared for the same reporting period as the Company using consistent accounting policies.

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The results of a subsidiary acquired during the period are included in the Group's results from the effective date on which control is transferred to the Group. The results of a subsidiary sold during the period are included in the Group's results up to the effective date on which control is transferred out of the Group. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from the Company shareholders equity.

Joint ventures & associates

The Group has a number of long-term contractual arrangements with other parties which represent joint ventures. These all take the form of agreements to share control over other entities ("jointly controlled entities"). The Group's interests in the results and assets and liabilities of its jointly controlled entities are accounted for using the equity method. An associate is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling or jointly controlling, the financial and operating policies of the entity. Associates are accounted for using the equity method.

These investments are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets less any impairment in value. The income statement reflects the share of results of operations of these investments after tax. Where there has been a change recognised directly in the investee's equity, the Group recognises its share of any changes and discloses this when applicable in the statement of recognised income and expense.

Any goodwill arising on the acquisition of a joint venture or associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the joint venture or associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the joint venture or associate and is not amortised. To the extent that the net fair value of the joint venture or associate's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the joint venture or associate's profit or loss in the period in which the investment is acquired.

Foreign currency translation

The financial statements for each of the Group's subsidiaries, joint ventures and associates are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates.

At entity level, transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the income statement except when hedge accounting is applied.

On consolidation, the results of foreign operations are translated into sterling at the average exchange rate for the period and their assets and liabilities are translated into sterling at the exchange rate ruling on the balance sheet date. Currency translation differences, including those on monetary items that form part of a net investment in a foreign operation, are recognised in the foreign currency translation reserve.

In the event that a foreign operation is sold, the gain or loss on disposal recognised in the income statement is determined after taking into account the cumulative currency translation differences that are attributable to the operation. As permitted by IFRS1, the Group elected to deem cumulative currency translation differences to be £nil as at 27 December 2003. Accordingly, the gain or loss on disposal of a foreign operation does not include currency translation differences arising before 27 December 2003.

In the cash flow statement, the cash flows of foreign operations are translated into sterling at the average exchange rate for the period.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, and can be reliably measured. Revenue from the sales of services and revenue from construction contracts is recognised by reference to the stage of completion. The stage of completion of a contract is determined either by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or by reference to the completion of a physical proportion of the contract work. The basis used is dependent upon the nature of the underlying contract, and takes into account the degree to which the physical proportion of the work is subject to formal customer acceptance procedures.

A construction contract is defined as a contract that is specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. Where the time taken to complete such contracts extends over different accounting periods, revenue is recognised by reference to the stage of completion of the contract activity at the balance sheet date where the outcome can be estimated reliably, otherwise it is recognised to the extent costs are incurred. Losses on contracts are recognised in the period when such losses become probable.

Exceptional items

Material items of income and expense which, because of the nature and infrequency of the events giving rise to them, merit separate presentation to allow a better understanding of the elements of the Group's financial performance for the period, are presented as exceptional items on the face of the income statement to facilitate comparisons with prior periods and assessment of trends in financial performance.

Goodwill

Business combinations on or after 27 December 2003 are accounted for under IFRS3 using the purchase method.

Goodwill arises on the acquisition of subsidiaries and represents any excess of the cost of the acquired entity over the Group's interest in the fair value of the entity's identifiable assets, liabilities and contingent liabilities determined at the date of acquisition. Goodwill in respect of an acquired subsidiary is recognised as an intangible asset. Goodwill is tested at least annually for impairment and carried at cost less any recognised impairment losses.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the income statement.

Goodwill recognised as an asset as at 27 December 2003 is recorded at its carrying amount at that date and is not amortised. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit. Goodwill that was written-off directly to reserves under UK GAAP is not taken into account in determining the gain or loss on disposal of acquired businesses on or after 27 December 2003.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses.

(a) Acquired intangible assets

An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. An acquired intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost, which represents its fair value at the acquisition date, to the income statement over its expected useful life. An acquired intangible asset with an indefinite life is not amortised but is tested at least annually for impairment and carried at cost less any recognised impairment losses.

Notes to the Group Financial Statements (Continued)

The expected useful lives of the acquired intangible assets are as follows

Brand name	-	indefinite life
Customer relationships	-	25 years
Favourable lease	-	6 years

(b) Research & development costs

All research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product and it is incurred after the technical feasibility and commercial viability of the product has been proven, the development costs can be measured reliably, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. Any such capitalised development expenditure will be amortised on a straight-line basis so that it is charged to the income statement over the expected life of the resulting product.

(c) Computer software

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight-line basis so as to charge the cost of the software to the income statement over its expected useful life, not exceeding eight years.

Property, plant & equipment

The Group elected to use previous UK GAAP revaluations of land and buildings, amounting to £10.5m, prior to 27 December 2003 as deemed cost at the date of the revaluation.

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Freehold land and assets under construction are not depreciated.

Depreciation of property, plant and equipment, other than freehold land and assets under construction, is provided on a straight-line basis so as to charge the cost less residual value, based on prices prevailing at the balance sheet date, to the income statement over the expected useful life of the asset concerned, which is in the following ranges

Freehold buildings, long leasehold land & buildings	-	10 - 40 years
Short leasehold land & buildings	-	duration of lease
Plant & equipment	-	3 - 20 years

Borrowing costs attributable to assets under construction are charged to the income statement in the period in which they are incurred.

Leases

Leases which transfer to the Group substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are included within property, plant and equipment, initially measured at their fair value or, if lower, the present value of the minimum lease payments and a corresponding liability is recognised within obligations under finance leases. Subsequently, the assets are depreciated on a basis consistent with similar owned assets or the lease term if shorter. At the inception of the lease, the lease rentals are apportioned between an interest element and a capital element so as to produce a constant periodic rate of interest on the outstanding liability. Subsequently, the interest element is recognised as a charge to the income statement while the capital element is applied to reduce the outstanding liability.

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight-line basis over the term of the lease.

Impairment of non-current assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying values might be impaired. Additionally, goodwill, intangible assets with an indefinite life and any capitalised development expenditure are subject to an annual impairment test.

An impairment loss is recognised to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is conducted for the cash-generating unit to which it belongs. Similarly, the recoverable amount of goodwill is determined by reference to the discounted future cash flows of the cash-generating units to which it is allocated.

Impairment losses are recognised in the income statement. Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of an asset shall not be increased above the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Impairment losses recognised in respect of goodwill are not reversed.

Inventories

Inventories are valued at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. Cost represents the expenditure incurred in bringing inventories to their existing location and condition and comprises the cost of raw materials, direct labour costs, other direct costs and related production overheads. Raw material cost is generally determined on a first in, first out basis. Net realisable value is the estimated selling price less costs to complete and sell.

Trade & other receivables

Trade receivables, which generally are of a short dated nature, are recognised and carried at original invoice amount less an allowance for estimated irrecoverable amounts. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash & cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Interest-bearing loans & borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, the obligation can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Derecognition of financial assets & liabilities

The Group's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short term debt, loans, cash and short term deposits. The Group also has other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Financial instruments

(a) Derivative financial instruments

The Group uses derivative financial instruments, principally forward foreign currency contracts, to reduce its exposure to exchange rate movements. The Group does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Changes in their fair values have been recognised in the income statement, except where hedge accounting is used, provided the conditions specified by IAS39 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IAS39 and practical to do so. When hedge accounting is used, the relevant hedging relationships will be classified as fair value hedges, cash flow hedges or net investment hedges.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability will be adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss will be recognised in the income statement where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument.

Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent the hedge is effective changes in the fair value of the hedging instrument will be recognised directly in equity rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Notes to the Group Financial Statements (Continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

(b) Embedded derivatives

Derivatives embedded in non-derivative host contracts are recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the income statement.

Post-employment benefits

Post employment benefits comprise pension benefits provided to employees throughout the world and other benefits, primarily post retirement healthcare, provided to certain employees in the United States.

For defined benefit plans, the cost is calculated using the projected unit credit method and is recognised over the average expected remaining service lives of participating employees, in accordance with the advice of qualified actuaries. Past service costs resulting from enhanced benefits are recognised on a straight-line basis over the vesting period, or immediately if the benefits have vested. Actuarial gains and losses, which represent differences between the expected and actual returns on the plan assets and the effect of changes in actuarial assumptions, are recognised in full in the statement of recognised income and expense in the period in which they occur. The defined benefit liability or asset recognised in the balance sheet comprises the net total for each plan of the present value of the benefit obligation, using a discount rate based on appropriate high quality corporate bonds, at the balance sheet date, minus any past service costs not yet recognised, minus the fair value of the plan assets, if any, at the balance sheet date. Where a plan is in surplus, the asset recognised is limited to the amount of any unrecognised past service costs and the present value of any amount which the Group expects to recover by way of refunds or a reduction in future contributions.

For defined contribution plans, the cost represents the Group's contributions to the plans and this is charged to the income statement in the period in which they fall due.

Share-based payments

Equity settled share-based incentives are provided to employees under the Group's executive share option scheme, the savings-related share option scheme and the long-term incentive plan. The Group recognises a compensation cost in respect of these schemes that is based on the fair value of the awards. For equity settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or non-market performance conditions.

As permitted by IFRS1, The Group has applied IFRS2 "Share-based Payment" retrospectively only to equity settled awards that were granted on or after 7 November 2002 and had not vested as at 1 January 2005.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period.

Deferred tax is recognised, on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base with the following exceptions

(a) Deferred tax arising from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, that, at the time of the transaction, affects neither accounting nor taxable profit or loss, is not recognised.

(b) Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) 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 liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

Treasury shares

The Weir Group PLC shares held by the Company and the Group are classified in shareholders equity as 'treasury shares' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken directly to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

New standards & interpretations

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IFRS7	Financial Instruments: Disclosures	1 January 2007
IFRS8	Operating Segments*	1 January 2009
IAS1	Amendment to IAS1: Capital Disclosures	1 January 2007
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC7	Applying the Restatement Approach under IAS29 Financial Reporting In Hyperinflationary Economies	1 March 2006
IFRIC8	Scope of IFRS2: Share-based payments	1 May 2006
IFRIC9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC10	Interim Financial Reporting and Impairment*	1 November 2006
IFRIC11	IFRS 2 – Group and Treasury Share Transactions*	1 March 2007
IFRIC 12	Service Concession Arrangements*	1 January 2008

* not yet adopted for use in the European Union

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Upon adoption of IFRS7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically, the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

3. Segment information

The Group's primary reporting format is business segments, as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The Group's secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Engineering Products segment comprises the manufacture of pumps and valves for flow control applications. The Engineering Services segment provides equipment maintenance, process support and asset management services. The Defence, Nuclear & Gas segment comprises the defence and liquid gas handling businesses which provide specialist design and project management of complex engineering contracts.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's assets and operations.

3. Segment information (continued)

Business segments

The following tables present revenue and profit information and certain asset and liability information on the Group's continuing operations for the 52 weeks ended 29 December 2006 and the 52 weeks ended 30 December 2005 analysed by business segment.

	Engineering Products		Engineering Services		Defence, Nuclear & Gas		Total continuing operations	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Revenue								
Sales to external customers	**608.5**	505.6	**225.2**	215.4	**107.2**	68.4	**940.9**	789.4
Inter-segment sales	**20.9**	19.0	**1.6**	1.3	**-**	-	**22.5**	20.3
Segment revenue	**629.4**	524.6	**226.8**	216.7	**107.2**	68.4	**963.4**	809.7
Sales to external customers at 2006 average exchange rates	**608.5**	501.4	**225.2**	218.8	**107.2**	68.3	**940.9**	788.5
Result								
Segment result before exceptional items	**62.6**	42.3	**12.4**	13.1	**9.8**	6.8	**84.8**	62.2
Exceptional income (costs) (net)	**5.0**	(24.7)	**-**	-	**-**	-	**5.0**	(24.7)
Segment result after exceptional items	**67.6**	17.6	**12.4**	13.1	**9.8**	6.8	**89.8**	37.5
Share of results of - joint ventures	**-**	-	**2.4**	1.7	**-**	-	**2.4**	1.7
- associates	**-**	-	**8.1**	7.5	**-**	-	**8.1**	7.5
	67.6	17.6	**22.9**	22.3	**9.8**	6.8	**100.3**	46.7
Unallocated expenses							**(7.6)**	(5.1)
Unallocated exceptional income							**10.7**	-
Operating profit							**103.4**	41.6
Segment result before exceptional items at 2006 average exchange rates	**62.6**	41.9	**12.4**	13.6	**9.8**	6.7	**84.8**	62.2
Assets & liabilities								
Segment assets	**523.6**	522.3	**111.4**	132.1	**29.6**	15.6	**664.6**	670.0
Investment in joint ventures & associates	**-**	-	**33.5**	20.9	**-**	-	**33.5**	20.9
	523.6	522.3	**144.9**	153.0	**29.6**	15.6	**698.1**	690.9
Unallocated assets							**176.6**	125.3
Total assets							**874.7**	816.2
Segment liabilities	**189.1**	167.0	**44.0**	40.6	**52.6**	39.9	**285.7**	247.5
Unallocated liabilities							**217.1**	277.7
Total liabilities							**502.8**	525.2
Other segment information								
Segment capital expenditure	**20.4**	17.8	**5.7**	6.7	**1.2**	0.7	**27.3**	25.2
Unallocated capital expenditure							**1.1**	0.5
Total capital expenditure							**28.4**	25.7
Segment depreciation & amortisation	**14.7**	12.3	**4.2**	3.6	**0.9**	0.9	**19.8**	16.8
Unallocated depreciation & amortisation							**0.3**	0.1
Total depreciation and amortisation							**20.1**	16.9
Impairment - property, plant & equipment	**-**	1.4	**-**	-	**-**	-	**-**	1.4
Impairment - inventory	**-**	1.9	**-**	-	**-**	-	**-**	1.9
Warranty expense (net)	**6.5**	7.9	**0.3**	0.4	**-**	-	**6.8**	8.3

Details of the Group's discontinued operations can be found in note 8.

3. Segment information (continued)

Geographical segments

The following tables present revenue, certain asset and capital expenditure information regarding the Group's geographical segments for the 52 weeks ended 29 December 2006 and the 52 weeks ended 30 December 2005.

52 weeks ended 29 December 2006	North America £m	UK £m	Far East & Asia £m	Australasia £m	South America £m	Middle East £m	Other EU £m	Others £m	Total Operations £m
Revenue									
Sales to external customers	**241.8**	**131.0**	**117.3**	**111.2**	**98.7**	**87.4**	**74.5**	**79.0**	**940.9**
less sales attributable to discontinued operations	-	-	-	-	-	-	-	-	-
Revenue from continuing operations	**241.8**	**131.0**	**117.3**	**111.2**	**98.7**	**87.4**	**74.5**	**79.0**	**940.9**
Other segment information									
Segment assets	**131.3**	**180.0**	**3.3**	**119.6**	**41.3**	**14.0**	**168.5**	**14.9**	**672.9**
Investment in joint ventures & associates	-	**26.0**	-	-	-	**7.5**	-	-	**33.5**
Unallocated assets									**168.3**
Total assets									**874.7**
Total capital expenditure	**7.5**	**7.3**	**2.6**	**2.8**	**2.8**	**0.2**	**3.5**	**1.7**	**28.4**

52 weeks ended 30 December 2005	North America £m	UK £m	Far East & Asia £m	Australasia £m	South America £m	Middle East £m	Other EU £m	Others £m	Total Operations £m
Revenue									
Sales to external customers	226.6	137.2	95.7	94.7	89.7	53.7	63.9	62.2	823.7
less sales attributable to discontinued operations	-	(5.3)	(0.5)	-	(4.8)	(9.2)	(0.9)	(13.6)	(34.3)
Revenue from continuing operations	226.6	131.9	95.2	94.7	84.9	44.5	63.0	48.6	789.4
Other segment information									
Segment assets	139.0	188.0	1.9	126.3	44.2	13.2	150.4	13.8	676.8
Investment in joint ventures & associates	-	13.5	0.1	-	-	7.3	-	-	20.9
Unallocated assets									118.5
Total assets									816.2
Total capital expenditure	6.1	11.3	0.3	2.5	2.5	0.2	2.2	0.6	25.7

Unallocated assets primarily comprise cash & short term deposits, income tax receivable, deferred tax assets and retirement benefit plan surpluses as well as those assets which are used for general head office purposes. Unallocated liabilities primarily comprise interest bearing loans & borrowings, income tax payable, deferred tax liabilities and retirement benefit plan deficits as well as liabilities relating to general head office activities. The difference between unallocated assets in the business and geographical segments arises as a result of different inter segment eliminations.

Notes to the Group Financial Statements (Continued)

4. Revenues & expenses

The following disclosures are given in relation to continuing operations

	2006 £m	2005 £m
An analysis of the Group's revenue is as follows		
Sales of goods	**626.4**	521.9
Rendering of services	**183.5**	173.1
Revenue from construction contracts	**131.0**	94.4
Revenue	**940.9**	789.4
Finance income	**5.3**	2.0
Total revenue	**946.2**	791.4

No revenue was derived from exchanges of goods or services (2005: £nil).

	2006 £m	2005 £m
Operating profit is stated after charging (crediting)		
Costs of inventories recognised as an expense	**679.5**	570.7
Depreciation	**17.6**	15.5
Amortisation (note 12)	**2.5**	1.4
Foreign exchange gains (net)	**-**	(0.6)
Impairment of trade receivables (included within administrative expenses)	**0.6**	1.4
Included in restructuring costs (note 5)		
Impairment of property, plant & equipment	**-**	1.4
Impairment of inventories	**-**	1.9

The following disclosures are given in relation to total operations

	2006 £m	2005 £m
Auditors remuneration		
The total fees payable by the Group to Ernst & Young LLP and their associates for work performed in respect of the audit and other services provided to the Group and its subsidiary companies during the period are disclosed below		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.3**	0.3
Fees payable to the Company's auditor and its associates for other services		
- The audit of the Company's subsidiaries pursuant to legislation	**0.6**	0.6
- Other services pursuant to legislation	**0.1**	0.1
- Tax services	**-**	0.5
Fees payable in respect of the Group's pension plans		
- Audit	**0.1**	0.1

4. Revenues & expenses (continued)

Research & development costs

Research & development costs consist of £6.1m (2005: £5.2m) charged directly to cost of sales in the income statement.

Operating leases

Minimum lease payments under operating leases recognised as an expense in the year were £9.7m (2005: £8.5m).

	2006 £m	2005 £m
Employee benefits expense		
Wages & salaries	**223.0**	208.5
Social security costs	**28.5**	25.9
Pension (income) costs - defined benefit plans	**(4.9)**	4.6
Pension costs - defined contribution plans	**7.0**	6.2
Post-retirement healthcare costs	**-**	(0.2)
Share-based payments - equity settled transactions	**1.4**	1.0
	255.0	246.0

The net pension income of £4.9m in 2006 in respect of defined benefit plans includes the £10.7m pension plan gain referred to in note 5.

	2006 Number	2005 Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows		
Engineering Products	**5,473**	5,231
Engineering Services	**1,980**	1,987
Defence, Nuclear & Gas	**522**	479
Techna	**-**	120
	7,975	7,817

5. Exceptional items

	2006 £m	2005 £m
Recognised in arriving at operating profit from continuing operations		
Profit on sale of property	**6.8**	-
Pension plan gain	**10.7**	-
Restructuring costs	**(1.8)**	(24.7)
	15.7	(24.7)

Profit on sale of property

A profit of £6.8m (2005: £nil) was made on the sale of the Group's former premises at Huddersfield which were vacated as part of the restructuring of the UK Engineering Products businesses.

Pension plan gain

The pension plan gain of £10.7m (2005: £nil), which represents a reduction in past service costs, arose on the implementation of amendments to the defined benefit arrangements of the Group's main UK defined benefit pension plan made with effect from November 2006 (see note 24).

Restructuring costs

During 2005 the Group incurred costs of £21.4m and impairment losses of £3.3m in connection with the previously announced fundamental restructuring activities in the UK Engineering Products businesses. Further costs of £1.8m have been incurred in 2006 in connection with this restructuring.

The restructuring costs arose from activities that are not considered to fall within the normal function based classifications adopted by the Group when analysing results and, accordingly, they have been disclosed on a separate line on the income statement.

Notes to the Group Financial Statements (Continued)

6. Net finance costs

(a) Finance costs

	2006 £m	2005 £m
Interest payable on bank loans & overdrafts	**(9.8)**	(6.0)
Finance charges payable under finance leases	**(0.1)**	(0.1)
Finance charges related to committed loan facilities	**(0.9)**	(0.5)
	(10.8)	(6.6)

(b) Finance income

	2006 £m	2005 £m
Interest receivable on cash at bank	**5.3**	2.0

7. Tax expense

(a) Income tax expense

	2006 £m	2005 £m
Consolidated income statement		
Current income tax		
UK corporation tax - continuing operations	**(4.2)**	2.0
- discontinued operations	**-**	0.1
Adjustments in respect of current income tax of previous years	**(0.5)**	0.1
UK corporation tax	**(4.7)**	2.2
Foreign tax	**(23.5)**	(12.8)
Adjustments in respect of current income tax of previous years	**0.2**	(0.4)
Total current income tax	**(28.0)**	(11.0)
Deferred income tax		
Origination and reversal of temporary differences	**(7.7)**	(3.1)
Adjustment to estimated recoverable deferred tax assets	**13.1**	0.2
Total deferred tax *	**5.4**	(2.9)
Total income tax expense in the consolidated income statement	**(22.6)**	(13.9)

* Includes £2.3m of deferred tax credit relating to foreign tax (2005: a credit of £0.2m)

The total income tax expense is disclosed in the consolidated income statement as follows

	2006 £m	2005 £m
Tax expense - continuing operations before exceptional items	**(19.9)**	(13.8)
- exceptional items	**(2.7)**	-
- within profit from discontinued operations	**-**	(0.1)

"UK corporation tax" includes a £0.5m tax credit (2005: £nil) in respect of the exceptional restructuring costs of £1.8m (2005: £24.7m) and deferred tax "origination and reversal of temporary differences" includes a £3.2m tax charge (2005: £nil) in respect of the exceptional pension plan gain of £10.7m (2005: £nil).

Current tax for 2006 has been reduced by £1.9m (2005: £nil) due to the utilisation of deferred tax assets previously not recognised.

7. Tax expense (continued)

The total deferred tax included in the income tax expense is as follows

	2006 £m	2005 £m
Post employment benefits	**(6.9)**	(3.3)
Accelerated depreciation for tax purposes	**(0.1)**	(0.5)
Tax losses	**2.1**	0.3
Other	**10.3**	0.6
Deferred income tax credit (charge)	**5.4**	(2.9)

"Other" includes a £9.9m credit in respect of an adjustment to the estimated recoverable deferred tax assets of the US operations. These deferred tax assets relate to temporarily disallowed inventory/debtor provisions and accruals/provisions for liabilities where the tax allowance is deferred until the cash expense is incurred.

(b) Tax relating to items charged or credited to equity

	2006 £m	2005 £m
Tax credit (charge) on actuarial loss (gain) on retirement benefits		
Current tax on contributions in excess of costs through the income statement	**0.1**	0.7
Deferred tax on contributions in excess of costs through the income statement	**-**	(0.5)
Deferred tax - origination and reversal of temporary differences	**(10.2)**	(6.7)
	(10.1)	(6.5)
Deferred tax on hedge gains / losses	**(3.2)**	3.1
Deferred tax on share-based payments	**0.3**	0.7
Current tax on share-based payments	**0.5**	-
Current tax on exchange differences	**-**	(0.2)
Tax charge in the statement of recognised income and expense	**(12.5)**	(2.9)

(c) Reconciliation of the total tax charge

The tax expense in the consolidated income statement for the year is less than the weighted average of standard rates of corporation tax across the Group of 31.0% (2005: 31.2%). The differences are reconciled below.

	2006 £m	2005 £m
Profit from continuing operations before taxation	**102.8**	37.5
Profit from discontinued operations before taxation	**1.4**	2.4
Accounting profit before income tax	**104.2**	39.9
At the weighted average of standard rates of corporation tax across the Group of 31.0% (2005: 31.2%)	**32.3**	12.5
Adjustments in respect of previous years - current tax	**0.3**	0.3
- deferred tax	**(1.4)**	(0.4)
Joint ventures and associates	**(3.2)**	(2.3)
Unrecognised deferred tax assets	**(13.1)**	6.8
Overseas tax on unremitted earnings	**7.6**	-
Permanent differences	**1.1**	(1.7)
Gains exempt from tax	**(1.0)**	(1.3)
At effective tax rate of 21.7% (2005: 34.9%)	**22.6**	13.9

8. Discontinued operations

On 8 July 2005, the Group disposed of the desalination and water treatment businesses of its Techna division (Weir Westgarth, Weir Entropie and Weir Envig) for a total cash consideration of £27.7m and on 1 June 2005 the Group disposed of Weir Flowguard for a total cash consideration of £2.9m. Provisions amounting to £6.1m were made for potential warranty and indemnity claims and allowance was made for disposal costs amounting to £1.9m. The results of these companies are included in the consolidated income statement as discontinued operations. Losses recognised in 2005 in respect of prior years' disposals related to warranty and indemnity claims where the likelihood of payment had become probable based on events which occurred during that year.

The revenue, results, cash flows, segment and earnings per share information relating to discontinued operations is as follows

	2006 £m	2005 £m
Sale of goods	-	1.7
Rendering of services	-	0.5
Revenue from construction contracts	-	32.1
Revenue	-	34.3
Cost of sales	-	(31.4)
Other operating income	-	0.3
Selling & distribution costs	-	(1.4)
Administrative expenses	-	(2.5)
Share of results of joint venture	-	(0.7)
Loss before net finance costs and tax	-	(1.4)
Finance costs	-	(0.1)
Loss before tax	-	(1.5)
Income tax	-	(0.1)
Loss after tax	-	(1.6)
Net gain on current year disposals	-	9.2
Profits (losses) recognised in respect of prior years' disposals	**1.4**	(5.3)
Profit for the period from discontinued operations	**1.4**	2.3

The £1.4m profit in 2006 arises from the negotiated settlement of a claim in connection with a prior year disposal (see note 22).

Loss before net finance costs and tax is stated after charging (crediting)

Costs of inventories recognised as an expense	-	31.4
Depreciation and amortisation	-	0.2
The income tax is analysed as follows		
On loss before tax	-	(0.1)
Cash inflow (outflow) from - operating activities	-	(3.8)
- investing activities	**(1.8)**	14.3
- financing activities	-	(2.5)
Inter-segment sales	-	1.5
Capital expenditure	-	0.2

Earnings per share from discontinued operations

	2006 pence	2005 pence
Basic	**0.7p**	1.1p
Diluted	**0.7p**	1.1p

These earnings per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations of £1.4m (2005: £2.3m) by the weighted average number of ordinary shares for both basic and diluted amounts shown in note 9.

8. Discontinued operations (continued)

The major classes of assets and liabilities disposed of were

	2006 £m	2005 £m
Property, plant & equipment	-	0.7
Goodwill	-	5.2
Other intangible assets	-	0.3
Inventories	-	0.7
Trade & other receivables	-	9.1
Construction contract assets	-	5.0
Cash & cash equivalents	-	14.1
Trade & other payables	-	(12.3)
Construction contract liabilities	-	(9.0)
Provisions	-	(0.6)
Income tax payable	-	(0.1)
	-	13.1

9. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and L-TIP awards).

The following reflects the profit and share data used in the calculation of earnings per share

	2006 £m	2005 £m
Basic earnings per share		
Profit attributable to equity holders of the Company		
- Total operations	**81.6**	25.9
- Continuing *	**80.2**	23.6
- Continuing (pre-exceptional items) *	**67.2**	48.3
Weighted average share capital (number of shares, million)	**207.1**	206.1
Diluted earnings per share		
Profit attributable to equity holders of the Company		
- Total operations	**81.6**	25.9
- Continuing *	**80.2**	23.6
- Continuing (pre-exceptional items) *	**67.2**	48.3
Weighted average share capital (number of shares, million)	**210.1**	207.7

* adjusted for £nil (2005: £0.1m) attributable to minority interests.

9. Earnings per share (continued)

The difference between the weighted average share capital for the purposes of the basic and the diluted earnings per share calculations is analysed as follows

	2006 Shares Million	2005 Shares Million
Weighted average number of ordinary shares for basic earnings per share	**207.1**	206.1
Effect of dilution: share options	**1.0**	1.4
L-TIP awards	**2.0**	0.2
Adjusted weighted average number of ordinary shares for diluted earnings per share	**210.1**	207.7

The profit attributable to equity holders of the Company used in the calculation of both basic and diluted earnings per share on continuing operations pre-exceptional items is calculated as follows

	2006 £m	2005 £m
Net profit attributable to ordinary shareholders from continuing operations	**80.2**	23.6
Exceptional items net of tax (2005: no tax benefit was recognised)	**(13.0)**	24.7
Net profit attributable to ordinary shareholders from continuing operations before exceptional items	**67.2**	48.3

There have been 80,367 (2005: 320,230) share options exercised between the reporting date and the date of signing of these financial statements.

10. Dividends paid and proposed

	2006 £m	2005 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2005: 9.65p (2004: 9.35p)	**19.9**	19.3
Interim dividend for 2006: 3.75p (2005: 3.55p)	**7.8**	7.3
	27.7	26.6
Proposed for approval by shareholders at the AGM		
Final dividend for 2006: 10.75p (2005: 9.65p)	**22.3**	19.9

The proposed dividend is based on the number of shares in issue, excluding treasury shares held, at the date the financial statements were approved and authorised for issue. The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of the report and financial statements and the record date for the final dividend.

11. Property, plant & equipment

	Land & buildings £m	Plant & equipment £m	Total £m
Cost			
At 31 December 2004	63.4	158.0	221.4
Additions	1.2	20.0	21.2
Acquisition of subsidiary	0.6	3.5	4.1
Disposals	(0.9)	(2.7)	(3.6)
Discontinued operations	-	(2.5)	(2.5)
Exchange adjustment	3.1	12.3	15.4
At 30 December 2005	67.4	188.6	256.0
Additions	3.6	22.4	26.0
Disposals	(2.4)	(16.3)	(18.7)
Exchange adjustment	(4.0)	(12.8)	(16.8)
At 29 December 2006	**64.6**	**181.9**	**246.5**
Accumulated depreciation & impairment			
At 31 December 2004	20.9	94.4	115.3
Depreciation charge for the period	1.8	13.9	15.7
Impairment	-	1.4	1.4
Disposals	(0.3)	(2.2)	(2.5)
Discontinued operations	-	(1.8)	(1.8)
Exchange adjustment	1.1	7.6	8.7
At 30 December 2005	23.5	113.3	136.8
Depreciation charge for the period	1.6	16.0	17.6
Disposals	(0.4)	(15.2)	(15.6)
Exchange adjustment	(1.5)	(7.4)	(8.9)
At 29 December 2006	**23.2**	**106.7**	**129.9**
Net book value at 31 December 2004	42.5	63.6	106.1
Net book value at 30 December 2005	43.9	75.3	119.2
Net book value at 29 December 2006	**41.4**	**75.2**	**116.6**

The carrying value of buildings held under finance leases is £1.6m (2005: £1.7m). The carrying value of plant and equipment held under finance leases is £nil (2005: £0.2m). Leased assets are pledged as security for the related finance lease liabilities. The carrying amount of assets under construction included in plant & equipment is £1.5m (2005: £2.2m). The amount of compensation received from third parties for items of property, plant and equipment that were impaired or lost included in the income statement is £2.1m (2005: £1.0m).

Notes to the Group Financial Statements (Continued)

12. Intangible assets

	Goodwill £m	Brand name £m	Customer relationships £m	Purchased software £m	Favourable lease £m	Total £m
Cost						
At 31 December 2004	111.0	-	-	9.3	-	120.3
Additions	-	-	-	4.7	-	4.7
Acquisition of subsidiary	49.1	4.7	15.1	0.1	0.6	69.6
Discontinued operations	(5.2)	-	-	(0.5)	-	(5.7)
Exchange adjustment	5.3	-	0.1	0.6	-	6.0
At 30 December 2005	160.2	4.7	15.2	14.2	0.6	194.9
Additions	0.8	-	-	1.6	-	2.4
Disposals	-	-	-	(0.1)	-	(0.1)
Exchange adjustment	(7.1)	(0.1)	(0.4)	(0.2)	-	(7.8)
At 29 December 2006	**153.9**	**4.6**	**14.8**	**15.5**	**0.6**	**189.4**
Accumulated amortisation & impairment						
At 31 December 2004	-	-	-	5.6	-	5.6
Amortisation charge for the period	-	-	0.2	1.2	-	1.4
Discontinued operations	-	-	-	(0.2)	-	(0.2)
Exchange adjustment	-	-	-	0.6	-	0.6
At 30 December 2005	-	-	0.2	7.2	-	7.4
Amortisation charge for the period	-	-	0.6	1.8	0.1	2.5
Disposals	-	-	-	(0.1)	-	(0.1)
Exchange adjustment	-	-	-	(0.5)	-	(0.5)
At 29 December 2006	**-**	**-**	**0.8**	**8.4**	**0.1**	**9.3**
Net book value at 31 December 2004	111.0	-	-	3.7	-	114.7
Net book value at 30 December 2005	160.2	4.7	15.0	7.0	0.6	187.5
Net book value at 29 December 2006	**153.9**	**4.6**	**14.0**	**7.1**	**0.5**	**180.1**

The brand name, Gabbioneta, has been in existence since 1897 when the company was founded. Given the longevity of the name and its strength in the oil and gas markets, it has been assigned an indefinite useful life, and as such is not amortised. The carrying value was tested for impairment at 29 December 2006. The customer relationships were acquired as part of the Company's acquisition of Pompe Gabbioneta SpA in 2005 (see note 13). The remaining amortisation period of these assets as at 29 December 2006 is 24 years. The carrying value of purchased software held under finance leases is £0.4m (2005: £0.3m). The amortisation charge for the period is included in the income statement as follows

	2006 £m	2005 £m
Cost of sales	**0.4**	0.3
Selling & distribution costs	**0.1**	0.1
Administrative expenses	**2.0**	1.0
	2.5	1.4

13. Business combinations

On 16 February 2006, the Group acquired the business and certain trading assets of Loftyman Engineering Limited, a company registered in Hong Kong. The amount payable for the goodwill associated with the business was £0.8m and a total of £0.4m was payable for the trading assets.

On 30 September 2005, the Company acquired 100% of the share capital of Pompe Gabbioneta SpA, an unlisted company based in Milan, Italy specialising in the manufacture and sale of petrochemical pumps. The total cash consideration was £69.2m. The acquisition was accounted for on a provisional basis in last year's accounts as the final determination of fair values had still to be completed. The provisional fair values of the identifiable assets and liabilities at the date of acquisition, which were not changed following their final determination in 2006, were

	2005 Recognised on acquisition £m	2005 Carrying values £m
Property, plant & equipment	4.1	4.1
Intangible assets	20.5	0.1
Inventories	5.8	5.8
Trade & other receivables	7.8	7.8
Cash & cash equivalents	(0.3)	(0.3)
Interest-bearing loans & borrowings	(0.3)	(0.3)
Trade & other payables	(7.9)	(7.9)
Forward foreign currency contracts	(0.2)	(0.2)
Provisions	(5.4)	(5.4)
Income tax	(0.4)	(0.4)
Deferred tax	(3.6)	4.0
Fair value of net assets	20.1	7.3
Goodwill arising on acquisition	49.1	
Total consideration	69.2	
Consideration	68.1	
Costs associated with the acquisition	1.1	
Total consideration	69.2	
The cash outflow on acquisition was as follows		
Cash & cash equivalents acquired	0.3	
Cash paid	68.8	
Net cash outflow	69.1	

From the date of the acquisition, Pompe Gabbioneta - now called Weir Gabbioneta contributed £400,000 to the 2005 profit from continuing operations of the Group. The directors consider that it is impractical to disclose the combined revenue and profit of the Group, assuming that Weir Gabbioneta had been acquired at the start of 2005, due to the fact that their financial statements were previously prepared under local GAAP accounting policies.

Notes to the Group Financial Statements (Continued)

14. Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as per the table below. The amount allocated to "Other" is not considered significant in comparison to the total carrying amount of goodwill.

	2006 £m	2005 £m
Warman companies	**88.5**	93.9
Weir Gabbioneta	**48.2**	49.5
Other	**17.2**	16.8
	153.9	160.2

The Warman companies were acquired in 1999 and form part of the Group's Engineering Products Business Segment. Weir Gabbioneta, which also forms part of the Group's Engineering Products Business Segment, relates to the acquisition of Pompe Gabbioneta SpA in 2005.

The carrying amount of intangible assets with indefinite lives has been allocated as follows

	2006 £m	2005 £m
Weir Gabbioneta - brand name	**4.6**	4.7

The reduction of £0.1m in the carrying value of the brand name results from exchange movements.

The Group tests goodwill and intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that these might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations using cash flow forecasts based on the latest strategic five year plan projections approved by the Board. These projections are based on historical performance and the most recent financial forecasts available. The main assumptions used in the value in use calculations relate to selling price, sales volume and cost increases. The strategic five year plans of each CGU incorporate third-party demand projections for the specific market segments which they serve. These market demand projections contain both volume and pricing assumptions but generally the pricing assumption assumes growth in line with inflation. Beyond sales volume effects, operating cost increases are projected in line with long-run inflation expectations for the relevant territory that the CGU operates in.

Cash flows beyond the period of the projections are extrapolated based on expected growth rates for the geographical area. The growth rates do not exceed the average long-term growth rates for these areas. A weighted average growth rate of 2.9% (2005: 2.9%) was used for the Warman companies, 2.0% (2005: 2.0%) for Weir Gabbioneta and 2.6% (2005: 2.6%) for other. The discount rates applied to the cash flow forecasts are based on the weighted average, nominal, risk adjusted pre-tax cost of capital in the various geographical regions. The weighted average discount rates used were 14.8% (2005: 14.3%) for the Warman companies, 13.6% (2005: 14.0%) for Weir Gabbioneta and 13.5% (2005: 13.8%) for other.

In assessing the value in use of the CGUs, management have considered the potential impact of reasonably possible changes in the main assumptions used and believe that there are no such changes that would cause the carrying value of the units to exceed their recoverable amounts.

15. Investments in joint ventures & associates

	Joint ventures £m	Associates £m	Total £m
At 31 December 2004	1.4	4.3	5.7
Additions	5.2	-	5.2
Share of results	1.7	7.5	9.2
Share of dividends	(0.9)	(3.1)	(4.0)
Share of actuarial gain on defined benefit plans	-	4.8	4.8
At 30 December 2005	7.4	13.5	20.9
Share of results	2.4	8.1	10.5
Share of dividends	(1.5)	-	(1.5)
Share of actuarial gain on defined benefit plans	-	4.4	4.4
Exchange adjustment	(0.8)	-	(0.8)
At 29 December 2006	**7.5**	**26.0**	**33.5**

Details of the Group's share of the balance sheets, revenue and profits of its joint ventures and associates are given below

	2006 £m	2005 £m
Share of joint ventures' balance sheets		
Goodwill	**2.7**	3.1
Current assets	**7.0**	6.3
Non-current assets	**1.4**	1.7
Current liabilities	**(3.2)**	(3.3)
Non-current liabilities	**(0.4)**	(0.4)
Net assets	**7.5**	7.4
Share of joint ventures' revenue and profit		
Revenue	**12.1**	8.6
Cost of sales	**(8.4)**	(6.3)
Selling & distribution costs	**(0.5)**	(0.2)
Administrative expenses	**(0.4)**	(0.2)
Income tax expense	**(0.4)**	(0.2)
Profit after tax	**2.4**	1.7
Carrying value of investments in joint ventures	**7.5**	7.4
Share of associate's balance sheet		
Current assets	**30.2**	22.9
Non-current assets	**42.8**	44.3
Current liabilities	**(40.3)**	(27.7)
Non-current liabilities	**(6.7)**	(26.0)
Net assets	**26.0**	13.5
Share of associate's revenue and profit		
Revenue	**111.1**	115.2
Profit after tax	**8.1**	7.5
Carrying value of investments in associates	**26.0**	13.5
Total carrying value of investments in joint ventures & associates	**33.5**	20.9

The Group's significant investments in joint ventures and associates are listed on page 97.

Notes to the Group Financial Statements (Continued)

16. Inventories

	2006 £m	2005 £m
Raw materials	**30.3**	27.0
Work in progress	**41.6**	42.7
Finished goods	**49.0**	53.1
	120.9	122.8

The carrying amount of inventory at fair value less costs to sell is £36.6m (2005: £29.3m). Write downs of inventory occur regularly in the general course of business and the amounts are considered to be insignificant. These are included in cost of sales in the income statement.

17. Trade & other receivables

	2006 £m	2005 £m
Trade receivables	**168.9**	188.3
Other debtors	**17.9**	8.7
Sales tax receivable	**5.7**	3.0
Accrued income	**4.2**	0.6
Amounts owed by joint ventures & associates	**0.2**	1.6
Prepayments	**6.9**	5.1
	203.8	207.3

18. Construction contracts

	2006 £m	2005 £m
Gross amount due from customers for contract work (included in current assets)	**34.9**	28.2
Gross amount due to customers for contract work (included in current liabilities)	**46.3**	39.2

For contracts in progress at the balance sheet date, the amount of contract costs incurred plus recognised profits less recognised losses to date was £238.6m (2005: £174.5m). The amount of retentions held by customers for contract work amounted to £0.1m (2005: £0.2m) and the amount of advances received from customers for contract work amounted to £44.3m (2005: £30.6m).

19. Cash & short-term deposits

	2006 £m	2005 £m
Cash at bank & in hand	**43.6**	44.1
Short-term deposits	**102.7**	65.5
	146.3	109.6

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprises the following

	2006 £m	2005 £m
Cash & short-term deposits	**146.3**	109.6
Bank overdrafts (note 20)	**(7.2)**	(5.6)
	139.1	104.0

Cash at bank & in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

20. Interest-bearing loans & borrowings

	2006 £m	2005 £m
Current		
Bank overdrafts	**7.2**	5.6
Short term debt	**-**	4.8
Bank loans	**0.1**	0.1
Obligations under finance leases (note 27)	**0.2**	0.4
	7.5	10.9
Non-current		
Bank loans	**145.3**	174.3
Obligations under finance leases (note 27)	**0.6**	0.8
	145.9	175.1
Bank loans comprise the following		
C$180.0m variable rate loan 2009	**-**	89.7
C$45.0m variable rate loans 2009	**76.7**	-
A$138.8m variable rate loan 2009	**55.9**	68.9
A$31.2m variable rate loan 2009	**12.5**	15.5
Euro 5.4% fixed rate loan 2009	**0.3**	0.3
	145.4	174.4
Less: current instalments due on bank loans	**(0.1)**	(0.1)
	145.3	174.3

The A$ variable rate loans are borrowings under the Group's £300.0m five year syndicated multi-currency revolving credit facility which was entered into in July 2004. The A$138.8m loan bears interest at rates based on the bank bill swap rate (BBSY) plus a margin of 0.45%. The A$31.2m loan bears interest at rates based on Australian dollar LIBOR plus a margin of 0.45%. The C$180.0m loan, which was also part of the £300.0m facility, was repaid during the year and was replaced by four C$45.0m loans all of which are held under separate credit facilities. These loans bear interest at rates based on the Canadian dollar LIBOR plus margins of 0.45% or 0.5%.

As at 29 December 2006, the undrawn committed facilities amounted to £231.6m (2005: £125.3m) on the £300.0m five-year multi-currency revolving credit facility and C$5.0m (2005: C$nil) on the Canadian dollar credit facilities.

The Euro loan is fixed at 5.4% and is repayable in quarterly instalments. The loan is secured over certain of the Group's local assets.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

	Carrying amount 2006 £m	Fair value 2006 £m	Carrying amount 2005 £m	Fair value 2005 £m
Financial assets				
Cash and short term deposits	**146.3**	**146.3**	109.6	109.6
Forward currency contracts	**11.4**	**11.4**	2.7	2.7
Financial liabilities				
Bank overdrafts & short term debt	**(7.2)**	**(7.2)**	(10.4)	(10.4)
Interest-bearing loans & borrowings				
Obligations under finance leases	**(0.8)**	**(0.8)**	(1.2)	(1.2)
Floating rate borrowings	**(145.1)**	**(145.1)**	(174.1)	(174.1)
Fixed rate borrowings	**(0.3)**	**(0.3)**	(0.3)	(0.3)
Forward currency contracts	**(4.8)**	**(4.8)**	(7.7)	(7.7)

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of all other items has been calculated by discounting the expected future cash flows at prevailing interest rates. The carrying amount of the other financial instruments of the Group, ie. short term trade receivables and payables that are not included in the above table, is a reasonable approximation of fair value. The carrying amount recorded in the balance sheet of each financial asset, including derivative financial instruments, represents the Group's maximum exposure to credit risk.

20. Interest-bearing loans & borrowings (continued)

Interest rate risk

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

52 weeks ended 29 December 2006	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Fixed rate							
Obligations under finance leases	**(0.2)**	**(0.2)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.8)**
Bank loans	**(0.1)**	**(0.2)**	-	-	-	-	**(0.3)**
Floating rate							
Cash & short term deposits	**146.3**	-	-	-	-	-	**146.3**
Bank overdrafts & short term debt	**(7.2)**	-	-	-	-	-	**(7.2)**
Bank loans	-	-	**(145.1)**	-	-	-	**(145.1)**

52 weeks ended 30 December 2005	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Fixed rate							
Obligations under finance leases	(0.4)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(1.2)
Bank loans	(0.1)	(0.1)	(0.1)	-	-	-	(0.3)
Floating rate							
Cash & short term deposits	109.6	-	-	-	-	-	109.6
Bank overdrafts & short term debt	(10.4)	-	-	-	-	-	(10.4)
Bank loans	-	-	-	(174.1)	-	-	(174.1)

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

21. Trade & other payables

	2006 £m	2005 £m
Trade payables	**128.4**	105.5
Other creditors	**8.5**	8.4
Other taxes & social security costs	**11.3**	10.4
Accruals	**48.0**	47.8
Amounts owed to joint ventures & associates	-	0.3
Deferred income	**16.2**	6.4
	212.4	178.8

22. Provisions

	Warranties £m	Onerous sales contracts £m	Discontinued operations warranty and indemnity £m	Rationalisation £m	Deferred consideration £m	Other £m	Total £m
At 30 December 2005	12.4	2.3	9.7	5.8	0.9	9.6	40.7
Additions	8.0	1.4	3.8	3.9	-	2.6	19.7
Utilised	(4.0)	(1.9)	(2.1)	(5.8)	(0.9)	(1.7)	(16.4)
Unused	(1.2)	(0.4)	-	(0.4)	-	-	(2.0)
Exchange adjustment	(0.4)	(0.1)	-	(0.1)	-	(0.5)	(1.1)
At 29 December 2006	**14.8**	**1.3**	**11.4**	**3.4**	**-**	**10.0**	**40.9**
Current 2006	11.0	1.3	7.3	2.8	-	4.9	27.3
Non-current 2006	3.8	-	4.1	0.6	-	5.1	13.6
	14.8	**1.3**	**11.4**	**3.4**	**-**	**10.0**	**40.9**
Current 2005	8.4	2.3	6.4	4.5	0.9	3.6	26.1
Non-current 2005	4.0	-	3.3	1.3	-	6.0	14.6
	12.4	2.3	9.7	5.8	0.9	9.6	40.7

Warranties

Provision has been made in respect of actual warranty and contract penalty claims on goods sold and services provided and allowance has been made for potential warranty claims based on past experience for goods and services sold with a warranty guarantee. It is expected that all costs related to such claims will have been incurred within five years of the balance sheet date.

Onerous sales contracts

Provision has been made in respect of sales contracts entered into for the sale of goods in the normal course of business where the unavoidable costs of meeting the obligations under the contracts exceeds the economic benefits expected to be received from the contracts. Provision is made immediately when it becomes apparent that expected costs will exceed the expected benefits of the contract. It is expected that the costs will be incurred within one year of the balance sheet date.

Discontinued operations warranty and indemnity

During 2005, the Company provided in full for residual liabilities of discontinued operations for which the Company retains responsibility. £2.1m of these provisions were utilised during 2006.

Following the completion of the negotiation of a claim settlement, provisions have been increased by £3.8m. A recently agreed associated insurance recovery of £5.2m has been included within other debtors. The overall effect of the negotiations has been the recognition of a £1.4m credit in the income statement.

The provision as at 29 December 2006 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ, and in some cases, this will be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within one year of the balance sheet date with the remaining costs expected to be incurred within five years of the balance sheet date.

Rationalisation

Rationalisation provisions relate primarily to costs associated with the closure of United States Services Centres and the restructuring activities of the UK Engineering Services businesses. It is expected that the majority of the provision will be utilised in 2007 with remaining lease obligations costs being incurred in the period up to 2010.

Other

Other provisions relate principally to an environmental clean up programme in the United States, for a company acquired in 1992, and employment related provisions in the UK, Australia, South America and Europe. The environmental provision is based on management's current best estimate of the expected costs under the programme. It is expected that these costs will be incurred in the period up to 2019. The employment related provisions arise from legal obligations in various countries where full provision is made based on the number of employees in the companies.

Notes to the Group Financial Statements (Continued)

23. Deferred tax

	2006 £m	2005 £m
Consolidated balance sheet		
Deferred income tax assets		
Post employment benefits	**3.5**	19.3
Decelerated depreciation for tax purposes	**0.3**	0.2
Tax losses	**2.6**	0.6
US deferred interest deductions	**3.2**	-
US untaxed reserves	**6.8**	-
Other untaxed reserves	**7.7**	1.5
Offset against liabilities	**(4.8)**	(4.2)
Gross deferred income tax assets	**19.3**	17.4
Deferred income tax liabilities		
Post employment benefits	**(1.7)**	-
Accelerated depreciation for tax purposes	**(2.7)**	(1.7)
Overseas tax on unremitted earnings	**(7.6)**	-
Other temporary differences	**(6.7)**	(6.4)
Offset against assets	**4.8**	4.2
Gross deferred income tax liabilities	**(13.9)**	(3.9)
Net deferred income tax asset	**5.4**	13.5

"Untaxed reserves" primarily relate to temporarily disallowed inventory/debtor provisions and accruals/provisions for liabilities where the tax allowance is deferred until the cash expense is incurred.

Based on the Group's profit projections, it is now probable that future taxable profits in the US operations will allow the US deferred tax assets to be recovered. These deferred tax assets, previously unrecognised, are now included in the balance sheet as at 29 December 2006 at a value of £10.8m which relates to £2.3m of tax losses, £3.2m of deferred interest deductions, £6.8m of untaxed reserves and an offsetting £1.5m of accelerated depreciation for tax purposes. The improvement in the trading results of the French operations together with improved profit projections for future periods results in an increase of £1.2m to the estimated recoverable amounts of previously unrecognised tax losses, of which £0.8m has been utilised to reduce 2006 current tax. The realisation of a capital gain on the sale of the premises at Huddersfield results in the recognition of £1.1m of previously unrecognised deferred tax asset balances in respect of capital losses, of which £1.1m has been utilised to reduce 2006 current tax.

Deferred tax asset balances for unused tax losses of £9.5m (2005: £9.8m) and deductible temporary differences of £2.4m (2005: £14.2m) have not been recognised on the grounds that there is insufficient evidence that these assets will be recoverable. These assets will be recovered when future tax charges are sufficient to absorb these tax benefits. Deferred tax asset balances for capital losses in the UK amounting to £17.6m (2005: £18.9m) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

Temporary differences associated with Group investments

The Group has determined that the unremitted earnings of certain subsidiaries will be distributed in the foreseeable future and accordingly, a deferred tax liability of £7.6m has been recognised in respect of taxes arising from such a distribution. As at 29 December 2006, this is the only recognised deferred tax liability in respect of taxes on unremitted earnings as the Group does not foresee a distribution of unremitted earnings from other subsidiaries, joint ventures or associates which would result in a reversal of deferred tax.

The temporary differences associated with investments in subsidiaries, joint ventures and associates, for which a deferred tax liability has not been recognised aggregate to £211.3m (2005: £214.2m).

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders.

24. Pensions and other post-employment benefit plans

The Group has six defined benefit pension plans in the UK and North America, all of which, with the exception of the main UK plan, are final salary pension plans. With effect from 23 November 2006, contribution salary in respect of the Group's main UK plan will increase in line with RPI up to a maximum of 5% per annum. The most significant of the defined benefit plans are the two UK plans and the Canadian plan. All defined benefit plans are closed to new members. For these closed plans, the current service cost is expected to increase under the projected unit method as the members of the plan approach retirement. The Group also provides certain additional post-retirement healthcare benefits to senior employees in the United States. These benefits are unfunded.

The assets and liabilities of the plans are

52 weeks ended 29 December 2006

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Plans in surplus at 29 December 2006	**5.9**	**1.9**	**-**	**7.8**
Plans in deficit at 29 December 2006	**(3.4)**	**(3.4)**	**(4.9)**	**(11.7)**
	2.5	**(1.5)**	**(4.9)**	**(3.9)**
Plan assets at fair value				
Equities	**396.7**	**26.0**	**-**	**422.7**
Bonds	**188.0**	**21.6**	**-**	**209.6**
Other	**-**	**0.9**	**-**	**0.9**
Fair value of plan assets	**584.7**	**48.5**	**-**	**633.2**
Present value of plan liabilities	**(582.2)**	**(50.0)**	**(4.9)**	**(637.1)**
Net pension asset (liability)	**2.5**	**(1.5)**	**(4.9)**	**(3.9)**

52 weeks ended 30 December 2005

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Plans in surplus at 30 December 2005	-	-	-	-
Plans in deficit at 30 December 2005	(48.5)	(7.0)	(6.1)	(61.6)
	(48.5)	(7.0)	(6.1)	(61.6)
Plan assets at fair value				
Equities	381.7	26.1	-	407.8
Bonds	166.3	23.1	-	189.4
Other	-	0.9	-	0.9
Fair value of plan assets	548.0	50.1	-	598.1
Present value of plan liabilities	(596.5)	(57.1)	(6.1)	(659.7)
Net pension liability	(48.5)	(7.0)	(6.1)	(61.6)

The pension plans have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

Notes to the Group Financial Statements (Continued)

24. Pensions and other post-employment benefit plans (continued)

The amounts recognised in the Group income statement and in the Group statement of recognised income & expense for the year are analysed as follows

52 weeks ended 29 December 2006

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Recognised in the income statement				
Current service cost	**4.5**	**1.3**	**-**	**5.8**
Negative past service cost	**(10.7)**	**-**	**-**	**(10.7)**
	(6.2)	**1.3**	**-**	**(4.9)**
Expected return on plan assets	**(33.2)**	**(3.0)**	**-**	**(36.2)**
Interest cost on plan liabilities	**28.2**	**2.8**	**0.3**	**31.3**
Other finance (income) cost	**(5.0)**	**(0.2)**	**0.3**	**(4.9)**

Curtailment gains of £nil (2005: £0.9m) and £nil (2005: £0.7m) were included in the income statement as part of exceptional items and profit from discontinued operations respectively.

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Taken to the statement of recognised income & expense				
Actual return on plan assets	**45.3**	**4.9**	**-**	**50.2**
Less: expected return on plan assets	**(33.2)**	**(3.0)**	**-**	**(36.2)**
	12.1	**1.9**	**-**	**14.0**
Other actuarial gains	**16.9**	**1.8**	**0.3**	**19.0**
Actuarial gains recognised in the statement of recognised income & expense	**29.0**	**3.7**	**0.3**	**33.0**

52 weeks ended 30 December 2005

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Recognised in the income statement				
Current service cost	5.2	1.0	-	6.2
Past service cost	1.8	-	(0.2)	1.6
Curtailment gains and losses	(3.4)	-	-	(3.4)
	3.6	1.0	(0.2)	4.4
Expected return on plan assets	(29.6)	(2.5)	-	(32.1)
Interest cost on plan liabilities	28.6	2.7	0.3	31.6
Other finance (income) cost	(1.0)	0.2	0.3	(0.5)
Taken to the statement of recognised income & expense				
Actual return on plan assets	89.8	5.4	-	95.2
Less: expected return on plan assets	(29.6)	(2.5)	-	(32.1)
	60.2	2.9	-	63.1
Other actuarial gains and (losses)	(36.0)	(5.2)	0.2	(41.0)
Actuarial gains and (losses) recognised in the statement of recognised income & expense	24.2	(2.3)	0.2	22.1

24. Pensions and other post-employment benefit plans (continued)

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit method. Plan assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts to each category of plan assets and allowing for plan expenses.

	UK pensions		North America pensions		Post retirement healthcare	
	2006 %	2005 %	**2006 %**	2005 %	**2006 %**	2005 %
Main assumptions						
Rate of salary increase	3.1	3.9	3.1	3.2	n/a	n/a
Rate of increase in pensions in payment						
Pre 6 April 2006	2.8	2.8	n/a	n/a	n/a	n/a
Post 6 April 2006	2.5	2.8	n/a	n/a	n/a	n/a
Discount rate	5.2	4.8	5.4	5.1	5.8	5.5
Expected rates of return on plan assets						
Equities	7.7	7.1	7.4	7.8	n/a	n/a
Bonds	4.5	3.9	4.2	4.6	n/a	n/a
Other	n/a	n/a	3.0	3.4	n/a	n/a
Inflation assumption	3.1	2.8	2.3	2.3	2.5	2.5
Rate of increase in healthcare costs	n/a	n/a	n/a	n/a	*	*

* 9.5% per annum decreasing to 5% per annum and remaining static at that level from 2010 onwards.

	2006 Years	2005 Years	**2006 Years**	2005 Years	**2006 Years**	2005 Years
Post-retirement mortality						
Current pensioners at 65 - male	**18.1**	18.1	**17.5**	17.5	**18.1**	18.1
Current pensioners at 65 - female	**20.9**	20.9	**21.3**	21.3	**20.5**	20.5
Future pensioners at 65 - male	**19.6**	19.6	**23.8**	17.8	**18.1**	18.1
Future pensioners at 65 - female	**22.3**	22.3	**27.7**	21.7	**20.5**	20.5

The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2035.

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects

	Increase 2006 £m	**Decrease 2006 £m**	Increase 2005 £m	Decrease 2005 £m
Effect on defined benefit obligation	**0.4**	**(0.3)**	0.6	(0.5)

24. Pensions and other post-employment benefit plans (continued)

Changes in the present value of the defined benefit obligations are analysed as follows

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
As at 31 December 2004	548.2	43.2	5.9	597.3
Current service cost	5.2	1.0	-	6.2
Past service cost	1.8	-	(0.2)	1.6
Interest cost	28.6	2.7	0.3	31.6
Benefits paid	(22.6)	(2.3)	(0.3)	(25.2)
Contributions by employees	2.7	0.5	-	3.2
Curtailment gains and losses	(3.4)	-	-	(3.4)
Actuarial gains and losses	36.0	5.2	(0.2)	41.0
Exchange adjustment	-	6.8	0.6	7.4
As at 30 December 2005	596.5	57.1	6.1	659.7
Current service cost	4.5	1.3	-	5.8
Negative past service cost	(10.7)	-	-	(10.7)
Interest cost	28.2	2.8	0.3	31.3
Benefits paid	(21.9)	(3.2)	(0.4)	(25.5)
Contributions by employees	2.5	0.6	-	3.1
Actuarial gains and losses	(16.9)	(1.8)	(0.3)	(19.0)
Exchange adjustment	-	(6.8)	(0.8)	(7.6)
As at 29 December 2006	**582.2**	**50.0**	**4.9**	**637.1**

The defined benefit obligation comprises £5.9m (2005: £7.2m) arising from unfunded plans and £631.2m (2005: £652.5m) from plans that are wholly or partially funded.

Changes in the fair value of plan assets are analysed as follows

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
As at 31 December 2004	463.5	38.5	-	502.0
Expected return on plan assets	29.6	2.5	-	32.1
Employer contributions	14.6	2.0	0.3	16.9
Contributions by employees	2.7	0.5	-	3.2
Benefits paid	(22.6)	(2.3)	(0.3)	(25.2)
Actuarial gains and losses	60.2	2.9	-	63.1
Exchange adjustment	-	6.0	-	6.0
As at 30 December 2005	548.0	50.1	-	598.1
Expected return on plan assets	33.2	3.0	-	36.2
Employer contributions	10.8	2.5	0.4	13.7
Contributions by employees	2.5	0.6	-	3.1
Benefits paid	(21.9)	(3.2)	(0.4)	(25.5)
Actuarial gains and losses	12.1	1.9	-	14.0
Exchange adjustment	-	(6.4)	-	(6.4)
As at 29 December 2006	**584.7**	**48.5**	**-**	**633.2**

The Group made contributions of £7.0m in 2006 (2005: £10.0m) in addition to the employers' regular contributions.

24. Pensions and other post-employment benefit plans (continued)

History of experience gains and losses

	2006 £m	2005 £m	2004 £m	2003 £m
UK pensions				
Fair value of plan assets	**584.7**	548.0	463.5	419.8
Present value of defined benefit obligations	**(582.2)**	(596.5)	(548.2)	(511.3)
Surplus (deficit) in the plans	**2.5**	(48.5)	(84.7)	(91.5)
Experience adjustments arising on plan liabilities	**(0.4)**	1.1	0.5	
Changes in financial assumptions underlying plan liabilities	**17.3**	(37.1)	(19.9)	
Experience adjustments arising on plan assets	**12.1**	60.2	14.6	
North America pensions				
Fair value of plan assets	**48.5**	50.1	38.5	32.5
Present value of defined benefit obligations	**(50.0)**	(57.1)	(43.2)	(40.4)
Deficit in the plans	**(1.5)**	(7.0)	(4.7)	(7.9)
Experience adjustments arising on plan liabilities	**(0.1)**	(0.4)	0.5	
Changes in financial assumptions underlying plan liabilities	**1.9**	(4.8)	(2.1)	
Experience adjustments arising on plan assets	**1.9**	2.9	2.3	
Post retirement healthcare				
Present value of defined benefit obligations	**(4.9)**	(6.1)	(5.9)	(7.0)
Experience adjustments arising on plan liabilities	**-**	0.1	(0.9)	
Changes in financial assumptions underlying plan liabilities	**0.3**	0.1	1.7	

The cumulative amount of actuarial gains and losses recognised in the Group statement of recognised income and expense since 28 December 2003 is a gain of £51.7m (2005: a gain of £18.7m).

The directors are unable to determine how much of the pension plan deficits are attributable to actuarial gains and losses since inception of those pension plans. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised on an IFRS basis in the Group statements of recognised income and expense before 27 December 2003.

25. Share capital & reserves

Shares allotted	2006 Number Million	2005 Number Million
Authorised share capital		
Ordinary shares of 12.5p each	**288.0**	288.0

The Company has one class of ordinary share which carries no rights to fixed income.

Issued & fully paid share capital		
At beginning of period	**209.7**	207.1
Issued during the year for cash on exercise of share options	**1.3**	2.6
At end of period	**211.0**	209.7

Shares allotted	2006 £m	2005 £m
Aggregate nominal value of share options exercised	**0.2**	0.3
Share premium	**2.9**	6.0
Consideration received on exercise of share options	**3.1**	6.3
Treasury shares		
At beginning of period	**3.3**	-
Purchased during the year	**-**	3.3
At end of period	**3.3**	3.3

Notes to the Group Financial Statements (Continued)

25. Share capital & reserves (continued)

Reconciliation of movements in equity

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital £m	Share premium £m	Treasury shares £m	Reserves £m	Total £m	£m	£m
At 31 December 2004	25.9	26.5	-	212.4	264.8	0.6	265.4
Adjustments relating to adoption of IAS 32 and IAS 39 from 1 January 2005	-	-	-	2.4	2.4	-	2.4
At 1 January 2005	25.9	26.5	-	214.8	267.2	0.6	267.8
Total recognised income & expense for the period	-	-	-	53.4	53.4	0.1	53.5
Cost of share-based payments	-	-	-	1.0	1.0	-	1.0
Dividends	-	-	-	(26.6)	(26.6)	-	(26.6)
Exercise of options	0.3	6.0	-	-	6.3	-	6.3
Purchase of treasury shares	-	-	(10.6)	-	(10.6)	-	(10.6)
Transaction costs	-	-	(0.1)	-	(0.1)	-	(0.1)
Acquisition of minority interest	-	-	-	-	-	(0.3)	(0.3)
At 30 December 2005	26.2	32.5	(10.7)	242.6	290.6	0.4	291.0
Total recognised income & expense for the period	-	-	-	104.1	104.1	-	104.1
Cost of share-based payments	-	-	-	1.4	1.4	-	1.4
Dividends	-	-	-	(27.7)	(27.7)	-	(27.7)
Exercise of options	0.2	2.9	-	-	3.1	-	3.1
At 29 December 2006	**26.4**	**35.4**	**(10.7)**	**320.4**	**371.5**	**0.4**	**371.9**

	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Total reserves £m
At 31 December 2004	0.5	(4.0)	-	215.9	212.4
Adjustments relating to adoption of IAS 32 and IAS 39 from 1 January 2005	-	-	3.5	(1.1)	2.4
At 1 January 2005	0.5	(4.0)	3.5	214.8	214.8
Total recognised income & expense for the period	-	13.9	(7.2)	46.7	53.4
Cost of share-based payments	-	-	-	1.0	1.0
Dividends	-	-	-	(26.6)	(26.6)
At 30 December 2005	0.5	9.9	(3.7)	235.9	242.6
Total recognised income & expense for the period	-	(12.8)	7.2	109.7	104.1
Cost of share-based payments	-	-	-	1.4	1.4
Dividends	-	-	-	(27.7)	(27.7)
At 29 December 2006	**0.5**	**(2.9)**	**3.5**	**319.3**	**320.4**

As permitted by IFRS 1, the Group elected to apply IAS32 "Financial Instruments - Disclosure and Presentation" and IAS 39 "Financial Instruments - Recognition and Measurement" prospectively from 1 January 2005.

Capital redemption reserve

The capital redemption reserve was created by a repurchase and cancellation of own shares during the 53 weeks ended 1 January 1999.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Hedge accounting reserve

This reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective.

26. Additional cash flow information

	2006 £m	2005 £m
Net cash generated from operations		
Operating profit before exceptional items	**87.7**	66.3
Loss from discontinued operations before net finance costs and tax	-	(0.7)
Share of results of joint ventures & associates	**(10.5)**	(9.2)
Depreciation & amortisation	**20.1**	17.1
Loss on disposal of property, plant & equipment & investments	**0.1**	0.3
Funding of pension & post retirement costs	**(0.9)**	(0.8)
Exchange	**(1.1)**	0.3
Employee share schemes	**1.4**	1.0
Increase in provisions	**2.8**	2.4
Increase in inventories	**(7.0)**	(18.9)
Increase in trade & other receivables, construction contracts and forward foreign currency contracts	**(6.8)**	(12.3)
Increase in trade & other payables, construction contracts and forward foreign currency contracts	**48.7**	25.8
Cash generated from operations	**134.5**	71.3
Additional pension contributions paid	**(7.0)**	(10.0)
Fundamental restructuring costs paid	**(5.8)**	(16.6)
Income tax paid	**(14.6)**	(7.9)
Net cash generated from operating activities	**107.1**	36.8
Acquisitions of subsidiaries & joint ventures		
Current year acquisitions (note 13)	**(0.8)**	(69.1)
Previous year acquisitions deferred consideration paid	**(1.3)**	(0.5)
Cost of investments in joint ventures	-	(6.0)
	(2.1)	(75.6)
Disposals of subsidiaries & joint ventures		
Previous year disposals		
- discontinued operations	**(1.8)**	14.0
- other	-	0.2
	(1.8)	14.2
Reconciliation of net increase in cash and cash equivalents to movement in net debt		
Net increase in cash and cash equivalents	**37.4**	2.4
Net decrease (increase) in debt	**19.5**	(85.5)
Change in net (debt) funds resulting from cash flows	**56.9**	(83.1)
Lease acquired	-	(0.2)
Lease inception	-	(0.1)
Foreign currency translation differences	**12.4**	(5.6)
Change in net (debt) funds during the period	**69.3**	(89.0)
Net (debt) funds at beginning of period	**(76.4)**	12.6
Net debt at end of period	**(7.1)**	(76.4)
Net debt comprises the following		
Cash & short term deposits (note 19)	**146.3**	109.6
Current interest-bearing loans & borrowings (note 20)	**(7.5)**	(10.9)
Non current interest-bearing loans & borrowings (note 20)	**(145.9)**	(175.1)
	(7.1)	(76.4)

Notes to the Group Financial Statements (Continued)

27. Commitments & contingencies

Operating lease commitments

The Group has entered into commercial leases for land and buildings, motor vehicles and plant and equipment. Land and building leases have an average term of between three and ten years, motor vehicles leases have an average term of between three and four years and plant and equipment leases have an average term of between five and six years. Certain leases have terms of renewal, at the option of the lessee, but there are no purchase options or escalation clauses. Future minimum rentals payable under non-cancellable operating leases are as follows

	2006 £m	2005 £m
Within one year	**6.5**	7.5
After one year but not more than five years	**12.8**	13.7
More than five years	**2.3**	1.9
	21.6	23.1

Finance lease commitments

The Group has finance leases for various items of plant and equipment and purchased software. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows

	2006 Minimum payments £m	**2006 Present value of payments £m**	2005 Minimum payments £m	2005 Present value of payments £m
Within one year	**0.3**	**0.2**	0.5	0.4
After one year but not more than five years	**0.5**	**0.5**	0.7	0.6
More than five years	**0.1**	**0.1**	0.2	0.2
Total minimum lease payments	**0.9**		1.4	
Less amounts representing finance charges	**(0.1)**		(0.2)	
Present value of minimum lease payments	**0.8**	**0.8**	1.2	1.2

It is the Group's policy to lease certain of its assets under finance leases. The weighted average outstanding lease term is 4.45 years (2005: 5.93 years). For the 52 weeks ended 29 December 2006, the weighted average effective borrowing rate was 5.55% (2005: 5.69%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital commitments

	2006 £m	2005 £m
Outstanding capital commitments contracted but not provided for		
Property, plant & equipment	**2.5**	1.2

The Group's share of the capital commitments of its joint ventures amounted to £0.1m (2005: £0.1m).

Legal claims

The Company and certain subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the normal course of business. To the extent not already provided for, the directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

Guarantees

The Company has given a limited counter-indemnity to Halliburton Company and Brown & Root Limited in respect of Devonport Management Limited up to a maximum of the Group's investment in that company.

28. Equity settled share-based payments

L-TIP

Three types of award may be made under the L-TIP to senior executives: Performance shares, matching shares and investment shares. The awards vest over a three year service period.

Performance shares

Performance shares are conditional awards to acquire free shares subject to company performance. In 2006, conditional awards of performance shares were made worth 70% (2005: 70%) of salary to the chief executive. In addition, one conditional award of 100% of salary and one conditional award of 45% of salary were awarded to other executive directors. Awards of 45% of salary were awarded to other executive directors in 2005. Other conditional awards of performance shares made in 2006 were 40% (2005: 40%) of salary to other senior executives who participate in the Matching shares awards, and 25% (2005: 25%) of salary to other senior executives who do not participate in that plan. It is the Remuneration Committee's intention to make awards of the same value in 2007 except for the award to the chief executive which is expected to be 70% of salary, the award to the corporate services director which is expected to be 80% of salary and the award to the group finance director which is expected to be 45% of salary.

Matching and investment shares

Matching shares are conditional awards to acquire free shares, subject to Company performance. The chief executive, other executive directors and senior executives are required to compulsorily defer an element of any Group bonus earned for the preceding financial year in exchange for which they are awarded investment shares. They are also allowed to voluntarily invest the balance of the Group bonus (subject to any cap imposed by the Remuneration Committee, currently 10%) in shares. In return, they receive a conditional award of matching shares worth a maximum of 2.5 times the pre-tax value of the bonus invested. It is intended that the maximum voluntary element will be increased to 20% for the 2007 awards.

The value of shares for this purpose will be the average published closing price of a share for the three dealing days immediately preceding the date of grant of the award of shares.

The conditional awards of performance shares and matching shares only vest if a highly demanding performance condition is achieved. For awards granted in 2004, 2005 and 2006, the performance condition is based on the growth in the Company's Total Shareholder Return ("TSR") over a single three year performance period (three consecutive financial years beginning with the year in which the grant is made) relative to the growth in the TSR of a comparator group, to comprise the following 20 companies: AGA Foodservice Group, Bodycote International, Cookson Group, Domnick Hunter Group, Enodis, FKI, Halma, IMI, Kidde, Meggitt, Mitie Group, Morgan Crucible Company, Rolls-Royce, Rotork, Senior, Smiths Group, Spirax-Sarco Engineering, Tomkins, Wood Group and WS Atkins, except that Domnick Hunter Group and Kidde were not included in the comparator group for the 2006 awards as they were de-listed from the London Stock Exchange in December 2005 and April 2005 respectively. Only if the company's TSR ranks in the upper quintile of this group will the full awards vest. This reduces on a sliding scale so that for median performance, 25% of the awards will vest. For below median performance, none of the awards will vest.

In addition to TSR performance, for any of the performance and matching shares to vest, the growth in the Company's earnings per share over the performance period must be equal to or greater than the growth in the UK Retail Price Index over the same period.

The following table illustrates the number of shares awarded under the L-TIP

	2006 Number	2005 Number
Outstanding at the beginning of period	**1,720,426**	850,965
Awarded during the period	**715,658**	869,461
Expired during the period	**(144,953)**	-
Outstanding at the end of the period	**2,291,131**	1,720,426
Exercisable at the end of the period	**-**	-

An amount of £1.3m (2005: £0.9m) has been charged to the income statement in respect of the number of awards which are expected to be made at the end of the vesting period. This comprises an amount of £0.4m (2005: £0.2m) in respect of parent company employees and £0.9m (2005: £0.7m) in respect of employees of subsidiaries. Subsidiary companies made a cash contribution to the parent company of £0.9m (2005: £0.7m) in the year in respect of their L-TIP awards.

The remaining contractual lives of the outstanding L-TIP awards at the period end are as follows

Year of award	**2006 Number of shares outstanding**	**2006 Remaining contractual life**	2005 Number of shares outstanding	2005 Remaining contractual life
2004	**771,692**	**5 months**	850,965	17 months
2005	**809,388**	**15 months**	869,461	27 months
2006	**710,051**	**27 months**	-	-

28. Equity settled share-based payments (continued)

Share option schemes

The Company operated a discretionary executive share option scheme ("the Executive Scheme") under which options could be granted to those senior executives of the Group whose skills and experience the Remuneration Committee believed to be important to the success of the Group.

The Executive Scheme, which was approved in 1994, expired in May 2004. Under the rules of the Scheme, share options could be granted up to a maximum value of four times a participant's earnings. Options were granted at the mid market price of the share at the date of grant. The right to exercise an Executive Scheme option is subject to performance conditions as determined by the Committee at the date of grant.

The performance criteria applicable for the options granted after 2000 were for the growth in the Company's normalised earnings per share over a three year period, to either exceed by nine percent the growth in the retail price index of the UK over that three year period, or exceed the weighted average growth during that three year period of the normalised earnings per share of those companies in the FTSE All Share Industrial Engineering sector. This is re-tested every year from the third anniversary of the grant of the option to the date the option lapses.

In addition, the Company operated a Savings-related Share Option Scheme in the UK which was not subject to performance criteria. This scheme was closed in 2004.

The following table illustrates the number and weighted average exercise prices (WAEP) of share options.

	2006 Number	**2006 WAEP**	2005 Number	2005 WAEP
Outstanding at the beginning of the period	**2,824,739**	**£2.40**	5,785,341	£2.41
Forfeited during the period	**-**	**-**	(323,669)	£2.36
Expired during the period	**(218,868)**	**£2.43**	(28,809)	£2.35
Exercised during the period	**(1,328,633)**	**£2.35**	(2,608,124)	£2.43
Outstanding at the end of the period (i)	**1,277,238**	**£2.45**	2,824,739	£2.40
Exercisable at the end of the period	**568,448**	**£2.51**	1,374,189	£2.54

(i) Included within this balance are options over 804,225 (2005: 1,959,282) shares that have not been recognised in accordance with IFRS2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS2.

The weighted average share price during the period was 458.4p (2005: 342.5p)

Share options outstanding at the end of the period have the following exercise prices

	Price per share	**2006 Number of shares**	**2006 Remaining contractual life**	2005 Number of shares	2005 Remaining contractual life
Savings Related Share Option Scheme 1991					
	226.00p	**-**	**-**	317,916	12 months
Executive Share Option Scheme 1994					
	260.00p	**-**	**-**	7,692	3 months
	239.00p	**30,000**	**3 months**	30,000	15 months
	246.50p	**176,250**	**39 months**	254,600	51 months
	197.50p	**9,701**	**51 months**	45,959	63 months
	251.50p	**176,000**	**63 months**	301,938	75 months
	262.50p	**173,000**	**80 months**	734,000	92 months
	273.00p	**164,835**	**99 months**	164,835	111 months
	295.75p	**15,165**	**99 months**	15,165	111 months
Savings Related Share Option Scheme 2001					
	201.00p	**3,497**	**2 days**	335,760	12 months
	260.00p	**239,274**	**12 months**	267,177	24 months
	201.00p	**289,516**	**24 months**	349,697	36 months

Fair value of equity settled share-based payments

The fair value of the conditional awards under the L-TIP has been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the 52 weeks ended 29 December 2006 and the 52 weeks ended 30 December 2005.

	2006	2005
Weighted average dividend yield (%)	**4.11**	4.25
Weighted average expected volatility (%)	**23.11**	35.00
Weighted average expected life (years)	**3.00**	3.00
Weighted average risk free rate (%)	**4.44**	4.60
Weighted average share price (£)	**445p**	322p
Weighted average fair value (£)	**219p**	155p

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. Market related performance conditions have been taken into account in the calculation of fair values.

29. Related party disclosures

The following table provides the total amount of significant transactions which have been entered into with related parties for the relevant financial year and outstanding balances at the period end.

		Income tax consortium relief from related parties £m	Management charge to related parties £m	Sales to related parties - goods £m	Sales to related parties - services £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Joint Ventures	**2006**	**-**	**-**	**0.2**	**0.4**	**-**	**-**
	2005	-	-	0.5	1.6	-	-
Associates	**2006**	**-**	**0.7**	**0.3**	**1.1**	**0.2**	**-**
	2005	2.7	0.7	0.8	0.4	1.6	0.3
Group pension plans	**2006**	**-**	**-**	**-**	**-**	**-**	**0.6**
	2005	-	-	-	-	-	0.5

Contributions to the Group pension plans are disclosed in notes 4 and 24.

Terms and conditions of transactions with related parties

Sales to and from related parties are made at normal market prices. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party balances. For the 52 weeks ended 29 December 2006, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2005: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Full value, calculated at appropriate tax rates, is paid for consortium relief claimed from related parties.

Compensation of key management personnel

	2006 £m	2005 £m
Short-term employee benefits	**2.4**	2.2
Share-based payments	**0.4**	0.3
	2.8	2.5

Key management comprises the Board of directors. Further details of their remuneration can be found in the Remuneration Committee Report on pages 34 to 36.

30. Financial instruments

Hedging activities

	2006 £m	2005 £m
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	**5.1**	1.7
Other forward foreign currency contracts	**1.4**	0.6
	6.5	2.3
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	**2.5**	3.5
Other forward foreign currency contracts	**0.5**	1.1
	3.0	4.6

The forward foreign currency contracts included within non-current assets amounting to £4.9m (2005: £0.4m) and non-current liabilities amounting to £1.8m (2005: £3.1m) have all been designated as cash flow hedges.

30. Financial instruments (continued)

Cash flow hedges

At 29 December 2006, the Group held over 900 (2005: over 600) forward foreign currency contracts designated as hedges of expected future sales or purchases for which the Group has firm commitments. The forward foreign currency contracts are being used to eliminate the material currency risk of the firm commitments. The terms of the contracts are negotiated to match the terms of the commitments. Any gains and losses on ineffective hedges were taken to the income statement in the year. The weighted average terms of the contracts are as follows

Forward foreign currency contracts to hedge expected future sales and purchases

52 weeks ended 29 December 2006

	Sell currency 000	Sterling equivalent £000	Weighted average exchange rate	Buy currency 000	Sterling equivalent £000	Weighted average exchange rate	Maturity dates
Canadian dollar	**639**	**299**	**2.14**	-	-	-	**2007**
Euro	**11,768**	**8,244**	**1.43**	**16,135**	**11,465**	**1.41**	**2007**
	2,889	**2,034**	**1.42**	**24,441**	**17,151**	**1.43**	**2008**
	-	-	-	**5,721**	**4,008**	**1.43**	**2009**
Danish kroner	-	-	-	**70,020**	**6,731**	**10.40**	**2007**
	-	-	-	**121,500**	**11,495**	**10.57**	**2008**
	-	-	-	**33,050**	**3,092**	**10.69**	**2009**
Norwegian kroner	**2,000**	**177**	**11.30**	**11,400**	**1,013**	**11.25**	**2007**
	2,000	**178**	**11.24**	**28,450**	**2,478**	**11.48**	**2008**
	-	-	-	**11,820**	**994**	**11.89**	**2009**
Swiss franc	-	-	-	**27,853**	**12,959**	**2.15**	**2007**
	-	-	-	**19,700**	**8,985**	**2.19**	**2008**
	-	-	-	**4,235**	**1,919**	**2.21**	**2009**
United States dollar	**126,943**	**77,702**	**1.63**	**3,243**	**2,207**	**1.47**	**2007**
	135,622	**73,514**	**1.84**	**631**	**325**	**1.94**	**2008**
	45,519	**24,048**	**1.89**	-	-	-	**2009**
	638	**355**	**1.80**	-	-	-	**2010**
	3,042	**1,658**	**1.83**	-	-	-	**2011**
	7	**4**	**1.75**	-	-	-	**2012**
Yen	**48,600**	**255**	**190.59**	**334,650**	**1,729**	**193.55**	**2007**
	-	-	-	**328,050**	**1,641**	**199.91**	**2008**
	-	-	-	**106,300**	**525**	**202.48**	**2009**

52 weeks ended 30 December 2005

	Sell currency 000	Sterling equivalent £000	Weighted average exchange rate	Buy currency 000	Sterling equivalent £000	Weighted average exchange rate	Maturity dates
Euro	20,913	14,888	1.40	30,494	21,224	1.44	2006
	7,707	5,444	1.42	8,176	5,912	1.38	2007
	1,500	1,057	1.42	3,650	2,634	1.39	2008
Danish kroner	-	-	-	44,535	4,228	10.53	2006
	-	-	-	53,070	5,143	10.32	2007
	-	-	-	36,000	3,494	10.30	2008
Swiss franc	-	-	-	19,947	9,379	2.13	2006
	-	-	-	15,843	7,579	2.09	2007
	-	-	-	2,800	1,345	2.08	2008
United States dollar	102,600	68,039	1.51	5,780	3,615	1.60	2006
	66,092	38,669	1.71	300	163	1.84	2007
	43,671	24,442	1.79	-	-	-	2008
Yen	-	-	-	207,050	1,080	191.71	2006
	48,600	255	190.59	233,450	1,239	188.42	2007
	-	-	-	47,700	245	194.69	2008

The net credit included in the income statement in respect of the change in fair value of forward currency contracts that have not been subject to hedge accounting was £1.5m (2005: charge of £0.4m).

31. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank overdrafts, short term debt, loans, cash and short term deposits. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group has other financial instruments such as trade receivables and trade payables which arise directly from its operations. The principal financial risks to which the Group is exposed are those relating to foreign currency, commodity price, credit, liquidity and interest rate. These risks are managed in accordance with Board approved policies.

Foreign currency risk

The Group has invested in operations outside the United Kingdom and also buys and sells goods and services in currencies other than in the functional currency of its subsidiary operations. As a result, the Group's non sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. The Group seeks to minimise its transaction exposure by maintaining a policy that all operating units hedge using forward currency contracts to eliminate exposures on material committed transactions. In addition, it is Group policy that those companies where the most significant concentration of foreign currency risk has been identified also apply hedge accounting. It is Group policy not to engage in any speculative transaction of any kind.

Commodity price risk

The Group's exposure to raw material price risk is generally diminished by restricting bid validity to periods within those quoted by suppliers and by material price escalation clauses.

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are financial institutions with high credit-ratings assigned by international credit rating agencies. The Group's credit risk is primarily attributable to its trade receivables and amounts due under construction contracts. The Group is exposed to risk over a large number of countries and customers and there is no significant concentration of risk. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. Credit worthiness checks are also undertaken before entering into contracts with new customers and credit limits are set as appropriate. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Interest rate risk

The majority of the Group's borrowings are at variable rates of interest. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate for the Group in the short to medium term. Based on current levels of net debt, interest rate risk is not considered to be material.

32. Exchange rates

The principal exchange rates applied in the preparation of these financial statements were as follows

	2006	2005
Average rate		
US dollar (per £)	**1.86**	1.81
Australian dollar (per £)	**2.45**	2.39
Euro (per £)	**1.47**	1.47
Canadian dollar (per £)	**2.10**	2.19
Closing rate		
US dollar (per £)	**1.96**	1.72
Australian dollar (per £)	**2.48**	2.35
Euro (per £)	**1.49**	1.46
Canadian dollar (per £)	**2.28**	2.01

Directors Statement of Responsibilities

The directors are responsible for preparing the annual report and the Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Company financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors Report

Independent Auditors Report to the members of The Weir Group PLC

We have audited the Company financial statements of The Weir Group PLC for the 52 weeks ended 29 December 2006 which comprise the Company Balance Sheet and the related notes 1 to 15. These Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Committee Report that is described as having been audited.

We have reported separately on the Group financial statements of The Weir Group PLC for the 52 weeks ended 29 December 2006.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the annual report, the Remuneration Committee Report and the Company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors Statement of Responsibilities.

Our responsibility is to audit the Company financial statements and the part of the Remuneration Committee Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Company financial statements give a true and fair view and whether the Company financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors Report is consistent with the Company financial statements. The information given in the Directors Report includes specific information that is contained in the Chief Executive’s Report, the Operational Review, the Financial Review and the Corporate Social Responsibility Report that is cross referred from the Directors Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited Company financial statements. The other information comprises only the Financial Highlights 2006, 2006 Highlights, the Chairman’s Statement, the Chief Executive’s Report, the Operational Review, the Financial Review, the Board of Directors, the Directors Report, the Corporate Governance Statement, the Audit Committee Report, the Nomination Committee Report, the unaudited part of the Remuneration Committee Report and the Corporate Social Responsibility Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Company financial statements and the part of the Remuneration Committee Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Company financial statements and of whether the accounting policies are appropriate to the Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company financial statements and the part of the Remuneration Committee Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Company financial statements and the part of the Remuneration Committee Report to be audited.

Opinion

In our opinion

- the Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company’s affairs as at 29 December 2006;
- the Company financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors Report is consistent with the Company financial statements.

Ernst & Young LLP
Registered Auditor
Glasgow
21 March 2007

Company Balance Sheet

at 29 December 2006

	Notes	29 December 2006 £m	30 December 2005 £m
Fixed assets			
Tangible assets	3	**0.5**	0.5
Investments	4	**422.7**	435.3
Total fixed assets		**423.2**	435.8
Current assets			
Debtors	5	**16.5**	13.8
Forward foreign currency contracts		**0.5**	0.2
Cash at bank & in hand		**92.6**	50.4
		109.6	64.4
Creditors falling due within one year			
Bank overdrafts & short term debt		**46.4**	29.7
Other creditors	6	**26.3**	24.0
Forward foreign currency contracts		**0.5**	0.2
		73.2	53.9
Net current assets		**36.4**	10.5
Total assets less current liabilities		**459.6**	446.3
Creditors falling due after more than one year			
Loans	7	**134.8**	118.5
Provisions for liabilities & charges	8	**13.4**	11.7
Net assets excluding retirement benefits		**311.4**	316.1
Retirement benefits	9	**0.8**	0.8
Net assets including retirement benefits		**310.6**	315.3
Capital & reserves			
Share capital	10	**26.4**	26.2
Share premium	11	**35.4**	32.5
Treasury shares	11	**(10.7)**	(10.7)
Capital redemption reserve	11	**0.5**	0.5
Special reserve	11	**1.8**	1.8
Profit & loss account	11	**257.2**	265.0
Total equity		**310.6**	315.3

Approved by the Board of Directors on 21 March 2007

Mark Selway *Director*

Keith Cochrane *Director*

Notes to the Company Financial Statements

1. Accounting Policies

The accounting policies which follow have been applied consistently to all periods presented in these financial statements.

Basis of preparation

The Company financial statements have been prepared in accordance with UK GAAP and applicable accounting standards.

Foreign currency translation

The presentation and functional currency of the Company is sterling. Transactions denominated in foreign currencies are translated into the Company's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the profit and loss account.

Tangible assets

Tangible assets are stated at cost and the cost is depreciated over the estimated useful life by equal annual instalments at rates of 7.5% for office equipment and 25% for computer equipment.

Investments

Investments in subsidiaries and associates are held at historical cost less a provision for impairment.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Post-employment benefits

The Company and other major UK subsidiaries of the Group participate in multi-employer defined benefit pension plans which are set up under separate trusts. These plans are operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities and in accordance with FRS17 the Company accounts for its contributions to the plans as if they are defined contribution plans.

In addition, the Company has unfunded unapproved pension promises. Contributions are made to the plans on the advice of an independent qualified actuary. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the Company's unfunded unapproved pension promises expected to arise from employee service in the period is charged against operating profit. The increase in the period in the present value of the plan's liabilities, arising from the passage of time, is included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Contributions to defined contribution pension plans are charged to the profit and loss account when they become payable.

Leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Share-based payments

Equity settled share-based incentives are provided to employees under the Company's executive share option scheme, the savings-related share option scheme and the long-term incentive plan. The Company recognises a compensation cost in respect of these schemes that is based on the fair value of the awards. For equity-settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or non-market performance conditions.

As permitted by FRS20, the Company has applied FRS20 "Share-based Payment" retrospectively only to equity-settled awards that had not vested as at 1 January 2005 and were granted on or after 7 November 2002.

Notes to the Company Financial Statements (Continued)

1. Accounting Policies (continued)

Derecognition of financial assets & liabilities

The Company's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short term debt, loans, cash and short term deposits.

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Financial instruments

The Company uses derivative financial instruments, principally forward foreign currency contracts, to reduce its exposure to exchange rate movements. The Company does not hold or issue derivatives for speculative or trading purposes. Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Changes in their fair values have been recognised in the profit and loss account.

Treasury shares

The Weir Group PLC shares held by the Company are classified in shareholders equity as ‘treasury shares’ and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken directly to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

2. Profit attributable to the Company

The profit dealt with in the accounts of the Company was £18.2m (2005: £32.0m). In accordance with the concession granted under section 230 of the Companies Act 1985, the profit and loss account of the Company has not been separately presented in these financial statements.

Dividends paid and proposed

	2006 £m	2005 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2005: 9.65p (2004: 9.35p)	**19.9**	19.3
Interim dividend for 2006: 3.75p (2005: 3.55p)	**7.8**	7.3
	27.7	26.6
Proposed for approval by shareholders at the AGM		
Final dividend for 2006: 10.75p (2005: 9.65p)	**22.3**	19.9

The proposed dividend is based on the number of shares in issue, excluding treasury shares, at the date the financial statements were approved and authorised for issue. The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of the report and financial statements and the record date for the final dividend.

Directors

Details of directors remuneration, pension benefits, share options and L-TIP awards are included in the Remuneration Committee Report on pages 34 to 36.

Auditors remuneration

The total fees payable by the Company to Ernst & Young LLP for work performed in respect of the audit of the Company were £11,000 (2005: £11,000). Fees paid to Ernst & Young LLP for non-audit services to the Company itself are not disclosed in these accounts as the Company’s consolidated accounts are required to disclose such fees on a consolidated basis.

3. Tangible assets

	Office & computer equipment £m
Cost	
At 30 December 2005	0.8
Additions	0.1
At 29 December 2006	**0.9**
Aggregate depreciation	
At 30 December 2005	0.3
Charge for year	0.1
At 29 December 2006	**0.4**
Net book value at 29 December 2006	**0.5**
Net book value at 30 December 2005	0.5

4. Fixed asset investments

	Subsidiaries			
	Shares £m	Loans £m	Associates £m	Total £m
Cost				
At 30 December 2005	447.6	106.5	1.7	555.8
Disposals / repayments	(3.7)	(8.9)	-	(12.6)
At 29 December 2006	**443.9**	**97.6**	**1.7**	**543.2**
Impairment				
At 30 December 2005	99.4	21.1	-	120.5
Charge for period	-	-	-	-
At 29 December 2006	**99.4**	**21.1**	**-**	**120.5**
Net book value at 29 December 2006	**344.5**	**76.5**	**1.7**	**422.7**
Net book value at 30 December 2005	348.2	85.4	1.7	435.3

The principal subsidiaries and associates of the Company are listed on page 97.

5. Debtors

	2006 £m	2005 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	**4.3**	5.6
Amounts owed by associate	**-**	0.9
Tax recoverable	**-**	2.9
Deferred tax recoverable	**2.3**	2.0
Other debtors	**7.7**	1.4
Prepayments & accrued income	**2.2**	1.0
	16.5	13.8

6. Other creditors

	2006 £m	2005 £m
Amounts owed to subsidiaries	**16.0**	14.4
Other taxes & social security costs	**0.6**	0.8
Tax payable	**3.1**	-
Other creditors	**0.8**	0.7
Accruals & deferred income	**5.8**	8.1
	26.3	24.0

7. Loans

	2006 £m	2005 £m
Amounts due are repayable as follows		
in more than two years but not more than five years		
- loans from subsidiaries	**134.8**	118.5
	134.8	118.5

Notes to the Company Financial Statements (Continued)

8. Provisions for liabilities & charges

	Subsidiaries £m	Discontinued operations warranty and indemnity £m	Total £m
At 30 December 2005	2.0	9.7	11.7
Additions	-	3.8	3.8
Utilised	-	(2.1)	(2.1)
At 29 December 2006	**2.0**	**11.4**	**13.4**

Subsidiaries

As at 29 December 2006, a provision of £2.0m (2005: £2.0m) has been made against the deficiency of underlying net assets in certain subsidiaries. It is anticipated that this amount will be settled within two years of the balance sheet date.

Discontinued operations warranty and indemnity

During 2005, the Company provided in full for residual liabilities of discontinued operations for which the Company retains responsibility. £2.1m of these provisions were utilised during 2006.

Following the completion of the negotiation of a claim settlement, provisions have been increased by £3.8m. A recently agreed associated insurance recovery of £5.2m has been included within other debtors. The overall effect of the negotiations has been the recognition of a £1.4m credit in the profit and loss account.

The provision as at 29 December 2006 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ, and in some cases, this will be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within one year of the balance sheet date with the remaining costs expected to be incurred within five years of the balance sheet date.

9. Retirement benefits

The Company participates in the defined benefit plan arrangements within The Weir Group Pension & Retirement Savings Scheme and The Weir Group 1972 Pensions and Life Assurance Plan for Senior Executives. These defined benefit plans are multi employer plans which are operated by The Weir Group PLC and which are run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities. In accordance with FRS17 the Company accounts for its contributions to these plans as if they were defined contribution plans.

As at 29 December 2006, there is an overall surplus of £5.3m (2005: deficit of £46.1m) in these pension plans. The latest full actuarial valuation of the defined benefit plan within The Weir Group Pension and Retirement Savings Scheme was as at 31 December 2005 and this has been adjusted to reflect the position at the 2006 year end by a qualified independent actuary. The latest full actuarial valuation of The Weir Group 1972 Pensions and Life Assurance Plan for Senior Executives was as at 31 December 2004 and this has been adjusted to reflect the positions at the 2005 and 2006 year ends by a qualified independent actuary.

The assumptions used by the actuary were (in nominal terms)

	2006 %	2005 %	2004 %
Rate of increase in salaries	**3.1**	3.9	3.8
Rate of increase in pensions in payment			
Pre 6 April 2006	**2.8**	2.8	2.7
Post 6 April 2006	**2.5**	2.8	2.7
Discount rate	**5.2**	4.8	5.3
Inflation assumption	**3.1**	2.8	2.7

The assets and liabilities of the plans and the long term expected rates of return are

	2006 %	2006 £m	2005 %	2005 £m	2004 %	2004 £m
Equities	**7.7**	**398.2**	7.1	382.6	7.5	308.9
Bonds	**4.5**	**188.2**	3.9	166.7	4.4	155.8
Total market value of assets		**586.4**		549.3		464.7
Actuarial value of plan liabilities		**(581.1)**		(595.4)		(547.2)
Net surplus (deficit) in the plans		**5.3**		(46.1)		(82.5)
Related deferred tax (liability) asset		**(1.6)**		13.8		24.7
Net pension asset (liability)		**3.7**		(32.3)		(57.8)

9. Retirement benefits (continued)

The movement in the surplus (deficit) during the period is analysed as follows

	2006 £m	2005 £m
Deficit in plans at beginning of period	**(46.1)**	(82.5)
Movement in year:		
Current service costs	**(4.5)**	(5.2)
Past service credit (costs)	**10.7**	(1.8)
Curtailment gains and losses	**-**	3.4
Other finance income	**5.1**	1.1
Profit before tax impact	**11.3**	(2.5)
Contributions	**10.7**	14.5
Actual return less expected return on pension plan assets	**12.5**	60.2
Experience loss arising on retirement benefits plan liabilities	**(0.4)**	(0.8)
Changes in financial assumptions underlying retirement benefits plan liabilities	**17.3**	(35.0)
Variance between actuarial assumptions & actual experience	**29.4**	24.4
Surplus (deficit) in the plans at end of period	**5.3**	(46.1)

Company unapproved plan

The major assumptions used by the actuary for the Company unapproved plan were

	2006 %	2005 %	2004 %
Rate of increase in pensions in payment	**3.1**	2.8	2.7
Discount rate	**5.2**	4.8	5.3
Inflation assumption	**3.1**	2.8	2.7

The liabilities of the Company unapproved plan were

	2006 £m	2005 £m	2004 £m
Actuarial value of plan liabilities	**(1.1)**	(1.1)	(1.0)
Related deferred tax asset	**0.3**	0.3	0.3
Net pension liability	**(0.8)**	(0.8)	(0.7)

The movement in the deficit during the period is analysed as follows

	2006 £m	2005 £m
Deficit in plan at beginning of period	**(1.1)**	(1.0)
Movement in year:		
Interest on pension liabilities being profit before tax impact	**(0.1)**	(0.1)
Contributions	**0.1**	0.1
Changes in financial assumptions underlying pension plan liabilities being variance between pension fund actuarial assumptions & actual experience	**-**	(0.1)
Deficit in the plan at end of period	**(1.1)**	(1.1)

Notes to the Company Financial Statements (Continued)

9. Retirement benefits (continued)

The history of experience gains and losses is as follows

	2006	2005	2004	2003	2002
Experience gains & losses on plan liabilities					
Amount £m	-	-	-	(0.1)	0.3
Percentage of present value of plan liabilities	-	-	-	8%	27%
Total gross amount recognised in statement of total recognised gains & losses					
Amount £m	-	(0.1)	(0.1)	(0.1)	0.2
Percentage of present value of plan liabilities	-	9%	7%	14%	24%

10. Share capital

	2006 £m	2005 £m
Authorised share capital		
Ordinary shares of 12.5p each	**36.0**	36.0
Allotted, called up & fully paid		
Ordinary shares of 12.5p each	**26.4**	26.2

Shares allotted

	2006 Number Million	2005 Number Million
Exercise of share options	**1.3**	2.6

	2006 £m	2005 £m
Aggregate nominal value of share options exercised	**0.2**	0.3
Share premium	**2.9**	6.0
Consideration received on exercise of share options	**3.1**	6.3

Treasury shares

	2006 Number Million	2005 Number Million
Purchase of treasury shares	-	3.3

	2006 £m	2005 £m
Cost	-	10.6
Transaction costs	-	0.1
Consideration paid	-	10.7

10. Share capital (continued)

Equity settled share-based payments

	2006 Number	2005 Number
Share options outstanding at the end of the period	**1,277,238**	2,824,739
L-TIP awards outstanding at the end of the period	**2,291,131**	1,720,426

Further details of the equity settled share-based payments and the associated cost for the year can be found in note 28 to the consolidated financial statements.

11. Reserves

	Share premium £m	**Treasury shares £m**	**Capital redemption reserve £m**	**Special reserve £m**	**Profit & loss account £m**	**Total £m**
At 31 December 2004	26.5	-	0.5	1.8	258.0	286.8
Profit for year	-	-	-	-	32.0	32.0
Dividends	-	-	-	-	(26.6)	(26.6)
Actuarial loss net of deferred tax	-	-	-	-	(0.1)	(0.1)
Cost of share based payment net of deferred tax	-	-	-	-	1.7	1.7
Exercise of options	6.0	-	-	-	-	6.0
Purchase of treasury shares	-	(10.6)	-	-	-	(10.6)
Transaction costs	-	(0.1)	-	-	-	(0.1)
At 30 December 2005	32.5	(10.7)	0.5	1.8	265.0	289.1
Profit for year	-	-	-	-	18.2	18.2
Dividends	-	-	-	-	(27.7)	(27.7)
Cost of share based payment net of deferred tax	-	-	-	-	1.7	1.7
Exercise of options	2.9	-	-	-	-	2.9
At 29 December 2006	**35.4**	**(10.7)**	**0.5**	**1.8**	**257.2**	**284.2**

The profit and loss account above is stated after deducting an accumulated loss in respect of retirement benefits of £0.8m (2005: £0.8m).

12. Balance sheet - deferred tax

	Deferred tax asset £m
At 30 December 2005	2.3
Credit for the year included in equity	0.3
At 29 December 2006	**2.6**

	2006 £m	2005 £m
Included in debtors (note 5)	**2.3**	2.0
Included in retirement benefits (note 9)	**0.3**	0.3
	2.6	2.3
Other timing differences	**2.3**	2.0
Retirement benefits	**0.3**	0.3
	2.6	2.3

Notes to the Company Financial Statements (Continued)

13. Operating lease commitments

	2006 £000	2005 £000
As at 29 December 2006, annual commitments under non-cancellable operating leases amounted to		
Office equipment	**10**	9
of which payable in respect of operating leases ending in the second to fifth years inclusive	**10**	9

14. Contingent liabilities & guarantees

Guarantees

The Company has given a limited counter-indemnity to Halliburton Company and Brown & Root Limited in respect of Devonport Management Limited up to a maximum of the Group's investment in that company.

The Company has given guarantees in relation to the bank and other borrowings of certain subsidiary companies. The net debt of the companies party to these facilities at 29 December 2006 amounted to £94.1m. As at 30 December 2005, the Company had given guarantees relating to the borrowings of subsidiary companies up to a maximum of £50.0m.

Legal claims

The Company is, from time to time, party to legal proceedings and claims which arise in the normal course of business. The directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Company's financial position.

15. Financial risk management objectives and policies

A description of the Group's financial risk management objectives and policies is provided in note 31 to the consolidated financial statements. These financial risk management objectives and policies also apply to the Company.

Principal Companies of the Group

The principal subsidiaries, joint ventures and associates of the Group are as follows

Name	Country of registration or incorporation	% equity interest 2006
Subsidiaries		
EnviroTech Pumpsystems Inc.	USA	**100**
Liquid Gas Equipment Ltd *	Scotland	**100**
Strachan & Henshaw Ltd	England	**100**
Vulco S.A.	Chile	**100**
Weir Canada Inc.	Canada	**100**
Weir do Brasil Ltda	Brazil	**100**
Weir Engineering Services (India) Ltd	India	**74**
Weir Floway Inc.	USA	**100**
Weir Gabbioneta S.r.L	Italy	**100**
Weir Group Trading (Shanghai) Co Ltd	China	**100**
Weir Hazleton Inc.	USA	**100**
Weir Minerals Africa (Pty) Ltd (formerly Weir-EnviroTech (Pty) Ltd)	South Africa	**100**
Weir Minerals Australia Ltd (formerly Weir Warman Ltd)	Australia	**100**
Weir Minerals China Co. Ltd	China	**100**
Weir Minerals Europe Ltd (formerly Weir Warman Ltd)	England	**100**
Weir Minerals France SAS. (formerly Weir EnviroTech SAS)	France	**100**
Weir Minerals (India) Private Ltd (formerly Warman International (India) Pvt Ltd)	India	**97**
Weir Minerals Netherlands B.V. (formerly Weir Netherlands B.V.)	Netherlands	**100**
Weir Minerals Services (Africa) (Pty) Ltd	South Africa	**75**
Weir Pumps Ltd	Scotland	**100**
Weir Services Australia Pty Ltd	Australia	**100**
Weir Services USA Inc.	USA	**100**
Weir Slurry Group Inc.	USA	**100**
Weir Valves & Controls France S.A.S.	France	**100**
Weir Valves & Controls (Suzhou) Co, Ltd	China	**100**
Weir Valves & Controls UK Ltd *	England	**100**
Weir Valves & Controls USA Inc.	USA	**100**
Joint ventures		
Weir Arabian Metals Company Limited	Saudi Arabia	**49**
Wesco Abu Dhabi L.L.C.	U.A.E.	**49**
Associate		
Devonport Management Ltd *	England	**24.5**

* Companies whose shares are owned directly by The Weir Group PLC

Shareholder Information

Registrars

The Company's registrars are Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH.

Shareholder enquiries relating to shareholding, dividend payments, change of address, loss of share certificate etc. should be addressed to Computershare Investor Services PLC at the above address.

The registrars provide an on-line service that enables shareholders to access details of their Weir Group shareholdings. A shareholder wishing to view the information, together with additional information such as indicative share prices and details of recent dividends, should visit www-uk.computershare.com.

Dividends – payment direct to banks

Dividends can be paid direct to your bank or building society account using the Bankers Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day the Company makes the payment. Your tax voucher will be posted directly to your own address. Shareholders who have not yet arranged to use this method of payment, can telephone the registrars on 0870 702 0010. The Company encourages you to have your dividends paid direct to a bank or building society.

Annual General Meeting

The Annual General Meeting will be held in the Lecture Room, The Burrell Collection, Pollok Park, Glasgow on 9 May 2007 at 11am. Details of the resolutions to be proposed at the Annual General Meeting are contained in the shareholders circular.

Taxation

For the purpose of capital gains tax, the market value of The Weir Group PLC ordinary shares as at 31 March 1982 was 29.75p. Rights issues of ordinary shares took place in April 1987 at 157p per share on the basis of one new ordinary share for every seven ordinary shares held, in July 1990 at 250p per share on the basis of one new ordinary share for every five ordinary shares held and in September 1994 at 252p per share on the basis of one new ordinary share for every four ordinary shares held.

With effect from 28 June 1993, each ordinary share of 25p was sub-divided into two ordinary shares of 12.5p and the market value of an ordinary share as at 31 March 1982 takes account of the sub-division.

Shareholder communications

You can now register to receive shareholder communications (annual reports, interim reports and other company communications) electronically (and also appoint a proxy and vote electronically) provided you have internet access and a valid e-mail address. To register, you will need your Shareholder Reference Number, which is given on your Share Certificate or Tax Dividend Voucher. This service is provided in conjunction with our registrars, Computershare Investor Services PLC. To obtain more information and register for this service, please visit www-uk.computershare.com.

Website

You may wish to view the Company website containing details of Group activities and investor information including the Notice of the Annual General Meeting and the full annual report. The address is: www.weir.co.uk.

Share dealing services

Share dealing services have been established with the Company's registrars, Computershare Investor Services PLC which provide shareholders with an easy way to buy or sell Weir Group shares on the London Stock Exchange.

Internet Share Dealing commission is just 0.5%, subject to a minimum charge of GBP15. In addition stamp duty, currently 0.5%, is payable on purchases. There is no need to open an account in order to deal. Real time dealing is available during market hours. In addition there is a convenient facility to place your order outside of market hours. Up to 90 day limit orders are available for sales. To access the service log on to www.computershare.com/dealing/uk. Shareholders should have their Shareholder Reference Number (SRN) available. The SRN appears on share certificates. A bank debit card will be required for purchases. Please note that, at present, this service is only available to shareholders in certain European jurisdictions. Please refer to the website for an up-to-date list of these countries.

Telephone Share Dealing commission is 1%, subject to a minimum charge of GBP15. In addition stamp duty, currently 0.5%, is payable on purchases. The service is available from 8am to 4.30pm Monday to Friday, excluding bank holidays, on telephone number 0870 703 0084. Shareholders should have their Shareholder Reference Number (SRN) ready when making the call. The SRN appears on share certificates. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning 0870 703 0119. Please note this service is, at present, only available to shareholders resident in the UK and Ireland.

These services are offered on an execution only basis and subject to the applicable terms and conditions. This is not a recommendation to buy, sell or hold Weir Group shares. Shareholders who are unsure of what action to take should obtain independent financial advice. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

To the extent that this statement is a financial promotion for the share dealing service provided by Computershare Investor Services PLC, it has been approved by Computershare Investor Services PLC for the purpose of Section 21 (2) (b) of the Financial Services and Markets Act 2000 only. Computershare Investor Services PLC is authorised and regulated by the Financial Services Authority. Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

Voting

Information on how you can vote electronically can be obtained through our registrars by visiting www-uk.computershare.com/investor/proxy.

Shareholder Information (Continued)

Online share management

As part of our commitment to improve shareholder communications our registrars now offer you a free, secure share management website. Managing your shares online means you can access information quickly, securely and minimise postal communications. This service will allow you to:

- view your share portfolio and see the latest market price of your shares
- elect to receive your shareholder communications online
- calculate the total market price of each shareholding
- view price histories and trading graphs
- update bank mandates and change address details
- use online dealing services.

To take advantage of this service, please log in at www-uk.computershare.com/investor and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

Financial Calendar

Ex-dividend date for final dividend

2 May 2007

Record date for final dividend*

4 May 2007

Annual General Meeting

9 May 2007

Final dividend paid

1 June 2007

*shareholders on the register at this date will receive the dividend

Registered office & company number

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