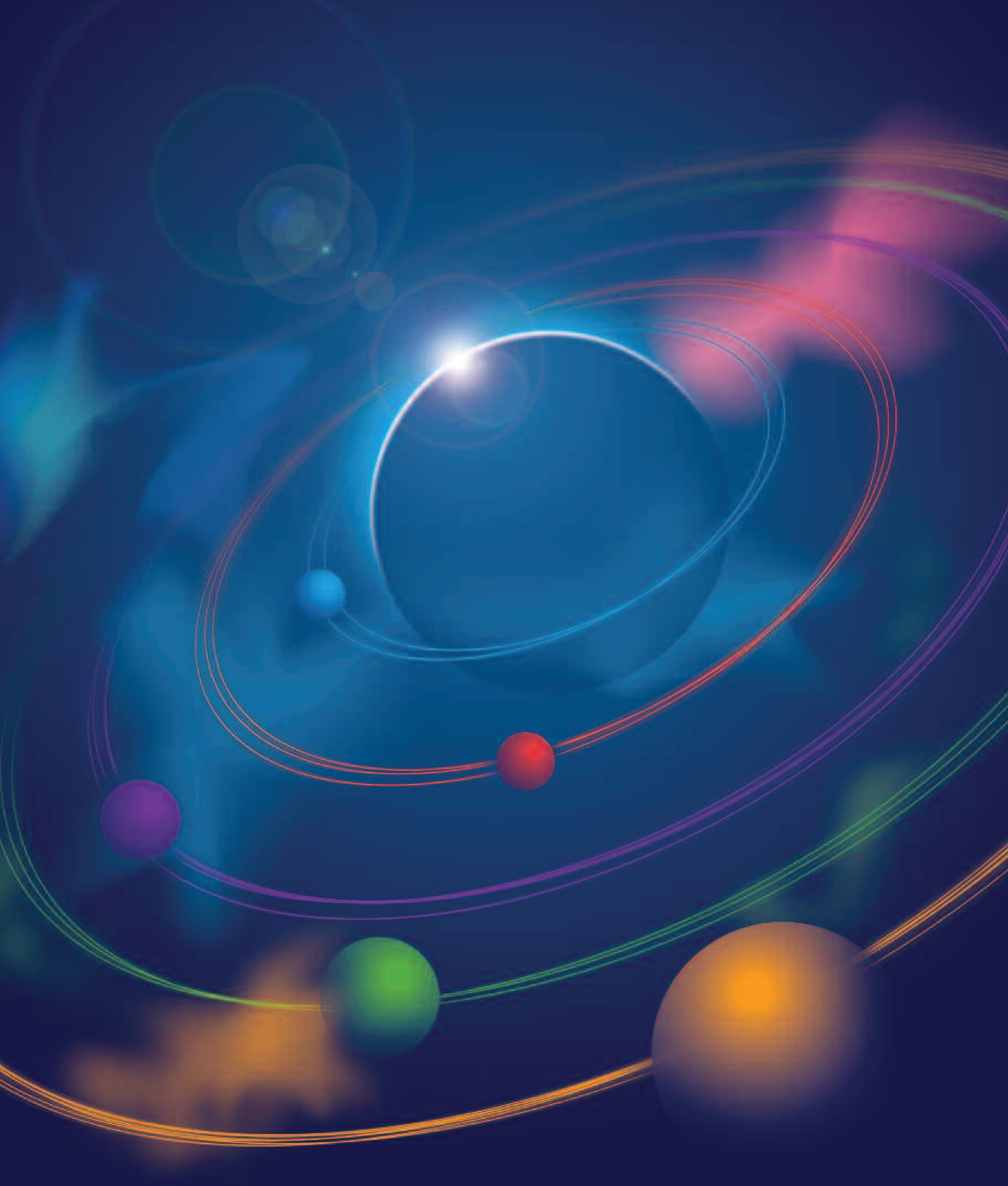
The Weir Group PLC
Annual Report 2007

Excellent
Engineering
Solutions

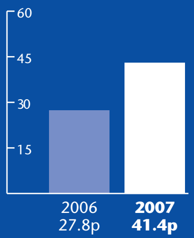


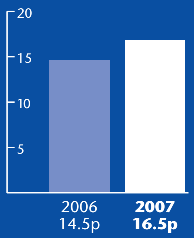
Financial Highlights 2007

Group results - continuing operations

Revenue	Operating profit (2)	Pre-tax profit (2)	Order input (1)
£1,060.6m	£122.1m	£120.2m	£1,095.3m
Up 22%	Up 57%	Up 56%	Up 10%

Earnings per share (2)	Dividend	Net debt
41.4p	16.5p	£171.3m
Up 49%	Up 14%	





(1) Calculated at 2007 average exchange rates

(2) Adjusted to exclude intangibles amortisation and exceptional items

Contents:

In 2007, Weir enjoyed its best operating year in company history delivering record sales, earnings and cash flow generation. During the year we realigned the portfolio of businesses, significantly improved operational performance and added high quality businesses to the Group.

We enter 2008 with an even more robust portfolio of businesses, a healthy balance sheet and significant opportunities for future growth. We have the financial flexibility to fund organic growth and pursue aligned acquisitions and remain confident of delivering further progress in 2008.

2007 Highlights (continuing operations):

- Revenue up 22% to £1060.6m
- Operating profit[1] up 57% to £122.1m
- Profit before tax[1] up 56% to £120.2m
- Earnings per share[1] up 49% to 41.4p
- Dividend increase of 14% to 16.5p
- Cash generation improved significantly to £151.8m
- Weir SPM acquired, integrated and exceeding year one expectations
- Secured acquisition of CH Warman for £113m[2]

[1] Adjusted to exclude intangibles amortisation and exceptional items
[2] Using a US$/£ exchange rate of 2.05 as at 3 December 2007

Chairman's Statement: It is again pleasing to report continued progress in our objective to improve significantly the operational and financial performance of the Group. In 2007, we delivered our best ever revenue and operating profit while substantially enhancing future prospects for the Group.

"The positive market conditions that we experienced in 2007 are expected to remain throughout 2008 and we anticipate that the acquisition of Weir SPM and CH Warman, coupled with further operational developments, will deliver a good level of progress in 2008."

Financial highlights

In 2007, the Weir Group enjoyed its best operating year in company history delivering record sales, earnings and cash flow generation. Our acquisition of Weir SPM within the Engineering Products Division, the improved operational returns from our Engineering Services Division and the strength of the oil & gas, mining and power markets all contributed to this very strong result.

Group revenue from continuing operations increased 22% to £1.1bn (2006: £870.4m) driven by a partial year contribution from Weir SPM and stronger performances across all divisions. Operating profit from continuing operations, before intangibles amortisation and exceptional items, at £122.1m was 57% above the 2006 level of £77.7m. Group subsidiaries contributed £118.7m (2006: £75.3m) and our joint ventures £3.4m against £2.4m last year. Operating margins, excluding joint ventures, increased to 11.2% against 8.7% last year.

As a result of this strong performance, Group pre-tax profit from continuing operations, before intangibles amortisation and exceptional items, was up 56% to £120.2m (2006: £77.1m).

With an effective tax rate of 28% on attributable profit for continuing operations, earnings per share before intangibles amortisation and exceptional items, amounted to 41.4p (2006: 27.8p).

Profit for the period before exceptional items of £11.8m was recognised in respect of our discontinued operations and exceptional gains of £80.9m were recognised in relation to disposals during the year. This reflects a £26.0m gain on the sale of the Weir Pumps Glasgow operations and a £54.9m gain on the disposal of the Group's interest in Devonport Management Limited.

Operating cash flow from continuing operations improved significantly to £151.8m (2006: £111.0m) as a result of both increased profitability and the success of management's focus on improving working capital. The year ended with net debt of £171.3m compared with £7.1m in 2006, reflecting the continued strong cash generation and the second half acquisition of Weir SPM.

The Group's exposure has been reduced to its pension fund obligations through the purchase of an insurance policy from Legal & General Assurance Society to secure the current pensioners' liabilities of the main UK plan and a similar process was also undertaken in Canada.

The Board is recommending a final dividend of 12.35p per share making a total distribution for the year of 16.5p (2006: 14.5p), a 14% increase on 2006 and 25% over the last two years.

Strategy & structure

It is particularly rewarding to report a further year of successful execution of our programme to improve significantly the operational performance and financial returns of the Group. The achievements are evident in our 2007 results: a realigned portfolio of businesses, improved operational performance and success in our endeavours to add high quality businesses to the Group. In the year, we achieved further significant growth in revenue and operating profit and achieved our best operating year ever.

The Engineering Products Division produced substantially improved results in 2007 and benefited from its portfolio realignment to the higher growth oil, power and mining markets which represented more than 80% of revenue during the year. The gains from our investments in Lean Manufacturing and continuing geographic expansion were also clearly evident in this year's results with these initiatives contributing significantly to the division's 2007 performance.

In May of 2007, the Group announced the sale of its Weir Pumps Glasgow operations for a cash consideration of £45.5m. The business represented less than 8% of Group revenue and a smaller percentage of profit and its sale was consistent with our stated intention to exit lower margin activities where the Group had limited opportunity to lead.

In June, the Group announced its largest ever acquisition – SPM Flow Control Inc., for a cash consideration of £328m[1] ($653m). Weir SPM is a Texas based supplier of pumps and flow equipment to the upstream oil & gas market. The business is now fully integrated and plans are well progressed to improve operational performance and extend its geographic reach using Weir's global footprint.

In August, the Group acquired Weir Multiflo, a small dewatering company in Australia, with the objective of extending the portfolio of offerings to the Group's mining customers. The business was integrated successfully and plans are in place to extend its reach to the wider Minerals markets.

In December, the Group announced the acquisition of CH Warman, a South African based company, for a consideration of £113m[2] ($231m). The acquisition was subject to South African merger approval which was received on 10 March 2008. This acquisition provides the Group with a platform in the strategically important sub-Saharan mining market. Our immediate objectives are to improve the respective performance of both the local Weir and CH Warman businesses to provide a solid foundation for future integration and growth.

The benefits of the 2006 restructuring of our Engineering Services Division were evident in the Group's 2007 results. We enter 2008 with fewer businesses, improved performance and greater focus on our core end markets. The division remains well positioned to introduce Weir SPM products across its global network throughout the coming year.

In June, we announced the sale of our 24.5% interest in Devonport Management Limited for a consideration of £85.7m. The disposal reduces our exposure to the UK defence industry and opens up resources to develop in the sectors which will underpin the Group's future growth.

The outlook for defence markets particularly in Australia and Canada, which are key markets for Weir defence products, remains encouraging and the decommissioning activities in the UK nuclear market provide a positive outlook for 2008. The shipbuilding market is fully loaded and this will limit Weir LGE's future order book. Profitability in 2008 will be tied to delivery of orders already secured and should provide the gas business with broadly equivalent results in the year ahead.

[1] Using a US$/£ exchange rate of 1.99 as at 19 June 2007.
[2] Using a US$/£ exchange rate of 2.05 as at 3 December 2007.

Two of management's key priorities for 2008 are to integrate CH Warman successfully and to deliver the early benefits from the Group's acquisition of SPM. In addition, we will continue to accelerate the execution of the Weir Production System which helped to underpin the significant improvement in the Group's performance during the year. Improved working capital, market share gains and enhanced customer relationships remain an important area of focus.

While the Group's organic opportunities are excellent, our strong cash generation and healthy balance sheet provide us with the flexibility to pursue the full range of options for future growth.

The Board

Christopher Clarke has confirmed his intention to retire from the Board at the end of 2008 following nine years of valued service to the Group. In preparation for this change, John Mogford has been appointed a Non Executive Director with effect from 1 June 2008. John is currently a group vice president of BP PLC. He has been with BP for 30 years, initially in their exploration division and progressively rising to his current role as executive vice president - safety and operations and chief operating officer (refining). During his tenure, John has held numerous positions in every area of BP operations from gas and renewables to upstream and downstream oil.

Corporate governance

The Board's governance framework is underpinned by clearly defined strategies and strong vision and values which combine to create shareholder value through the effective use of our resources. An internal audit function complements our robust external and peer group audits and self-certification programmes.

I remain confident that we have the culture and required processes within the Weir Group to safeguard the interests of all of our stakeholders. Ethical conduct is a vital part of the Weir Group culture and a non negotiable expectation of every Weir employee. It is supported by our code of conduct, independent Board of Directors and clear statement of company values.

People

On behalf of the Board, I want to thank employees throughout our company for their commitment, tireless energy and focus during 2007. We will be looking for the same ambition in 2008 as we continue to develop our markets, improve productivity and forge new and stronger customer relationships.

Prospects

We are confident of continued progress in 2008. The Group's focus on the longer cycle markets, commitment to enhanced operational performance and ability to invest in new, exciting prospects provide a strong platform to support future growth. By staying on track, we move forward with confidence that we can achieve even greater results in the years to come.

Finally, I want to thank our shareholders who continue to demonstrate belief in the potential of the Group. I remain convinced that the Weir Group has the right strategy and depth of expertise to deliver increasing returns.

Sir Robert Smith
Chairman
11 March 2008

Our geographic footprint: Our sector leading geographic reach allowed the Group to capitalise on the strong global growth in our core oil & gas, mining and power & industrial markets. In 2007, we expanded our presence in North America, the Middle East, Africa and China, all areas where the Group sees opportunities for growth.

Map is illustrative of Weir's geographic footprint and is not definitive of all our locations.

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 8,800 people worldwide, focused on our key markets. These range from mining and minerals processing to the defence and nuclear industry, from oil & 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**

"The Weir Group remains focused on higher growth, longer cycle markets and is committed to enhance operational performance and to invest in new and exciting prospects as a strong platform of our future growth."

Our business at a glance:

Engineering Products

Minerals

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.

Facts and figures

No. of people	c4,100
No. of businesses	13
2007 order input	£491.2m
Market size	£1.7bn
Market position	No. 1 in slurry pumps

Clear Liquid

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.

Facts and figures

No. of people	c1,630
No. of businesses	6
2007 order input	£191.9m
Market size	£5.4bn
Market position	Niche businesses regularly holding No. 1 positions in their sectors and territories.

Valves & Controls

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 whole project and process solutions our customers require.

Facts and figures

No. of people	c700
No. of businesses	5
2007 order input	£77.6m
Market size	£2.1bn
Market position	Top 3 for specialist Power Generation valves.

Engineering Services

Weir Services is a customer-oriented service provider, delivering practical and innovative engineered solutions from development and successful execution of large turnkey projects to upgrading complex mechanical pressure control and rotating equipment setting new asset management standards.

Facts and figures

No. of people	c1,800
No. of countries	Global
2007 order input	£250.6m
Market size	£2.5bn
Market position	Leadership position in Canada, UK, Middle East and in various regional niche businesses.

Defence, Nuclear & Gas

Weir Defence, Nuclear & Gas specialist engineering design businesses provide the design and management of complex engineering projects.

Facts and figures

No. of people	c640
No. of businesses	2
2007 order input	£84.0m
Market position	No. 1 independent submarine weapons handling and launch system provider. No. 1 marine LPG storage and handling system provider.

Chief Executive's Review: 2007 was a year of significant achievement where all divisions delivered improved financial performance. We have a strong platform to support future progress and remain well positioned to deliver further growth in 2008.

"In the year we delivered further significant growth in revenue, operating profit and earnings per share and achieved our best operating year ever."

At the outset of the Group's programme for transformation, we defined our ambition to achieve sector best performance by targeting those markets that offer the most attractive prospects and in which the Group has a realistic ability to lead. 2007 proved a critical year on our journey. We exited low margin and non core activities and acquired Weir SPM which operates in the higher margin, higher growth upstream oil sector.

The benefits of these initiatives were evident in our 2007 results. We delivered higher order input and strong growth in the core areas of the business. Our performance also demonstrated the Group's capabilities for integrating new business activities as shown by the seamless entry of Weir SPM into Clear Liquid and the integration of Weir Multiflo within Minerals.

In 2007, Group revenue from continuing operations increased 22% to £1.1bn with almost 90% of the year's input tied to the mining, oil & gas and power generation and industrial markets.

Operating margins, before intangibles amortisation and exceptional items, also improved substantially with progress in all areas of operations. Our Engineering Products Division achieved 13.9% compared with 11.1% last year and the 2006 restructuring programme undertaken by our Services Division contributed to an improved operating margin of 8% in 2007 compared with 5.9% in the previous year.

The increase in the Group's debt to £171.3m, compared with £7.1m in 2006, is a reflection of the acquisition of Weir SPM. Our Lean initiatives again delivered improved working capital and this contributed to the excellent operating cash generation achieved during the year.

Our Journey to Excellence

Engineering Products Division

The Engineering Products Division posted record results in 2007, growing order input 30%, revenue 35% and profit 70% when compared with 2006. 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 & gas, mining and power generation and general industrial markets.

A key component of the division's success in 2007 has been its strong portfolio of businesses with solid positions in growing and attractive markets and the addition of Weir SPM in the second half of the year. Input grew 30% to £760.7m with more than 80% attributed to the mining, oil & gas and power generation markets. We achieved excellent results from Minerals (up 28%) and Clear Liquid (up 43%) which when combined with 13% growth from Valves & Controls, resulted in the division achieving its highest ever level of order input.

In 2007, the division's revenue grew 35% to £711.6m compared to £525.5m the previous year with a largely balanced workload of new project and aftermarket activity. Our businesses specialise in operationally critical, technology driven, high wear applications where new project sales provide the foundations for medium to long term spares and service streams.

Operating profit, before intangibles amortisation and exceptional items, of £98.7m was up 70% on the 2006 result, validating confidence in our strategy of concentrating resources in higher growth markets in which the Group has the ability to lead. Profitability improved in every area during the year. This improvement plus the benefits of the Weir SPM acquisition and a continued contribution from our operational excellence initiative all helped to achieve underlying margin growth to 13.9% compared with 11.1% last year.

Our Engineering Products Division includes a strong portfolio of businesses in the mining, oil & gas and power generation markets – and all the indicators point to sustained demand for our products. Increasing infrastructure needs in China and India combined with growing global population are expected to underpin ongoing sector growth in the medium term.

The Engineering Products Division has changed dramatically over the past few years. We have restructured our underperformers, exited lower margin activities and acquired new businesses in higher growth oil and mining sectors. These activities, combined with focus on Lean processes and the application of the Weir Production System, provide a strong basis for achieving improved results in 2008 and beyond.

Our **Minerals** business posted another year of excellent progress with significant gains in input, revenue and profit when compared with 2006. The principal market for the business is global mining which accounted for almost 70% of revenues in the year.

Order input grew 28% to £491.2m, reflecting the ongoing strength of global mining markets as well as the benefits of management's emerging markets strategy and our entry into specialised areas of the power generation and oil sectors. The combination of an ongoing spares stream from the existing installed base together with the year end order book provides a solid platform for further progress in 2008 and beyond.

Our Netherlands business secured significant new project work in the mining markets of Madagascar and Brazil. Power generation orders from India also contributed to this company's highest ever order input of £101m in 2007 against £57m in 2006.

The Americas also delivered impressive growth with significant new project work in Chile and Brazil adding to the success of our flue gas desulphurisation products in North America. In total, input grew 35% to £230m.

The Australian, Former Soviet Union and African markets continue to benefit from mining investment and the division secured double digit input growth from each of these regions.

Power related input totalled £67m compared with £45m in 2006, reflecting the increased global requirements for flue gas desulphurisation which is used to improve emissions in coal fired power stations. The Minerals team has built a leading position in this high growth area and during the year secured a significant number of new contracts in North America.

Recognising the need to respond to the changing geographic profile of the global mining market, our Minerals businesses continued to invest in growing their presence in the emerging territories of South America, Asia and the Former Soviet Union. Our recent announcement of the acquisition of CH Warman further complements our geographic expansion agenda and provides a strong foundation for growth in a rapidly developing market.

The CH Warman acquisition provides an excellent platform to grow our mining activities within Africa. The combination of CH Warman with our existing business will bring a stronger portfolio of mining products to the market and provide the critical mass to justify further investment in the region. Our objective is to improve the operational performances of the existing operations while building the strategic platform for future consolidation benefits.

The acquisition of Weir Multiflo for A$22m was also strategically important, supporting our ambition to extend the range of product offerings to existing customers. Weir Multiflo was successfully integrated and now forms the division's centre for dewatering products. Plans are being prepared to introduce Weir Multiflo products across the remaining divisional operations.

Going forward, the Minerals business will benefit from the growing demand for basic commodities and continue to progress against its strategic goals.

The **Valves & Controls** businesses made solid progress in 2007 and contributed to revenue and profit growth within the Engineering Products Division during the year. Overall input grew 13% to £77.6m with the power and oil markets representing more than 80% of total orders booked in the year.

During 2007, our United States operations grew their order input considerably through the award of new power generation projects in China and plant upgrades in the USA. Valves & Controls also recorded growth in oil related orders as a result of continued buoyant market conditions in the UK, Indo Pacific and the Former Soviet Union, all regions which we expect will maintain a positive outlook for 2008.

As outlined in our last update, Valves & Controls USA has now completed plans to move to larger premises and to capitalise on the growing opportunities in its domestic market. During the year, we disposed of the inefficient Salem, Massachusetts facility and will move the operations into a new modern plant in the first quarter of 2008.

Our Valves & Controls business in China continued to make good progress and contributed positively to the results of the division. Orders in the Chinese new build power sector substantially increased during the year and the outlook remains positive for 2008 and beyond.

We remain encouraged by the prospects for the Valves & Controls businesses. The European and North American power markets are entering a period of life extensions and new build projects. In addition, we expect dramatic growth in China, India and South Africa and remain well placed to capitalise on these opportunities as we enter 2008.

Our **Clear Liquid** businesses contributed significantly to the results of Engineering Products in 2007. The acquisition of Weir SPM, our disposal of Weir Pumps, Glasgow and the significant growth of Weir Gabbioneta were all significant contributors to Clear Liquid's improved results.

Clear Liquid now comprises a portfolio of businesses with solid positions in growing and attractive markets. In 2007, input increased 43% to £191.9m. This reflects the addition of Weir SPM and a further 3% increase from the speciality businesses against the record high input achieved in 2006. The oil, power and general industrial markets collectively represent more than 75% of total orders booked in the year.

The results for Clear Liquid include a partial year contribution from Weir SPM from July of 2007 when the acquisition was completed. Weir SPM contributed £78.7m of revenue and £19.1m of operating profit, before intangibles amortisation, which exceeded our expectations at the time of the announcement of the acquisition. Our success in clearing past due orders provided a one-off benefit in 2007 which is not expected to repeat in 2008. The business has been successfully integrated and the Weir Production System is in the early stages of implementation.

Weir SPM's market is largely tied to the upstream drilling of gas wells in North America where gas storage levels, gas prices and North American weather conditions are key market drivers. While we are likely to see some unwinding of favourable market conditions during 2008, we remain confident that growth from servicing the installed base and the continued success of our improvement initiatives will underpin further profit progress in the year.

The Clear Liquid speciality businesses continued to perform well with excellent progress at our operations in Missouri, California and Utah as a result of continued buoyant domestic demand and the increased geographic reach of the Group.

Weir Gabbioneta, our downstream oil business, performed exceptionally well and clearly gained from strong market conditions and a two year investment in the Weir Production System. Productivity and plant throughput improved dramatically, underpinning a year of substantial growth in revenue and profit. The downstream oil market in Europe and the Former Soviet Union benefited from the continued high price of oil which allowed Weir Gabbioneta to equal the exceptional level of bookings achieved in 2006.

The disposal of the Weir Pumps Glasgow operation for a consideration of £45.5m resulted in an exceptional gain of £26.0m being reported for the year. The business will, however, remain on the Weir owned Cathcart site until the early part of 2009 following which the site will be sold in a prearranged deal with Cala Homes.

The medium term outlook for Clear Liquid and the oil & gas, power and related general industrial markets remains positive and this, when coupled with our plans for ambitious operational improvement, provides a solid platform for further progress in 2008.

Engineering Services Division

Input from **Engineering Services** increased 8% to £250.6m (2006: £232.9m). Revenue grew 4% to £231.4m (2006: £221.7m), producing an operating profit, before intangibles amortisation and exceptional items, of £18.5m up 41% when compared with 2006. This reflects the benefits of our 2006 restructuring initiatives in the UK, USA and Middle East. The division's operating margin of 8.0% exceeded our expectations and is expected to progress further in 2008.

In the UK, input grew 5% to £74.2m (2006: £70.9m) with new hydro orders contributing to solid growth in our power generation activities. Rationalisation of the number of UK Service Centres, which was completed in 2006, underpinned the 2007 results and this is expected to provide further improvements in the year ahead.

Our Middle East business grew input by 15% to £28.9m (2006: £25.1m) with significant new orders booked in oil services. Our joint venture service operations in Saudi Arabia and Abu Dhabi continued to benefit from strong market conditions in their regions and contributed £3.4m of operating profit for the Group compared with £2.4m in 2006.

The Canadian operation had another successful year, benefiting in particular from continued buoyant market conditions and Weir's growing position in the oil sands sector. In the USA, the 2006 closure of our loss making service centres resulted in the remaining United States businesses contributing positively to the division's results in 2007.

The Australian operations performed well in the year, growing both revenue and profit when compared with 2006. Our investment in larger facilities in Western Australia, which came on-line in the first half, made a solid first time contribution in the year.

We remain optimistic about the prospects for our Services Division which is increasingly aligned with the higher growth oil & gas, power, mining and industrial markets. The facility investments made in 2007, together with the excellent progress from our joint ventures in Saudi Arabia and Abu Dhabi provide the foundations for further improvement in 2008.

Defence, Nuclear & Gas Division

Revenue from the **Defence, Nuclear & Gas** Division increased 10% to £117.6m (2006: £107.3m) and produced an operating profit, before intangibles amortisation and exceptional items, of £10.4m against a prior year of £10.0m. Input in 2007 decreased by 53% to £84.0m against the exceptional level of orders in the previous year.

Our 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. In 2007, revenue grew 13% to £65.8m compared with £58.1m in the previous year. The majority of growth during the year was due to the successful achievement of predetermined milestones on new ship contracts which had been booked previously.

The defence and nuclear businesses delivered an increase in revenue and operating profit. Order input at £72.2m was 10% below 2006 due to last year's award of the £38m Spanish defence contract. Revenue grew 5% to £51.8m compared with £49.2m in the prior year. We remain confident of securing a number of significant opportunities in the defence and nuclear activities in 2008.

The outlook for the defence markets in the UK, Australia and Canada, which are all key markets for Weir defence products, remains encouraging and the decommissioning activities in the UK nuclear market provide a positive outlook for 2008. The shipbuild market is fully committed which will limit Weir LGE's future order book. Profitability in 2008 will be tied to delivery of orders already secured and should provide the gas business with broadly equivalent results in the year ahead.

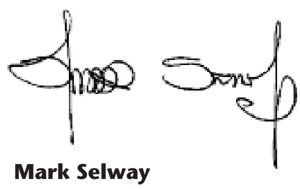
2008 Outlook

In 2008, the Engineering Products Division is expected to deliver growth in revenue and profits when compared to 2007.

The Engineering Services Division is forecast to deliver margin and profit growth in 2008.

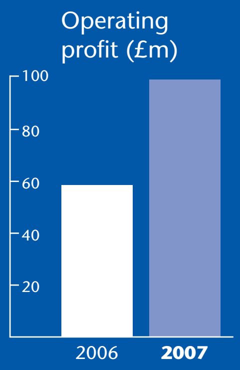
The Defence, Nuclear & Gas Division is positioned to deliver equivalent revenue and profit as achieved last year and joint ventures are also expected to continue their good contribution.

The Group is in good financial condition with a robust order book which supports our continuing level of confidence in our outlook for the year ahead. By remaining on course and capitalising on our position in strong end markets we are confident in achieving the Reuters market consensus for 2008, which at 4 March 2008 projected profit before tax for continuing operations of £140m.



Mark Selway
Chief Executive
11 March 2008

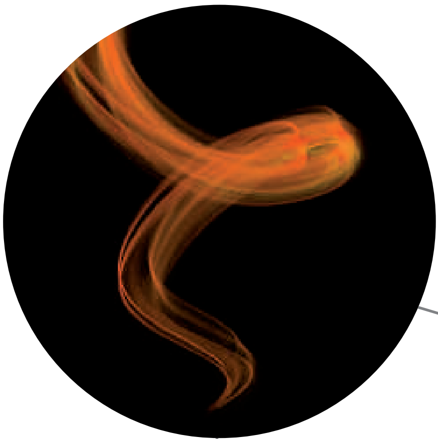
Engineering Products: includes the combined activities of our Minerals, Clear Liquid and Valves & Controls operations which collectively substantially grew their input, revenue and profits when compared to last year.



Operating profit
£98.7m
Up 70%

Revenue
£711.6m
Up 35%

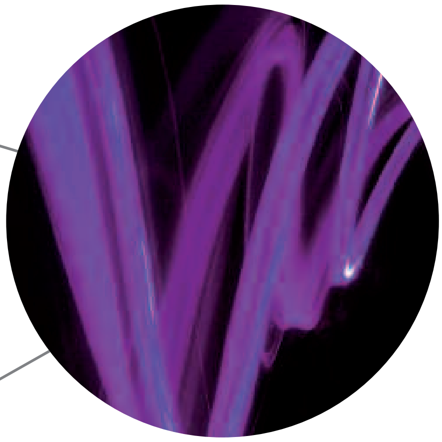
Order Input
£760.7m
Up 30%



Mining

2007 input £359.8m

Engineering Products mining related activities represented 47% of the division's total 2007 input and grew 26% when compared to 2006. Basic commodities - coal, alumina, copper, iron ore, platinum and gold prices - maintained historically high levels during the year. These conditions continued to call for an increased volume of new equipment and a resultant increase in spares and service work to support the increased installed base.



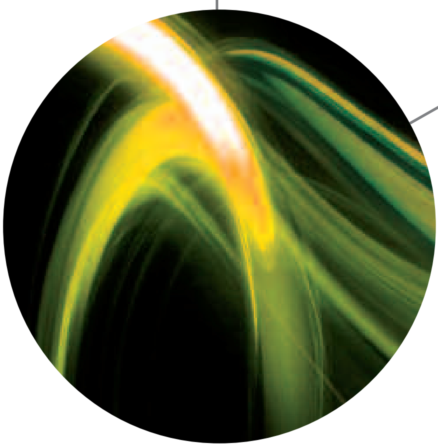
Oil & Gas

2007 input £167.7m

The division's oil & gas related activities represented 22% of the division's total 2007 input and grew 50% when compared to the prior year.

Oil prices have recently achieved all-time highs after rising steadily during 2007, resulting in buoyant upstream and downstream market conditions in the year. Weir SPM's input is largely related to onshore gas where United States storage levels, gas prices and unconventional drilling rates dictate demand.

In the year ahead we are expecting further growth in downstream opportunities, particularly in the Middle East. While we may see less favourable market conditions, the recent cold weather and stronger gas prices in North America are positive indications for our upstream activities.



Power & Industrial

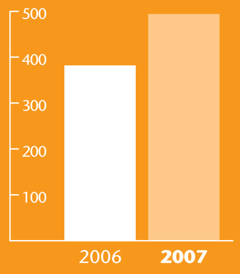
2007 Input £197.0m

The combined Power and Industrial activities represented 26% of the division's total 2007 input and grew 26% when compared to the prior year.

Power related input increased 32% to £110.9m with new work secured in nuclear, conventional power and flue gas desulphurisation areas of the market. The outlook remains positive with significant new project and facility upgrade opportunities being planned across all of our core markets.

The division's industrial activities involve the supply of Group related products and services. The markets for these products are industrial and consumer related where general economic conditions directly affect the state of the market. Continued strong conditions are expected in the Indo Pacific and South America with more moderate growth in the UK and Europe. Our USA activities are largely utilities and infrastructure related and continued high levels of spend are forecast in the year ahead.

Minerals: 2007 was a year of commercial success and operational improvements for Weir Minerals. We are looking forward to a buoyant 2008 and are excited about strengthening our geographical and market position and our ability to support our customers in both the near and long-term future.



Order input

£491.2m

Up 28%

Our brands

Warman
Geho
Cavex
Isogate
Vulco

Operational review

2007 was characterised by the continued strong performance of the minerals processing market worldwide and recent investments in capacity coming online.

Throughout the year, we continued to align our installed capacity to our growing market position with facility improvements underway at our operations in Madison, Wisconsin in the United States and in Venlo in the Netherlands. Capacity has increased in all of our rubber shops and the foundries established in China and South Africa in 2006 have both come fully online.

Our Chinese and Indian companies are creating solid positions in their domestic markets at the same time developing low cost supply to support the rest of the division. Our purchasing group also continued to make progress in its low cost sourcing initiative. In addition to servicing the local market, the Chinese foundry is supplying products competitively around the world while the Indian company has grown its engineering service activities tenfold in the last two years.

Our success in 2007 was underpinned by a solid commitment to human resource management. We have been able to reduce our lost-time accidents by 4% and five of our locations – France, the Netherlands, the UK, Russia and India – have completed the year without a single accident. Succession planning is now in place for the vast majority of our employees and we have made further investment into apprenticeship and executive training programmes in all of our operating regions. In a strong and buoyant market, we are focused on providing Weir employees with the extensive training and opportunities to ensure that Weir Minerals is strong going into 2008 and through the next generation.

During the year, we identified services best practice throughout the division and the Group. We have established a tailored Lean assessment with significant help from Weir Services and all of our service companies have implemented this into their businesses. We have also established our Hazleton service centre in Pennsylvania in the United States as a world class centre of excellence and we expect our remaining service centres to reach similar levels of operational excellence in 2008.

Our development activities continue to strengthen with real progress in our Design Centre of Origin development process, which allows input and ideas to come from all of our operating companies. We currently have Design Centres in Brazil, Chile, the United States, South Africa, India and the Netherlands. These are all coordinated by our Group Technology service, which operates out of Australia.

For the past two years, our development focus has been to refresh, improve and lower the manufacturing cost of our core product lines – and this continues to be our strategy moving into 2008. We introduced major product initiatives in both 2006 and 2007 and we plan to do the same in 2008 and 2009. By 2011, the whole Weir Minerals product portfolio will have been refreshed with the benefits of increased wear and durability while lowering overall costs. We are excited about the enhancements and improvements that we are bringing to our end customers.

Case Study

Weir Minerals Netherlands wins record order for world's longest slurry pipeline

Weir Minerals Netherlands started 2007 by securing a major order to supply its largest type pump, the Geho TZPM 2000, for the Brazilian MMX iron ore pipeline project. This multi-million dollar contract, won against tough competition, represents the largest order that this business has ever received.

The project involves creating a 550km long pipeline that will transport 26.6 million tonnes of iron ore as slurry to the Port of Acu. Here, a pellet plant will be built before the product is processed for shipping to steel plants around the world.

The 24-inch diameter pipeline will be the longest and highest capacity slurry pipeline in the world. Customer savings for transporting iron ore through this pipeline rather than using conventional systems, such as railway transportation, are estimated to be US$6 per dry tonne.

The Geho positive displacement pumps will be installed in two pump stations. The first will be located at the mine site while another pump station will be sited about halfway along the pipeline.

The pumps will develop pressures up to 206 bar to transport the heavy iron ore slurry through the pipeline. The Geho pumps were selected due to the high pump quality and reliability which has been proven in operation under similar conditions in pipeline systems all over the world. Deliveries began at the start of the year and will continue through to July 2008. The pipeline is scheduled for commercial operation in July 2009.

Geho pumps being installed on the Brazilian pipeline.

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

Primary input breakdown

Minerals	70.0%
Power	13.5%
General industrial	12.0%
Oil	3.3%
Water & wastewater	1.2%

Geographic breakdown

Americas	46.8%
Europe & Former Soviet Union	15.1%
Australia	14.6%
Middle East & Africa	11.4%
Indo Pacific	10.5%
UK	1.6%

Key achievements

- *Significant facility expansion at Weir Minerals North America in Madison reducing the need for sub-contracting.*
- *Largest-ever valve order received by Weir Minerals North America from Siemens Environmental Services.*
- *Largest order in history of Weir Minerals Netherlands achieved with major award for Geho pumps for the Brazilian MMX pipeline project.*
- *Investment in excellence results in Weir Minerals Hazleton being selected as finalist for Industry Week Best Plants North America 2007.*
- *China facility officially opened in June 2007 with three-shift foundry run rate achieved.*
- *Weir India awarded Indian Manufacturing Gold Award for emerging facilities and gained approval from India's largest power company to supply slurry pumps locally.*
- *Growth of Weir Minerals South America continues with input up 28%, output up 32% and profit up 35%.*
- *Enhanced apprenticeship and graduate trainee scheme introduced to grow and develop internal skills.*
- *Reductions in Lost Time Accident results, with several plants completing the year without any accidents.*
- *Weir Minerals France awarded major contract for gravel pumps and Isogate valves for a tunneling project in China.*
- *Continuing focus across the division on Lean improvements brings further benefits in capacity and delivery targets.*

Scot Smith
Divisional Managing Director

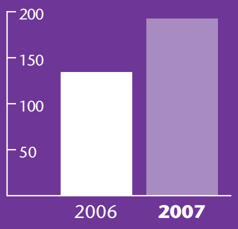
Market review

High growth in the Chinese and Indian economies in 2007 fueled a continuation of the 'super cycle' in our industry, with commodity prices supporting solid market conditions in the minerals processing sector. While some commodity prices declined throughout the year most still remained at historically high levels. The strength of commodity prices has continued to support strong growth in new equipment sales through both brownfield and greenfield expansion projects. This has also underpinned solid growth in aftermarket sales as new projects are brought on-stream. We fully expect these favourable market conditions to continue into 2008.

Strong demand continued for large flue gas desulphurisation recycle pumps. A feature of the year was the surge of activity in the United States, as local power plants move to meet stricter emission targets. We are optimistic that demand will remain at historical highs throughout 2008.

Higher oil prices in 2007 have accelerated the upgrading and expansion of oil sands mining in Northern Alberta, Canada and industry data has estimated that over US$100bn of capital investment is currently on the drawing board. Transportation and processing of the oil sand is undertaken in slurry form and we have already received significant orders for HTP hydrotransport and plant pumps.

Clear Liquid: By executing a strategy to focus on higher margin, specialist markets, Weir Clear Liquid delivered a strong performance in 2007. Weir Pumps was sold, Weir SPM was purchased and Weir Gabbioneta has been successfully integrated and is exceeding expectations. Going forward, Weir Clear Liquid is well placed to continue to grow.



Order input

£191.9m

Up 43%

Our brands

Weir SPM	Roto-Jet®
Lewis	Wemco®
Floway	Begemann
Gabbioneta	Zeron 100®

Operational review

After an outstanding 2006 for Weir Clear Liquid, 2007 was a year of further growth and improving operational performance. All businesses benefited from our strategy of focusing on higher technology, higher margin and speciality activities while exiting lower margin markets. In line with this strategy, we disposed of the lower margin, non-core Weir Pumps, Glasgow business in May 2007.

The acquisition of Weir SPM was completed in July 2007 and adds significantly to the scale of the division. Weir SPM's market is largely tied to the upstream drilling of gas wells in North America where gas storage levels, gas prices and North American weather conditions are key market drivers.

The unprecedented growth of unconventional drilling activity over the past few years has resulted in high levels of inventory and some expansion in industry operating margins. In 2008, our expectation is that the industry will see some unwinding of these favourable conditions. The impact on Weir SPM will however be offset through growth in servicing the installed equipment base and our profit improvement plans which will result in further growth in 2008.

An in-depth strategic review has been undertaken and identified significant opportunities for Weir SPM growth. Expansion of Weir SPM's geographic reach to better service high growth markets while leveraging off Weir's services network and investment in production facilities to increase retained value-add are the cornerstones of our medium term agenda.

The acquisition of Italian pump manufacturer Weir Gabbioneta has been an excellent strategic fit and the integration of this business has now been completed. The Group has made significant investment to strengthen the new organisation and improve its core processes. As a result, 2007 was an excellent year for the company, with productivity and profitability up dramatically. Weir Gabbioneta is now well placed to benefit from continued growth in the oil & gas markets, particularly in the buoyant Middle East downstream market.

Weir Lewis recorded another excellent year, on top of a very strong 2005 and 2006, with significant new orders from Northern Africa. The outlook for 2008 remains strong with some minor decline in activity expected as the number of new projects has reached a plateau.

Weir Specialty Pumps had a strong year, with input up 17%. Particularly pleasing was the success of new products – such as the Self Primer pump, designed to outperform the competition in key areas important to the customer. Sales more than doubled in 2007 with the industrial sector, particularly food processing, being the main growth. Success has been achieved in Venezuela, through cooperation with Weir sister companies and in Australia through partnering with the market leading distributor.

Weir Floway continued to deliver significant operational improvements in the year and despite input being flat, profitability was much improved. The future outlook remains encouraging with significant opportunities being developed in the mining and oil & gas markets in addition to its core water market.

Case Study

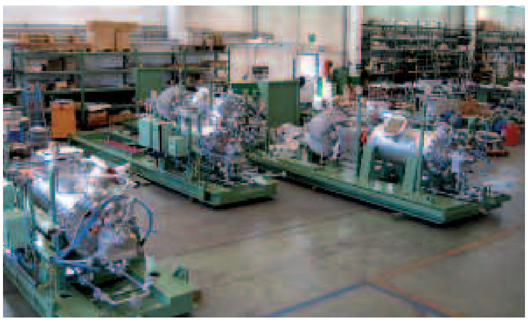
Weir Gabbioneta productivity increases dramatically

Weir Gabbioneta enjoyed a highly successful 2007, with original equipment output up more than 70% without increasing the number of production employees.

The manufacturing process has been revised through Weir Production System methodology and material flows have been created in the workshop. The machining shop layout has been completely changed, without any disruption in production activity. Most of the layout changes were suggested, designed and realised by cross-functional teams involved in Kaizen activities. As a result, the lead time for parts reduced from 3-4 weeks to just a few days.

In the assembly department, a pull system driven cell has been created and dedicated to the end-to-end process of the high volume 'R' pump family. Dramatic improvements in productivity, lead-time and work-in-progress were achieved. All the piping, welding and finishing processes, as well as materials handling and people movements, were also optimised. Workers have received training to develop multifunctional skills and a continuous improvement programme is in place to sustain further growth in efficiency and lead-time reduction.

The company's supply chain has been reinforced with the introduction of specific key performance indicators to monitor quality and on time delivery performance with overall improvements of 20%.



Weir Gabbioneta pumps ready for despatch.

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

Primary input breakdown

Oil	67.8%
Water & wastewater	15.3%
General industrial	8.0%
Minerals	8.0%
Power	0.9%

Geographic breakdown

Americas	50.0%
Middle East & Africa	20.6%
Europe & Former Soviet Union	17.8%
UK	6.5%
Indo Pacific	4.7%
Australia	0.4%

Key achievements

- *Successful acquisition of Weir SPM increasing exposure to upstream gas & oil.*
- *Weir Gabbioneta is now fully integrated and achieved further growth in input in 2007 after exceptional growth in 2006.*
- *Successful disposal of lower margin, non-core Weir Pumps business at £26.0m profit to book value.*
- *Weir Lewis continues to perform strongly, with particular success in North Africa.*
- *Weir Specialty Pumps grew input by 17% – sales of our new product in the Self Primer market more than doubled.*
- *Materials business in Manchester continued to see significant success in oil & gas and desalination applications for our Zeron 100 Super Duplex stainless steel.*
- *Lost time accidents reduced by 24% compared with 2006.*
- *Continued investment in implementing Lean principles resulted in improvements in quality, on time delivery and working capital across the Clear Liquid businesses.*

Stephen Bird
Divisional Managing Director

Market review

The primary markets for Weir Clear Liquid are oil & gas, specialist water, 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 2007, 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 Gabbioneta, which saw continued strong performance in the Middle East in particular. Weir SPM's market is largely tied to upstream drilling of gas wells in North America. While we are likely to see some unwinding of favourable market conditions in 2008, we are confident that growth from servicing the installed base and our improvement initiatives will underpin further profit progress.

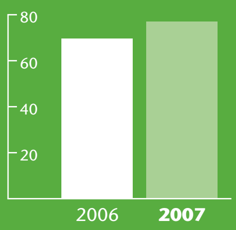
We remain selective about our activities in the water and wastewater markets and will continue to focus on more technical, higher margin products. Through Weir Floway and Weir Specialty Pumps, we currently operate successfully and have leading positions in the clean water market in the United States, as well as in our selected municipal water and wastewater markets also in the United States.

The minerals & 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.

Weir Lewis enjoyed considerable success supplying pumps for specialist chemical processing applications and this market continues achieving like for like volumes as the historical high.

Our 2007 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.

Valves & Controls: We have seen healthy growth in both power generation and oil & gas markets during 2007 leading to increased input, output and profit. Our key markets continue to be buoyant with good prospects for further growth. The factory moves in the USA and Middle East are now substantially complete and the business is well positioned to deliver sector best practice performance.



Order input
£77.6m
Up 13%

Our brands

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

Operational review

2007 was a year of significant input growth for Weir Valves & Controls principally due to strong growth in our power generation and oil & gas markets.

The previously restructured businesses delivered strong profit growth and we expect this to further improve in 2008 with an objective to achieving best-in-class margins as the power market improves. The new supply chains in our relocated UK factory have developed well and proved sufficiently robust to cope with the growth in output, while also reducing quoted lead times and improving customer delivery performance.

Investment in the Weir Production System and Lean principles continued to deliver significant business benefits. Of particular note are the factories in North Carolina in the United States, in northern France and China, where we have seen excellent improvements in output from the existing facilities and personnel.

In North America, the old and inefficient site in Massachusetts was sold and relocation to a modern world-class facility is now substantially completed. The investment in this facility is underpinned by our growth expectations for the United States nuclear programme.

Our operations in the United Arab Emirates are being consolidated into a single facility with capacity to support continued expansion. The political difficulties in Iran have meant that new work has been minimal during the year.

Significant investment has been made to develop new, lower cost supply chains in China, India and in particular, the Middle East. Existing suppliers have been supported and developed and new suppliers brought online with a result that a greater proportion of components are now being sourced from these countries. Investment in this initiative in 2007 has built strong partnerships and processes that can deliver excellent quality parts to our demanding requirements going forward.

We have continued the excellent improvements in our Health and Safety record with a further reduction in accidents and the roll out of new safety programmes. The skills and talents of the teams have also been improved partly by the addition of some new people but more importantly by strong training activity driven through the Weir Personal Development Programmes.

Case Study

Reducing the pressure at Korean power station

Many valves in a modern power station can be designated as severe service, due to their generation of high noise levels, vibration, cavitation or erosion. One such application is the pump minimum flow valve on a boiler feedwater control system.

When filling the boiler, the feedwater control valve is required to operate with a high inlet pressure and a low outlet pressure, which generally results in high levels of cavitation – a highly destructive phenomenon.

At Youngheung-do Power Station in Korea, the installed control valve suffered from severe levels of cavitation, generating high levels of noise and vibration. The temperature of the feedwater was such that the vapour pressure was very close to the outlet pressure of the liquid. This meant that the liquid could change from liquid to gas, causing cavitation. As a result of this damage, the trim had to be replaced every six months.

To combat this problem, Weir Valves & Controls created the X-Stream trim, which works to prevent the fluid pressure falling below the vapour pressure at the valve trim.

A new X-Stream trim was manufactured and installed to fit an existing valve body at Youngheung-do Power Station. When the valve was put back into service, it was immediately clear that previous problems associated with noise, vibration and cavitation had been solved due to the smooth operation of the valve.

Although the original trim had to be changed after six months in service, the new X-Stream valve trim has not had to be taken out of service since installation. The application has been so successful that the customer has ordered further repeat valves for later phases of the station.

The X-Stream trim is fitted to a valve.

Valves & Controls: businesses specialising in high integrity valves for critical service, process protection and plant safety applications in power generation, oil & gas and severe industrial processes.

Primary input breakdown

Power	54.9%
Oil	27.6%
General industrial	15.6%
Naval & Marine	0.9%
Minerals	0.8%
Water & wastewater	0.2%

Geographic breakdown

Americas	26.1%
Europe & Former Soviet Union	24.2%
Indo Pacific	20.8%
UK	16.9%
Middle East & Africa	11.9%
Australia	0.1%

Key achievements

- *Growth in nuclear power generation activity, driven by new projects in China and potential work in Europe and North America.*
- *New factory site for North American nuclear operations in Massachusetts to support future business growth.*
- *Significant growth in profits and output from conventional power generation projects in China, North America, Europe and South Africa.*
- *Further profit growth from the restructured and relocated UK operation, with a stronger supply chain underpinning future growth prospects.*
- *Continued strong performance from the restructured French operations.*
- *The first full year of the new factory in Suzhou, China, showed strong growth, with further products being introduced.*
- *Expansion and consolidation of our Middle East operations into a new facility to support growth expectations.*
- *Development of new products to support new nuclear reactors and the supercritical, high efficiency coal plants.*

Phil Clifton
Divisional Managing Director

Market review

Weir Valves & Controls principally operate in the power generation and oil & gas sectors. Some of our specialist products are also supplied into critical service and safety applications in other industrial processes.

During 2007, we have seen strong growth in the power generation market, with significant orders being received for new power plants in China, both nuclear and conventional. We are also active on the new nuclear plants in Finland and France and are well positioned to take advantage of expected growth in new nuclear plant development in both North America and Europe.

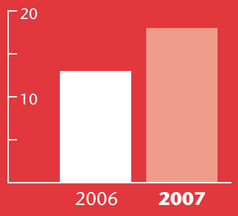
Life extension of existing power plants (both nuclear and conventional) in Europe, North America and South Africa has shown important growth and together with our sister operations in Weir Services, we have been able to offer a strong service to our customers. Growth in our after-market activities has been very pleasing during the year.

We saw continued growth in the oil & gas markets throughout 2007 – despite the political difficulties in trading with Iran, which has traditionally been an important market for us. We have been successful in replacing the Iranian orders with work from other markets in the Middle East.

The general industrial markets have also been busy, in particular the chemical, petrochemical and special process industries, all of which need our high integrity equipment.

Engineering Services: Weir Services has built a reputation for excellent service and customers value our ability to employ sound engineering and project management principles on budget and on time. Through our Global Knowledge Centre, we can share best practices and processes across the world on demand.

Operating profit (£m)



Operating profit
£18.5m
Up 41%

Revenue
£231.4m
Up 4%

Order input
£250.6m
Up 8%

Operational review

Engineering Services performed well in 2007 growing revenue 4% to £231.4m and producing an operating profit before intangibles amortisation of £18.5m against £13.1m in 2006. The concentration for the year was to execute and deliver the benefits of restructuring activities in the UK, USA and Middle East which all contributed significantly to the improved performance in the year.

In the UK, input was solid with a combination of continued strong demand from our oil activities in Aberdeen and consistently good markets for our power and industrial businesses across the balance of our UK activities. A programme to modernise the Group's UK service infrastructure included a significant expansion of the Barton facilities and full implementation of a totally integrated management system across all of the UK operations.

With the restructuring now behind us, we are anticipating further growth in 2008 and expect markets to remain buoyant.

In the Middle East, the Group's service operations include wholly owned facilities in Dubai and India and joint ventures in Abu Dhabi and Saudi Arabia with the majority of revenue related to the oil & gas market. The high cost of oil combined with the Group's facility and equipment investments have positioned us well to capitalise on the massive market opportunities in the future. During the year, we took the decision to acquire the minority interest in our subsidiary in India, providing a further platform for medium term growth.

The Services Division in North America consists of three principal activities, all of which made solid progress in 2007. The engineering distribution business operates throughout Canada and benefited from the ongoing large scale project work being undertaken in the industry.

The services network in Canada and the Houston, Texas operation made significant progress. The introduction of Lean and a programme to upgrade facilities delivered substantial operational benefits which were underpinned by continued buoyant markets in the oil sands, oil & gas and power generation sectors.

The third activity in Canada relates to our involvement in the asset management and operation of the Canadian Navy's test and certification facilities in Montreal. This activity performed well and prospects exist for increased work in the future.

In Australia, the division performed equally well growing turnover and profit when compared to 2006. Our activities include facilities in New South Wales, Victoria and our recent investment in a centre in Western Australia.

The principal markets for the Australian services business relate to the provision of replacement equipment and aftermarket services to the mining, oil & gas and power generation markets. All of these sectors are expected to see additional growth in 2008 as a consequence of continued buoyant commodity markets and the significant number of new projects planned to come on board in the year.

Case Study

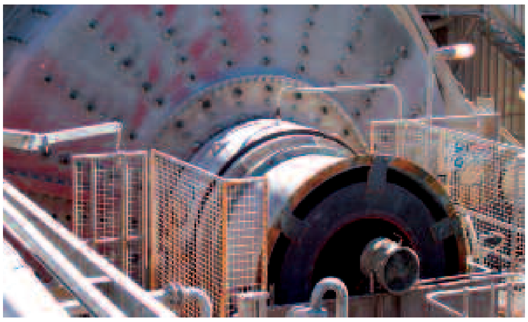
A gold mine of new opportunities

Weir Services Australia has been selected to assist in the re-commissioning of a gold mine in the Philippines where the work includes complete refurbishment of two ball mills and one SAG mill. Excellent company capabilities and cooperation played a major part in the success of winning the contract.

The two ball mills will be shipped to the Henderson service centre in Western Australia for refurbishment. The SAG mill, meanwhile, was in a state of disassembly, with some parts in Washington State in the USA and others in British Columbia, Canada.

All parts have been shipped to our Edmonton service centre in Canada where they will be inspected and refurbished to original equipment standards. On completion, all three mills will be returned to the mine site in the Philippines for installation and commissioning.

A senior customer representative visited both our Australian and Canadian facilities to assess the equipment and technical ability to perform this type of work prior to confirming the order. One of the key factors in the customer's decision was the global reach of Weir Services, our proven experience in performing similar work in the past and our exceptional project management skills.



A SAG mill in situ, similar to one being refurbished for the Philippines gold mine.

Engineering Services: A turnkey service provider with the ability to manage large, complex plant outages requiring civil engineering to integrated design and project planning. Our proven ability in developing and successfully executing projects set new standards for our customers.

Primary input breakdown

Oil	39.0%
Power	22.6%
Minerals	15.4%
Naval & Marine	11.2%
General industrial	7.8%
Water & wastewater	4.0%

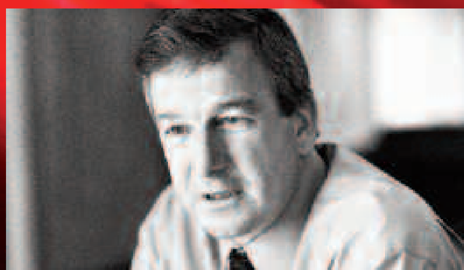
Geographic breakdown

Americas	47.7%
UK	25.4%
Middle East & Africa	12.2%
Australia	10.7%
Indo Pacific	2.3%
Europe & Former Soviet Union	1.7%

Key achievements

- *Improved margins from 5.9% in 2006 to 8% in 2007.*
- *Peace River project for BC Hydro in Canada set new standards for project management and Health & Safety.*
- *Field machining project in Venezuela expanded our reach from Montreal and built on our success in hydro markets.*
- *Secured a further two hydro projects for Scottish & Southern Energy and ScottishPower in the UK.*
- *ScottishPower awarded our Alloa business the Opticon Contractor of the Year award for Health & Safety.*
- *Implementation of the Weir Production System in the Middle East resulted in an increase in manufacturing capacity while broadening core business capability.*
- *Explicit recognition as a 'top tier supplier' by BP led to a fourfold increase in business generated by the Baku service facility in Azerbaijan.*
- *Successful completion and commissioning of the $15m Ravensthorpe desalination plant in Western Australia.*
- *Awarded a three-year multi-million dollar contract to refurbish coal pulverisation equipment for power plants in Victoria, Australia.*
- *36% improvement in year-on-year safety statistics.*

Steve Simone
Divisional Managing Director



Market review

Around the world, the oil & gas industries continue to be a key sector for Weir Services.

As demand continues to grow and prices remain high, oil dominates opportunities in many of our businesses. Western Canada continues to fund new work and expand its capacity in oil production and we have enjoyed continued success in our oil sands projects. Meanwhile, Saudi Arabia deploys ever-increasing numbers of drilling rigs – the current count is 13% up on the start of 2007. In the UK, oil assets continue to be sold off to smaller independents as the fields production in relevant terms is projected to end in 10 years time. Azerbaijan and Kazakhstan are gearing up to be the new boom areas.

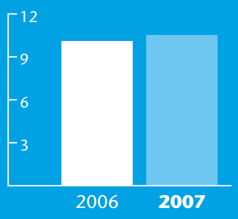
Power generation continues to be a strong market for Weir Services.

The division's biggest opportunities come from major plant outages and extension projects. In the UK, we are forecasting some reductions in hydro power orders, as a significant number of plants have now been upgraded. Canada is expected to provide a good level of hydro upgrade work in the future. The expertise gathered in the UK is being transferred to Canada to support improving opportunities in that region.

The mining industry remains strong and both our Australian and Canadian businesses are very well positioned to take advantage of the continuing boom.

Defence, Nuclear & Gas: We have continued to develop opportunities in the defence sector, with strong growth in Australia, Canada and Spain. The performance of our nuclear business was pleasing, despite some uncertainties in the UK decommissioning market. Weir LGE has performed well and continues to deliver against customer and financial expectations.

Operating profit (£m)



Operating profit
£10.4m
Up 4%

Revenue
£117.6m
Up 10%

Order input
£84.0m
Down 53%

Operational review

The nuclear and defence businesses once again performed well in 2007. Impressive results on a number of fronts have put the Weir Defence, Nuclear & Gas Division in a good position to take advantage of new opportunities going into 2008. The Spanish submarine programme secured in 2006 has developed well and customer confidence in the Group's capabilities has resulted in the award of significant additional work.

Our submarine support operations in Australia and Canada are also being expanded to respond to new market opportunities. In Australia, we experienced growth in 2007 and are well positioned to obtain work on their surface ship activity and naval defence programme. In Canada, we remain confident of winning some major new orders and our workload in the region increased during 2007, resulting in the opening of an office in Ottawa.

The UK remains a key market for both our defence and nuclear businesses. The launch last year of the first Astute nuclear submarine marked a key milestone in this project. We are now working closely with BAE Systems on the remaining three boats. In the nuclear area, we have built an excellent relationship with the UK Atomic Weapons Establishment and in 2007 secured preferred supplier status in support of its nuclear decommissioning and material handling requirements. The relationship with British Energy continues to develop and successfully culminated in a five-year partnership agreement on the maintenance of its nuclear fuel systems.

The exceptional level of orders secured in the LPG marine market over the past two years provides a solid platform for further progress in 2008 and all projects are proceeding successfully with equipment delivered to plan. As expected, the shipyards are now fully booked through the turn of the decade and new input will be limited until the backlog is cleared. Weir LGE has a healthy workload which will sustain its activities through 2009.

Defence

During 2007, we have continued to see growth in defence spending worldwide. Our strategy of reducing our relative dependence on the UK market has shown benefits, with continued growth in Australia, Canada, Spain and the Netherlands, as well as significant opportunities in other countries.

Nuclear

In the UK, the Nuclear Decommissioning Agency re-focused its activities for much of the year, leading to a period of uncertainty. Despite this, we are forecasting good prospects for 2008 and have seen further development of our already strong relationships with other UK nuclear businesses requiring decommissioning and nuclear material handling services.

Gas

As expected, we are seeing a slow down in LPG marine activities worldwide following the exceptional influx of orders placed over the past two years. However, we are continuing to develop potential onshore LPG storage opportunities and our order book through 2009 remains strong.

Key achievements

- *Good performance on the initial stages of new Spanish conventional submarines contract has led to significant additional work.*
- *Continued expansion of our Australian and Canadian submarine support operations.*
- *Launch of the first UK Astute nuclear submarine marked a key milestone in this project and we continue to work closely with BAE Systems on the remaining boats.*
- *Excellent relationships have been built with the UK Atomic Weapons Establishment to support its nuclear material handling requirements.*
- *Relationship with British Energy continues to develop, culminating in a five-year partnership agreement on its nuclear fuel systems.*
- *LPG marine market projects are being progressed successfully with equipment delivered to plan.*

Primary input breakdown

Naval & Marine	64.6%
Power	16.8%
Oil	14.6%
General industrial	4.0%

Phil Clifton
Divisional Managing Director

Geographic breakdown

Europe & Former Soviet Union	35.4%
UK	29.1%
Americas	14.7%
Middle East & Africa	11.0%
Australia	6.4%
Indo Pacific	3.4%

Financial Review: The Group has delivered a strong set of results which demonstrate yet again its underlying cash generation capability.

"The Group includes a strong portfolio of businesses in the oil & 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, valves and ancillary equipment for the mining, oil & gas, power generation 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 and Gas Division). The Group also has a number of joint ventures which are reported separately.

Results overview

The Group has delivered a strong set of results which demonstrate yet again its underlying cash generation capability. The results include the first contributions from the current year acquisitions of Weir SPM and Weir Multiflo and reflect the disposals of the Weir Pumps, Glasgow operations and our investment in Devonport Management Limited. The Group includes a strong portfolio of businesses in the oil & gas, power generation and mining markets where fundamentals point to sustained future progress.

Revenue[1] increased by 22% in 2007 from £870.4m to £1060.6m with all three divisions achieving growth over 2006. Continued buoyant conditions in the mining, oil & gas and power generation markets, together with first contributions from Weir SPM and Weir Multiflo, contributed to the year's results.

Over 75% (2006: 70%) of Group revenues are now generated from these three markets with original equipment sales representing 54% of revenues (2006: 50%). Strong growth was evident in North American revenues following the acquisition of Weir SPM and good growth was also experienced by our European and South American operations. Unfavourable exchange movements from the translation effects of overseas subsidiaries reduced revenue growth by £15.9m.

Operating profits[2] rose 57% to £122.1m (2006: £77.7m). Excluding attributable profits from our joint ventures, the operating margin[2] was 11.2% of revenues against 8.7% last year. Increased operational leverage and the impact of the higher margin Weir SPM acquisition benefited Engineering Products. Engineering Services performance improved following the restructuring of operations undertaken in 2007 and the Defence, Nuclear & Gas business benefited from the strength of its current order book. Attributable profits, reported on an after tax basis, from our joint ventures contributed £3.4m against £2.4m in 2006. The impact of unfavourable exchange movements reduced operating profits[2] in 2007 by £1.6m.

No exceptional profits from continuing operations were recognised in the year (2006: £15.7m). Intangibles amortisation, however, rose to £6.2m from £2.3m in the prior year primarily reflecting an incremental £3.7m charge in respect of intangible assets recognised on the Weir SPM acquisition. For 2008, this latter charge will rise to around £8m before falling to £5m in 2009.

Net interest costs of £5.1m were lower than 2006 (£5.5m) with the impact of positive operating cashflows and business disposal proceeds more than offsetting that of the purchase of Weir SPM and Weir Multiflo. The net interest costs were covered 24 times by operating profit[2]. In addition, there was a £1.7m reduction in the net income earned from the Group's pension schemes reflecting a higher proportion of bonds within the pension fund investment portfolio.

Profit before tax[2] increased 56% on the previous year at £120.2m (2006: £77.1m). Reported profit before tax increased 26% to £114.0m (2006: £90.5m), reflecting the impact of additional amortisation in the current year and exceptional items in the prior year.

Details of the trading highlights of each of the Group's business segments are set out below.

Engineering Products

Input[1], on a constant currency basis, grew 30% to £760.7m with in excess of 80% being attributable to the oil & gas, mining and power generation markets. We achieved excellent results from Minerals (up 28%) and Clear Liquid (up 43%) which combined with 13% growth from Valves & Controls resulted in the Group achieving its highest ever level of order input.

Revenue[1] on a constant currency basis increased 35% to £711.6m in 2007 (2006: £525.5m), due to continued strong demand from our core mining, oil and power markets and a first revenue contribution of £78.7m from Weir SPM in the post acquisition period; ahead of our initial expectations.

Underlying revenue growth, excluding the part year impact of the Weir SPM acquisition, was 20% realised through a combination of increased output from existing facilities utilising the Weir Production System and selective capacity increases coming online. Over 83% (2006: 81%) of revenues were attributable to the oil & gas, mining and power markets with year on year revenue growth in these markets of around 20%, on a like for like basis. The impact of adverse foreign currency movements was to reduce current year revenues by £12.5m.

Operating margins[2] as a percentage of revenue increased to 13.9% against 11.1% in 2006, consistent with the Group's focus on higher technology, higher margin and speciality activities. Operating leverage from increased revenues across all operations and the inclusion of Weir SPM's higher margin product sales for a part year each contributed to this improved result. The Weir SPM operating margin[2] was in line with our expectations at 24.3%.

Operating profits[2], on a constant currency basis, increased 70% to £98.7m (2006: £58.1m) including a part year contribution of £19.1m from Weir SPM. Adverse foreign currency translation movements reduced current year operating profits by £1.8m.

Engineering Services

Input[1] from Engineering Services, on a constant currency basis, increased 8% to £250.6m (2006: £232.9m) with strong growth across the power and oil sectors. On a constant currency basis, revenue increased 4% to £231.4m (2006: £221.7m) reflecting a conscious focus on the most profitable activities and markets. Operating profits[2] on the same basis were £18.5m compared to £13.1m in 2006. This reflected an improvement in the underlying trading performance of the division and one-off costs of £4.4m in the prior year arising from restructuring activities in the UK, USA and Middle East.

Good progress was made across all operations during the year reflecting strong conditions in the oil & gas, mining and power markets with around 75% (2006: 63%) of revenues coming from these markets. In the UK and North America, the benefits of the 2006 restructuring were realised and the Middle East operations also delivered good growth following investment and restructuring in 2006.

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 2007 increased 10% on a constant currency basis to £117.6m (2006: £107.3m), with gains in the marine market as revenue milestones were achieved on a number of major contracts. Operating profit[2] on the same basis grew 4% to £10.4m against £10.0m in 2006.

Joint ventures

The Group's share of profit from its joint ventures increased 42% to £3.4m with good growth from the Group's joint ventures in Saudi Arabia and Abu Dhabi.

Taxation

The tax charge for the year of £31.7m (2006: £18.9m), on attributable profits before exceptional items of £114.0m (2006: £74.8m), represents an underlying effective rate of 27.8% (2006: 25.3%). This differs from a theoretical expected rate of 31.3% (2006: 31%) principally as a consequence of the tax efficient use of capital, the recognition of historic losses and the release of provisions equivalent to 1.5% on the rate following closure of certain tax enquiries at no cost. The underlying tax rate is expected to rise further in 2008 given the full year impact of the Weir SPM acquisition which has an effective tax rate of around 35%.

In accordance with IFRS, earnings from joint ventures are reported on an after tax basis, with a tax charge of £0.6m reflected within these net earnings.

Discontinued operations

During the year, the Group disposed of the Weir Pumps Glasgow operations and its investment in Devonport Management Limited. As such, the post tax trading results of each of these businesses and disposal gains arising on Weir Pumps and Devonport Management Limited are classified within discontinued operations with prior year comparatives restated.

Profit after tax of £8.5m was recognised in the year in respect of these businesses for the periods prior to disposal. Profits of £3.3m have also been recognised in respect of prior period disposals following the settlement of outstanding legal matters and the expiry of warranty periods.

Disposal gains of £80.9m were recognised as exceptional items within discontinued operations in respect of Weir Pumps and Devonport Management Limited. No tax is payable on either disposal.

Earnings and Dividends

Earnings per share[2] was 41.4p, an increase of 49% compared to 2006. Reported earnings per share, taking account of exceptional items, intangible amortisation and discontinued operations, was 83.8p (2006: 39.4p). The weighted average number of ordinary shares in issue increased to 208.6m as a result of the issue of 1.1m shares during the year to fulfil option exercises and awards under the Long Term Incentive Plan.

Subject to shareholder approval, the total dividend for the year is 16.5p, an increase of 14% over last year's total of 14.5p. This represents dividend cover (being the ratio of earnings per share[1] before intangibles amortisation and exceptional items to dividend per share) of 2.5 times compared to 2.2 times in 2006. Going forward, the Group will look to sustain a progressive dividend policy and maintain cover of at least 2 times.

Acquisition of SPM Flow Control Inc.

On 19 July 2007, the Group completed the acquisition of SPM Flow Control Inc. and on 21 August 2007, the acquisition of Weir Multiflo for a total cash consideration, including expenses, of £331.2m. As required by IFRS, a review of the fair value of assets and liabilities at the date of acquisition has been undertaken and accounting policies aligned with those of the Group. This has given rise to fair value adjustments of £83.3m, resulting in net assets acquired of £153.1m. These principally reflect the valuation of separately identifiable intangible assets, including customer relationships and trade name, with the former amortised over their expected useful lives of up to 25 years. Other adjustments were made in relation to property, plant and equipment, inventory and provisions. Goodwill of £178.1m has been recorded in respect of these acquisitions.

Cashflows

The Group has delivered strong growth in cashflows, with cash generated from operations[1] of £151.8m substantially ahead of 2006 (£111.0m) as a consequence of increased profitability. A further £10.6m improvement in net working capital was realised, despite increased trading volumes. Operating cashflows of £23.5m were generated by Weir SPM in the period since acquisition reflecting a greater focus on working capital management. A £6.5m special contribution was made during the year to facilitate the purchase of an insurance policy from Legal & General Assurance Society to secure the current pensioners' liabilities of the main UK plan and this is outlined in more detail below.

Net capital expenditure[1] was £40.3m (2006: £23.9m) reflecting continued investment across the business and asset disposal proceeds of £3.2m (2006: £0.8m). This represents 2.2 times depreciation and we expect to continue to spend around 2.5 times in 2008 given projects now underway in Brazil, the USA and Australia to meet the medium term needs of the business.

Net cashflows[1] of £44.3m (2006: £35.6m) were generated from recurring activities. Cash proceeds from business disposals were £127.3m. Taken together with the net funding cost of new acquisitions of £317.8m and operating cashflows generated from discontinued operations of £0.9m, this resulted in an increase in net debt from cashflows of £145.7m. An £18.3m adverse movement arose on the translation of overseas borrowings, giving a year end net debt position of £171.3m, up £164.2m on 2006.

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 C$180m maturing in 2009. These have standard covenant and variable rate interest structures and all covenants were met in 2007. Foreign currency denominated borrowings of £216.5m equivalent were outstanding under these facilities at 28 December 2007. In June 2007, the Group put in place a £550m revolving credit facility with a maximum maturity of two years, incorporating similar financial covenants, to support the acquisition of SPM Flow Control, Inc. This facility was subsequently reduced to £85m and has remained undrawn.

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

The Group held cash balances of £46.1m at 28 December 2007, of which £9.3m was held in the UK and the remainder held as operating funds by Group companies worldwide.

The Group has a variety of 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 in relation to transactional risk management 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 cashflows, to provide certainty of future revenues and costs. No speculative transactions are undertaken. Group Treasury monitors foreign exchange exposures group-wide and reports regularly to support Group financial risk management processes. Although all companies with risk exposures undertake hedging transactions, only two companies apply hedge accounting for such transactions for IFRS purposes.

In 2007, the extent of the Group's foreign currency denominated net investments in subsidiaries increased as a result of the purchase of Weir SPM. The Group has initiated a partial hedging programme to reduce its exposure to translation risk in respect of such net investments.

Further information on financial risk management objectives and policies can be found in note 30 on page 89.

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 with the impact of the weakening of the United States and Canadian dollar against sterling more than offsetting the marginal strengthening of the Australian dollar and Euro. Net assets are translated at year end rates. The weakening of sterling against the Euro, Canadian and Australian dollar at the year end contributed to a positive net asset translation effect of £3.1m.

Details of principal exchange rates used are contained in note 32 on page 95.

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 surplus reported at 28 December 2007 was £36.9m (2006: net deficit of £3.9m). During the year, the pension plans have benefited from rising equity markets and bond yields which, together with a further £6.5m special contribution made by the Company into the UK plans, facilitated the purchase of an insurance policy from Legal & General Assurance Society to secure the current pensioners' liabilities of the main UK plan. This represents some 43% of the plan's total liabilities at 28 December 2007. This substantially reduces future investment and mortality risks borne by the Group. A similar process was also undertaken in Canada and it is planned to wind up that plan during 2008. The Group will also continue to explore ways of further reducing future volatility risk.

Net assets

Net assets at 28 December 2007 were £545.2m (2006: £371.9m), with the increase due to the improved profitability of the business, including business disposal profits and gains from pension fund performance.

Litigation

The Group has no material litigation. There are 112 (2006: 52) asbestos related actions outstanding against Group companies. 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 52 to 57 of this report. There have been no changes to the accounting policies adopted in 2006.

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.

Construction contracts

Approximately 10% of revenue was derived from construction contracts. The timing of revenue and profit recognition in these 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.

Intangible assets

On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired (provided they meet the criteria to be recognised). The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cashflows. In addition, the allocation of useful lives to acquired intangible assets requires the application of judgement based on available information and management's expectations at the time of recognition.

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.

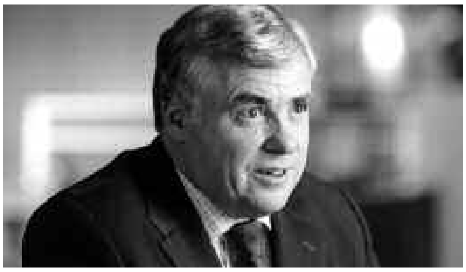
Keith Cochrane
Finance Director
11 March 2008

1 from continuing operations.
2 from continuing operations, before intangibles amortisation and exceptional items.

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
Chief Executive

Aged 48, 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
Legal and Commercial Director

Aged 58, 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 and personnel director of Highland Distillers plc, following a number of years as a legal advisor with Trafalgar House plc.

Keith Cochrane
Group Finance Director

Aged 43, 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
Group Finance Director

Mark Selway
Chief Executive

Alan Mitchelson
Legal and Commercial 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

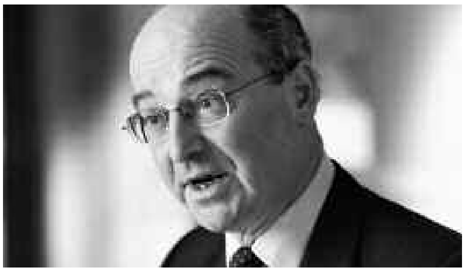
Aged 63, was appointed chairman in July 2002. He is chairman of Scottish and Southern Energy plc and a non-executive director of 3i Group plc, Standard Bank Group Limited and Aegon UK plc. He was formerly chief executive of Morgan Grenfell Asset Management, a member of the Financial Services Authority and of the Financial Reporting Council and chairman of Stakis plc.

Stephen King
Non-Executive Director

Aged 47, 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 65, 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 62, 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 66, 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 61, 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 deputy chairman of TNK-BP. He is a non-executive director of Western Ferries (Clyde) Ltd. He is also an international advisor to Cable and Wireless PLC, on the Advisory Board of Englefield Capital, senior counsellor with The Cohen Group (USA) and President of Chatham House.

Directors Report

The directors are pleased to present their 114th annual report, together with the audited financial statements, for the 52 weeks ended 28 December 2007.

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 made in the Chief Executive's Review, the Operational Review and the Financial Review in respect of divisional performance are made on a continuing business basis and operating profits are stated before intangibles amortisation and exceptional items. Operating profit before intangibles amortisation and exceptional items, which is a non-IFRS measure, is the primary performance measure used by management as it is felt that the exclusion of these items provides more relevant information to users of the financial statements and a more useful indication of the underlying performance of each of the divisions.

It is also Group practice to discuss divisional performance in terms of constant exchange rate growth by re-translating the prior year's results of overseas subsidiaries at 2007 average exchange rates. This removes the effect of currency movements which allows us to focus on the increases or decreases which are driven by volume, price and cost levels relative to the prior year. Therefore, in the Chief Executive's Review, the Operational Review and the Financial Review, growth rates and other comparative data in respect of divisional input, revenue and operating profits before intangibles amortisation and exceptional items are given on a constant exchange rate basis. Underlying growth on this basis is a non-IFRS measure because, unlike actual growth, it cannot be directly derived from the information in the financial statements.

Results

The Group profit attributable to members for the 52 weeks, after taxation, amounted to £174.9m.

Dividends

The directors recommend a final ordinary dividend of 12.35p per share to be paid on 2 June 2008 to ordinary shareholders whose names are on the Company's register at close of business on 2 May 2008. Together with the interim ordinary dividend of 4.15p per share paid on 7 November 2007, this makes the total dividend for the year 16.5p.

Principal activities and business review

The Group's principal activity is the provision of specialised mechanical engineering solutions for a diversified range of industrial and geographic markets. A review of the Group's operations and future developments, together with key performance indicators can be found in the Chairman's Statement on pages 2 to 3, the Chief Executive's Review on pages 6 to 8, the Operational Review on pages 9 to 18, the Financial Review on pages 19 to 21 and the Corporate Social Responsibility Report on pages 40 to 43, 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 29 to 31, Audit Committee Report on page 32, Nomination Committee Report on page 33 and Remuneration Committee Report on pages 34 to 39.

Takeovers Directive

The information required for shareholders as a result of the implementation of the Takeovers Directive into UK law is set out in Shareholder Information on pages 108 to 109 and in this report under Substantial shareholders.

Directors

Details of the current directors of the Company are set out on pages 22 and 23. The directors who retire this year by rotation are Christopher Clarke, Stephen King and Mark Selway. In accordance with article 97 of the articles of association of the Company, Christopher Clarke, Stephen King and Mark Selway offer themselves for re-election. In addition, as he has been a non-executive director for more than nine years, Professor Ian Percy is subject to annual 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 and trustees of its pension schemes 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 937,966 ordinary shares of 12.5p each were allotted and issued. In addition, under the Group Long Term Incentive Plan the awards granted in 2004 vested during the year. In order to satisfy the awards, 207,205 ordinary shares of 12.5p each were allotted and issued and 427,869 ordinary shares of 12.5p each were transferred from treasury to satisfy the awards. 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 2007 annual general meeting, shareholders renewed the Company's authority to make market purchases of up to 20.8m ordinary shares (representing 10% of the issued share capital). No shares were purchased under this authority during the 52 weeks to 28 December 2007 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.

Annual general meeting

The annual general meeting will be held on 7 May 2008. A separate letter is being sent to all shareholders containing the Notice of Meeting and the resolutions to be proposed.

Substantial shareholders

At 11 March 2008, the following had disclosed an interest in the issued ordinary share capital of the Company in accordance with the requirements of section 5.1.2 of the UK Listing Authority's Disclosure and Transparency Rules:

Shareholder	Number of shares	Date of disclosure to Company	Percentage of issued share capital
Baillie Gifford & Co.	12,173,278	17.12.07	5.82%
AXA	11,673,950	19.06.07	5.60%
Barclays Global Investors	10,678,821	18.01.08	5.10%
Threadneedle Asset Management Ltd	10,450,300	18.10.07	4.996%
Legal & General Investment Management	8,536,157	20.11.07	4.08%
FMR Corp	6,425,000	23.03.07	3.09%

Since the date of disclosure to the Company, the interest of any person listed above may have increased or decreased. No requirement to notify the Company of any increase or decrease would have arisen unless the holding moved up or down through a whole number percentage level. The percentage level may increase (if the Company cancelled shares pursuant to the power to purchase its own shares) or decrease (on the issue of new shares under any of the Company's share plans).

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 £252,227 (2006: £169,218).

- the Group made no political contributions during the period (2006: 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 around 40 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

Almost 90% of the Group's new business comes from the power generation, oil & gas, mining and industrial markets and its performance may be impacted by market trends across these markets. 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.

Directors Report (Continued)

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 or 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
As a consequence of the Group selling its products in over 100 countries and having manufacturing operations in over 15 countries two forms of currency exposure, transactional and translational, arise.

Transactional currency exposure arises when operating subsidiaries enter into transactions denominated in a currency other than their functional currency. Foreign exchange transaction exposures are identified and managed directly by the Group's operating subsidiaries, normally by means of foreign exchange forward transactions, within the policies and guidelines established by Group Treasury.

Translational currency exposure arises within the income statement on translation of the profits of overseas subsidiaries into sterling for consolidated reporting purposes and within the balance sheet on translation of the Group's net investments in overseas subsidiaries. The Group reduces its translational currency exposures by means of foreign currency borrowings and derivatives.

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. Whilst the relative improvement in equity markets and increased bond yields, together with the additional contributions made by the Group, have enabled the pension plans to be in surplus in 2007, the Group continually reviews this risk and takes action to mitigate where possible. For instance, in 2007 the trustees purchased an insurance policy from Legal & General Assurance Society to secure the current pensioners' liabilities of the main UK plan and a similar process was also undertaken in Canada. 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 or within the anticipated timescale.

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.

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.

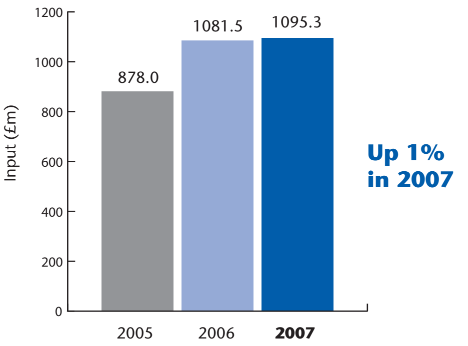
Health & safety
The Group operates in a number of demanding environments. Safe working practices are extremely important to protect everyone at the Group's locations. The Group has developed quality and safety processes within each of its businesses which are regularly audited by professional bodies 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

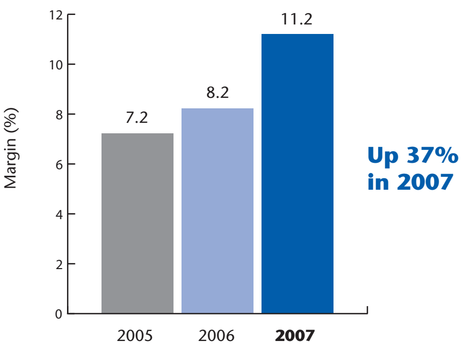
The Group's strategy is underpinned by focusing on a number of key performance measures. The following measures are the ones that the Board feel communicate the performance and strength of the Group as a whole. However, management use further performance measures to run and assess the performance of their divisions and the individual companies within each division.

Input - continuing operations [1][2]



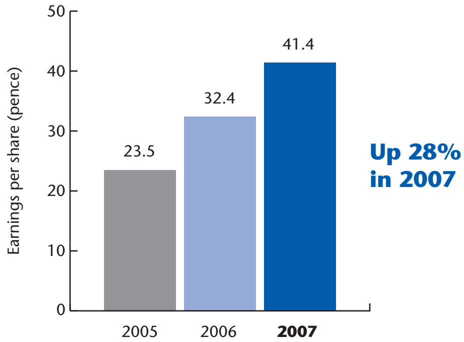
Order input is a key measure used to evaluate market trends, establish forward sales and enable the efficient management of production schedules. Order input is defined as the expected revenues to be generated from contractually committed orders received.

Operating margin - continuing operations [2]



One of the Group's key objectives is to continue 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 intangibles amortisation and exceptional items to focus on underlying trading performance.

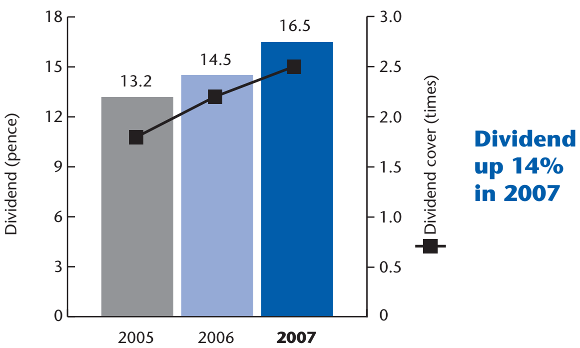
Earnings per share - continuing operations [2]



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 intangibles amortisation and exceptional items, divided by the weighted average number of shares in issue.

Dividend and dividend cover - continuing operations [2]



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 intangibles amortisation and 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.

(1) Calculated at 2007 average exchange rates.
(2) The figures for 2005 and 2006 are based on the published results and are therefore in respect of continuing operations at that time and do not exclude intangibles amortisation.

Directors Report (Continued)

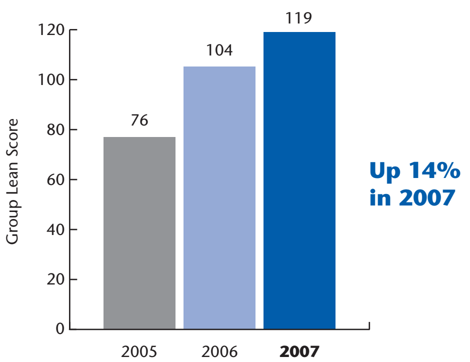
The Group has adopted the Lean Management philosophy focusing on reduction of the Seven Wastes to improve overall customer value. These are:

- 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.

Group Lean Score - continuing operations (2)



The Group Lean Scores are interpreted as follows:

- 0-60 means the site needs significant improvement, action is required;
- 61-99 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
11 March 2008

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 June 2006. During the 52 weeks ended 28 December 2007, 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, legal and commercial 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 28 December 2007, 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	5
Sir Robert Smith	7			5
Christopher Clarke	7	3	4	
Keith Cochrane	7			
Michael Dearden	7	3	4	5
Stephen King	7	3		
Alan Mitchelson	7			
Professor Ian Percy	7		4	5
Lord Robertson	6			4
Mark Selway	7			5

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 annually.

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 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 2007, 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, with input from other board members.

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.

Corporate Governance Statement (Continued)

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.

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, legal and commercial director and the four divisional managing directors. In the year to 28 December 2007, 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 the executive members of the Board and meets as required.

Other committees

The other board committees are the Audit Committee, the Nomination Committee and the Remuneration Committee (details of which are contained on pages 32 to 39).

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.

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 2007 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 SPM did not become fully integrated into the Risk and Control Framework and the Group system of internal control until September 2007. As part of the integration plan, Weir Multiflo will be integrated into the Framework during 2008.

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. The Group has board representation on each of its joint venture 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 36. 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 2007. In the course of 2007, 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 LLP and the Internal Auditor;

f) Corporate Governance Reporting;

g) the fees for Ernst & Young LLP for 2007;

h) the audit strategy for year end 2007 audit;

i) the fraud and error guidelines contained in IAS240; and

j) the Group 'whistleblowing' policy.

Both the Group internal auditor and PricewaterhouseCoopers LLP 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 LLP in respect of audit and assurance services of £1.6m (2006: £1.0m) and transaction support services of £0.7m (2006: £nil) in respect of 2007 were approved by the Committee.

The Group maintains a 'whistleblowing' 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 LLP can be brought in to review procedures if appropriate. The 'whistleblowing' 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
11 March 2008

Nomination Committee Report

During 2007, 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 training for directors;

c) the board evaluation process; and

d) the progress on the recruitment of the successor to Christopher Clarke.

Sir Robert Smith
Chairman of the Nomination Committee
Signed and approved for and on behalf of the Board
11 March 2008

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 continued to provide external advice in formulating remuneration policy and its implementation during 2007, as well as advice on employee share schemes. New Bridge Street Consultants LLP's appointment was renewed by the Committee in 2007. New Bridge Street Consultants LLP 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 2007. 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.

Executive directors remuneration policy

The Committee has adopted the following policy for the remuneration of executive directors throughout 2007. It is intended that this policy will apply in 2008 and for 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 in this Report.

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 Long Term Incentive Plan ("LTIP") so that over a five year period they build up a meaningful shareholding.

Executive directors remuneration components

The components of the remuneration package comprise of 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 and having regard to salary increases throughout the Group;

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 2007, the target was based solely on normalised pre-tax profits and the maximum potential bonus receivable by the chief executive was 125% of salary and for the other executive directors 100% of salary. The performance criteria and the maximum bonus potential will be the same for 2008. As a member of the LTIP, 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 LTIP, 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 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 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.

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, salary (both for contributions and for plan benefits) is subject to a plan specific earnings cap. This is currently £112,800.

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 increase by an amount equal to retail price inflation up to 5% per annum for service up to April 2006. For service after April 2006, the increase is up to 2.5% per annum. 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

During 2007, the Company continued with its annual grant policy under the LTIP and made awards of performance shares, matching shares and investment shares:

i) Performance shares – Performance shares are conditional awards to acquire free shares subject to Group performance (see below) and continued employment until the third anniversary of the award. In 2007, conditional awards of performance shares were made worth 70% of salary to the chief executive, 45% of salary to the group finance director and 80% to the legal and commercial director. At the 2008 annual general meeting of the Company, shareholder approval will be sought to amend the terms of the LTIP to: (i) increase the annual limit on performance shares from 80% of salary to 100% of salary and (ii) provide flexibility to increase such limit to 150% of salary in such circumstances as the Committee determine exceptional (currently the exceptional limit is restricted for use in connection with recruitment). The changes are being proposed following the Committee concluding that the current annual limits constrain the Company's ability to make market competitive performance share awards. No other changes to the terms of the LTIP are currently envisaged. It is the Committee's intention to make grants in 2008 of 100% of salary to the executive directors.

ii) Matching and investment shares – Matching shares are conditional awards to acquire free shares, subject to Group performance (see below) and continued employment until the third anniversary of the award. Matching shares are granted in connection with an individual's investment from their annual bonus. Under the LTIP, 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 20%) 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" both on a compulsory and voluntary basis under the LTIP.

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 vesting of conditional awards of performance and matching shares is subject to the satisfaction of a highly demanding performance condition. For the performance share awards granted in 2007, 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. 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. For awards granted in 2008, the performance conditions and the Comparator Group will be the same as for the 2007 awards.

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.

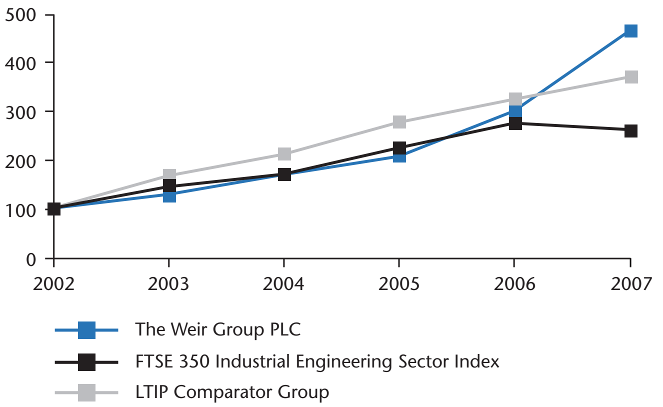
In addition to TSR performance, for any of the performance and matching shares to vest, the growth in the Company's earnings per share over the performance period must be equal to or greater than the growth in the UK Retail Prices Index over the same period.

At the 2008 annual general meeting of the Company, shareholder approval is being sought in relation to changes to the Company's long-term incentive arrangements. The details are set out in the notice of the annual general meeting.

Remuneration Committee Report (Continued)

Performance graph

The graph below compares the Company's total shareholder return performance over a five year period against the LTIP Comparator Group and the FTSE 350 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 2007 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 LTIP Comparator Group and the FTSE 350 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	May 2010	6 months
Christopher Clarke	14 December 1999	7 May 2008	6 months
Michael Dearden	17 February 2003	May 2009	6 months
Stephen King	3 February 2006	7 May 2008	6 months
Professor Ian Percy	11 October 1996	7 May 2008	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
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 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. It is the Company's policy that remuneration earned from such appointments may be kept by the individual executive director.

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 New Bridge Street Consultants LLP. 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. In 2007, the Chairman's remuneration increased to £175,000 and the basic fee for each of the non-executive directors increased to £40,000. In addition, each of the chairmen of the Audit and Remuneration Committees is paid an additional fee which in 2007 increased to £7,500. There was no change to the fee for the combined role of deputy chairman and senior non-executive director of £10,000 in 2007. There will be no change to the Chairman's remuneration or fees for the non-executive directors in 2008.

Directors remuneration

	Notes	Salary & Fees £	Bonus (Note v) £	Benefits (Note vi) £	Total 2007 £	Total 2006 £
Chairman and non-executive directors:						
Sir Robert Smith		168,749	-	472	169,221	146,668
Christopher Clarke		39,000	-	-	39,000	44,623
Michael Dearden	i	45,875	-	-	45,875	40,000
Stephen King	ii	45,875	-	-	45,875	40,000
Professor Ian Percy	iii	49,000	-	-	49,000	56,967
Lord Robertson		39,000	-	-	39,000	35,000
		387,499	-	472	387,971	363,258
Executive directors:						
Keith Cochrane	iv	354,056	357,075	17,505	728,637	321,050
Alan Mitchelson		274,009	276,345	14,364	564,717	498,215
Mark Selway		541,822	683,100	44,097	1,269,019	999,737
2006 Retiree		-	-	-	-	245,002
		1,557,386	**1,316,520**	**76,438**	**2,950,344**	2,427,262
Previous year comparatives		1,471,998	886,050	69,214		

Audited

(i) The fees for Michael Dearden include £6,875 for services as chairman of the Remuneration Committee (2006: £5,000).

(ii) The fees for Stephen King include £6,875 for services as chairman of the Audit Committee (2006: £5,000).

(iii) The fees for Professor Ian Percy include £10,000 for services as deputy chairman and for his role as senior non-executive director (2006: £10,000).

(iv) Keith Cochrane was appointed on 3 July 2006.

(v) The bonus figures for Keith Cochrane, Alan Mitchelson and Mark Selway include £71,415 (2006: £25,875), £55,269 (2006: £40,050) and £170,775 (2006: £112,200) respectively, which will be compulsorily 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 2008 award.

(vi) Benefits include, as appropriate, car allowance, participation in the Group health care scheme, travel allowance and death in service insurance.

Long term incentives#

		As at 30 Dec 2006	Granted during year	Vested during year	Lapsed during year	As at 28 Dec 2007	Market price at date of vesting	Market price at date of award (Note viii)	Normal exercise period (Note vii)
Keith Cochrane	2006 Award	76,695	-	-	-	76,695	-	445p	24.08.09 - 24.11.09
	2007 Award	-	42,288	-	-	42,288	-	730p	29.06.10 - 29.09.10
		76,695	**42,288**	-	-	**118,983**	-		
Alan Mitchelson	2004 Award	47,166	-	(47,166)	-	-	723.5p	307p	11.06.07 - 11.09.07
	2005 Award	32,925	-	-	-	32,925	-	322p	01.04.08 - 01.07.08
	2006 Award	54,062	-	-	-	54,062	-	445p	04.04.09 - 04.07.09
	2007 Award	-	61,599	-	-	61,599	-	730p	29.06.10 - 29.09.10
		134,153	**61,599**	**(47,166)**	-	**148,586**	-		
Mark Selway	2004 Award	142,801	-	(142,801)	-	-	723.5p	307p	11.06.07 - 11.09.07
	2005 Award	105,524	-	-	-	105,524	-	322p	01.04.08 - 01.07.08
	2006 Award	144,764	-	-	-	144,764	-	445p	04.04.09 - 04.07.09
	2007 Award	-	108,198	-	-	108,198	-	730p	29.06.10 - 29.09.10
		393,089	**108,198**	**(142,801)**	-	**358,486**	-		

Audited

Remuneration Committee Report (Continued)

Long Term Incentive Plan - outstanding awards as at 28 December 2007

		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
	2007 Award	22,426	3,611	16,251	42,288
		99,121	**3,611**	**16,251**	**118,983**
Alan Mitchelson	2005 Award	32,925	-	-	32,925
	2006 Award	27,338	5,939	20,785	54,062
	2007 Award	30,855	5,590	25,154	61,599
		91,118	**11,529**	**45,939**	**148,586**
Mark Selway	2005 Award	105,524	-	-	105,524
	2006 Award	84,096	17,334	43,334	144,764
	2007 Award	53,390	15,659	39,149	108,198
		243,010	**32,993**	**82,483**	**358,486**

(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 in relation to Performance Share Awards and Matching Share Awards are maximum entitlements and the actual number of shares (if any) which vest will depend on the performance conditions being achieved as set out on page 35.

(iv) The closing market price of the shares at 28 December 2007 was 820.5p and the range for the year was 530p to 909.5p.

(v) Awards take the form of nil cost options and have no performance retesting facility.

(vi) On 21 June 2007, the 2004 awards under the Group Long Term Incentive Plan vested in full as the Company's TSR ranked in the upper quintile of the Comparator Group. On 28 June 2007, Alan Mitchelson and Mark Selway exercised their awards and received 47,166 and 142,801 ordinary shares of 12.5p each respectively. In order to release sufficient funds to pay the relevant tax and national insurance, Alan Mitchelson and Mark Selway sold 19,100 shares and 57,831 shares respectively at a price of 721.6443p. The balance of the shares were retained by them. The market price on the date of exercise was 723.5p. The aggregate gains made on all award exercises by directors during the year totalled £1,350,665 (2006: £6,399).

(vii) Awards can be exercised after the third anniversary of the award date, subject to the performance conditions.

(viii) The 2004 Awards were awarded on 11 June 2004. The 2005 Awards were awarded on 1 April 2005. The 2006 Awards were awarded on 4 April 2006 in the case of Alan Mitchelson and Mark Selway and on 24 August 2006 in the case of Keith Cochrane. The 2007 Awards were awarded on 29 June 2007.

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. 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 (note 1) £	At year start £	Change during the year net of directors ordinary contributions (note 3) £	Directors ordinary contributions £	At year end £	Increase in accrued pension during the year (net of inflation) £	Transfer value of increase (net of inflation) (note 2) £
Contributing member:										
Alan Mitchelson	4, 5, 6	22,173	3,990	26,163	416,171	106,781	8,772	531,724	3,060	61,250

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.

Remuneration Committee Report (Continued)

Directors interests

The interests of the directors in the ordinary shares of the Company as at 28 December 2007 and at the end of the preceding financial year were as follows:–

	As at 28 December 2007			As at 29 December 2006		
	shares	shares under option	LTIP awards	shares	shares under option	LTIP awards
Sir Robert Smith	52,400	-	-	50,000	-	-
Christopher Clarke	10,000	-	-	10,000	-	-
Keith Cochrane	5,185	-	118,983	3,500	-	76,695
Michael Dearden	10,000	-	-	10,000	-	-
Stephen King	1,050	-	-	1,050	-	-
Alan Mitchelson	98,441	-	148,586	67,767	-	134,153
Professor Ian Percy	-	-	-	-	-	-
Lord Robertson	2,637	-	-	2,637	-	-
Mark Selway	211,396	-	358,486	126,426	-	393,089

(i) At the date of this report the interests of the directors in the shares of the Company remain as stated above except that on 9 January 2008, Stephen King purchased 5,500 ordinary shares of 12.5p each.

(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.

Michael Dearden
Chairman of the Remuneration Committee
Signed and approved for and on behalf of the Board
11 March 2008

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 2007, the Group Operations Executive Committee reviewed the safety, quality and environmental performance against the objectives set for 2007. 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 Environmental, Health and Safety 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 2007, the Group held its first Global Environmental, Safety and Health Conference in Glasgow which brought together each of the local forums to identify best practice and plan the priorities for the coming year.

The Environmental Health and Safety Group Forum has been working toward all our major European operations achieving OHSAS 18001 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.

The Group has adopted a behavioural system known as SAFESTART which has been rolled out to all operations and all new employees are given this training as part of their induction. The Group is committed to maintain the profile of this programme throughout the Group as the key to its success is the involvement and understanding at all levels of the organisation.

The 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.

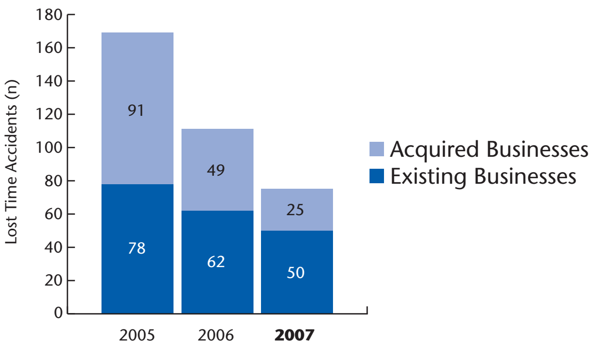
The Group's policy on health and safety requires that all our companies take a proactive responsible attitude to the protection of their employees health and safety. All companies carefully evaluate risks to personnel wherever they are working and take appropriate steps to minimise such risks. These 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.

Corporate Social Responsibility Report (Continued)

The key measure of safety performance is the number of lost time accidents ("LTAs"). The 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". The results for 2005, 2006 and 2007 are as follows:

Lost Time Accidents



The results for 2005, 2006 and 2007 reflect the considerable improvement which the Group's focus on safety has achieved during the period of review. Companies that were already owned by the Group at the start of 2005 were successful in reducing their lost time accidents by 19% in 2007. Companies which have been acquired by the Group in the same period include Weir Gabbioneta, our Saudi Arabian joint venture, Weir SPM and Weir Multiflo and we have used their historic prior to ownership records for the purposes of comparison. These companies combined reduced their lost time accidents by 49% in the year reflecting the considerable emphasis which the Group places on this area on any new acquisition.

The companies who have the highest numbers of accidents are audited by our insurers to ensure that 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. Near misses are also monitored to further improve the safety culture that is being engendered across the Group.

In November 2007, **Weir Services Alloa** were awarded the Opticon Contractor of the Year award for Health & Safety by ScottishPower. Opticon stands for Optimisation of Contractors, an accreditation scheme which recognises efforts in achieving added value through cooperation and sharing knowledge and experience. The award is in recognition of the completion of two major pump and valve/actuator outages at Longannet Power Station. Weir Services Alloa completed the contract working over 50,000 man hours on site with an Accident Frequency Rate and Total Reportable Incident Rate of zero. Through a process of close engagement involving ScottishPower staff and fellow Opticon contractors, the contract was completed without injury to personnel or damage to the environment.

Supplier relations

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 28 December 2007, 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 to our mutual benefit, particularly in areas such as raw materials, packaging and recycling.

Workplace

In December 2007, **Weir Minerals India** was honoured with the prestigious India Manufacturing Excellence Gold Award for Engineering facilities by Frost & Sullivan, a US based global growth consulting company. The awards for Engineering and other sectors aim to highlight the best facilities in India that have achieved and sustained manufacturing excellence. A stringent evaluation process including site visits is used to select award recipients, with factors being assessed including Safety and Environment, Supply Chain, Quality Systems and Operational Flexibility.

In 2007, **Weir Services Middle East** was given recognition as a "top tier supplier" by BP through the division's Baku service facility which manages BP's workshop and maintains their critical rotating equipment assets in the Caspian. This is a reflection of the working relationship with BP which has led them to expand the breadth of the contract to include spares procurement and additional asset management.

Environment

- The 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 Environmental, Health and Safety Forums, all new businesses are brought into line with best practice 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 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. During 2007, Weir Valves & Controls China, Weir Services in Saudi Arabia, Abu Dhabi, India and Malaysia, plus service centres in Grand Prairie, Canada and Wollongong, Australia and the Minerals South African Rustenberg Service Centre all achieved ISO 14001 accreditation. It is expected that our only other non-compliant companies, Weir Gabbioneta, Weir Minerals China, Weir SPM and Weir Multiflo, will achieve full compliance in 2008.

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 is:

"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 2007, there were no environmental incidents at any of the Group operations.

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

Weir Minerals South America runs free bus services from each of the towns surrounding its factory for all staff, thus reducing pollution by reducing car usage and also congestion.

Community and educational

During the year, Group companies were involved in numerous community, social and cultural initiatives, many of which were nominated and driven by our employees. We also participate in a range of educational and training initiatives.

Weir Services Australia sponsors two engineering Scholarships at the University of New South Wales. Undergraduate Materials Science students are selected by an interview panel (academics and Weir personnel) to receive a scholarship over four years to assist in their studies. The students are offered vacational employment for 12 weeks per year to obtain practical experience. The scholarship programme allows Weir to contribute to the ever-diminishing pool of future scientists. In addition, Weir Minerals Australia has an employee from the R&D section in Group Technology who is currently being sponsored for a PhD at University of Technology, Sydney in the study of erosion wear resistant white cast irons. Weir Minerals Australia also sponsors a PhD student and a Post Doctorate Fellow who are working on a research programme at the University of Alberta, Edmonton, Canada. This is close to the huge Oil Sands Mineral process plants. The Oil Sands Mines have estimated operating lives of hundreds of years and are heavy users of large slurry pumps for hydro transport and mineral processing. They also sponsor a research programme at the University of Akron, USA into a study of wear fundamentals of elastomeric materials over the next three to four years.

Weir Minerals South America sponsors a chair at the University School of Engineering to support a professor in the Structural and Seismic Isolation discipline. They also sponsor a chair at the University School of Metallurgical Engineering to support a professor in the Metallurgic and Mining discipline. The managing director sits as a board member of the Education and Capacitating National Enterprises Organisation, which is responsible for several schools for low income students and provides further education to enable students to get a technical speciality qualification.

Employees from **Weir Services Alloa** are actively involved with local Glasgow, South Lanarkshire and East Renfrewshire schools on issues such as school placement requests and career talks. They have also provided employees for IMechE Mentoring, a scheme which provides mentoring for the Institute of Mechanical Engineers and involves advice and lectures to undergraduates.

Corporate Social Responsibility Report (Continued)

During December 2007, the staff at **Weir Minerals South America Peru** took gifts to two local underprivileged communities at Newmont Yanacocha and La Laguna.

Weir Minerals South America have a variety of initiatives including charity donations inside the San Bernardo community. The staff of the Chile Plant in San Bernardo help tidy and prepare the company football stadium for the surrounding neighbourhood and their children and also put together a Soccer School.

Weir Minerals South America also organised an Open Day for the families of employees to come to work to find out more about the company's products, how they are used in the mining industry and how their parents contribute to the Group in their daily functions.

Weir Minerals India has adopted a small school and volunteers visit the school at least once a month, spending time with the children and helping them.

The company also has several workplace initiatives namely:

- Comprehensive Sexual, Reproductive Health & HIV/AIDS Programme;
- Preventative health-care education; and
- Health education about, among others, lifestyle, diseases, and de-stressing.

Under community outreach initiatives, Weir Minerals India has identified beneficiaries such as childrens homes and schools, and is planning to provide educational support, health education and career mentoring.

In 2007, **Weir Services Alloa** entered a team of three for a 30 mile cycle and 45 mile walk along Scotland's Great Glen for Maggie Monster Bike and Hike. The task, completed in 20 hours, raised money for Maggie's Cancer Centres. In addition, several staff and customers of Weir Services Alloa and Cathcart entered a charity white water rafting event for Chest, Heart and Stroke Scotland.

Weir SPM, Fort Worth employees donated personal care items and a cash donation for families in need in their local community. The photograph shows members of the Weir SPM Charity Committee giving the donations to a member of the White Settlement Community Services group.

The Weir Group PLC Financial Statements

for the 52 weeks ended 28 December 2007

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 28 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income & 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 28 December 2007 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 & 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 information that is contained in the Chairman's Statement, the Chief Executive's Review, 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 2006 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 2007, 2007 Highlights, the Chairman's Statement, Our Geographic Footprint, the Chief Executive's Review, 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 28 December 2007 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
11 March 2008

Consolidated Income Statement

for the 52 weeks ended 28 December 2007

	Notes	**52 weeks ended 28 December 2007** Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m	52 weeks ended 29 December 2006 Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m
Continuing operations							
Revenue	3	**1,060.6**	-	**1,060.6**	870.4	-	870.4
Continuing operations							
Operating profit		**118.7**	**(6.2)**	**112.5**	75.3	13.4	88.7
Share of results of joint ventures	15	**3.4**	-	**3.4**	2.4	-	2.4
Operating profit		**122.1**	**(6.2)**	**115.9**	77.7	13.4	91.1
Finance costs	6	**(12.7)**	-	**(12.7)**	(10.8)	-	(10.8)
Finance income	6	**7.6**	-	**7.6**	5.3	-	5.3
Other finance income - retirement benefits	24	**3.2**	-	**3.2**	4.9	-	4.9
Profit before tax from continuing operations		**120.2**	**(6.2)**	**114.0**	77.1	13.4	90.5
Tax expense	7	**(33.8)**	**2.1**	**(31.7)**	(19.6)	(2.0)	(21.6)
Profit for the period from continuing operations		**86.4**	**(4.1)**	**82.3**	57.5	11.4	68.9
Profit for the period from discontinued operations	8	**11.8**	**80.9**	**92.7**	12.8	(0.1)	12.7
Profit for the period		**98.2**	**76.8**	**175.0**	70.3	11.3	81.6
Attributable to							
Equity holders of the Company		**98.1**	**76.8**	**174.9**	70.3	11.3	81.6
Minority interests		**0.1**	-	**0.1**	-	-	-
		98.2	**76.8**	**175.0**	70.3	11.3	81.6
Earnings per share	9						
Basic - total operations				**83.8p**			39.4p
Basic - continuing operations		**41.4p**		**39.4p**	27.8p		33.3p
Diluted - total operations				**82.9p**			38.8p
Diluted - continuing operations		**40.9p**		**39.0p**	27.4p		32.8p

Consolidated Balance Sheet

at 28 December 2007

	Notes	28 December 2007 £m	29 December 2006 £m
ASSETS			
Non-current assets			
Property, plant & equipment	11	**136.3**	116.6
Investment property	11	**4.8**	-
Intangible assets	12	**503.2**	180.1
Investments in joint ventures & associate	15	**7.2**	33.5
Deferred tax assets	23	**3.1**	19.3
Retirement benefit plan surpluses	24	**45.5**	7.8
Derivative financial instruments	30	**1.2**	4.9
Total non-current assets		**701.3**	362.2
Current assets			
Inventories	16	**173.5**	120.9
Trade & other receivables	17	**255.2**	203.8
Construction contracts	18	**32.8**	34.9
Derivative financial instruments	30	**10.6**	6.5
Income tax receivable		**1.8**	0.1
Cash & short-term deposits	19	**54.2**	146.3
Total current assets		**528.1**	512.5
Total assets		**1,229.4**	874.7
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	20	**8.5**	7.5
Trade & other payables	21	**257.8**	212.4
Construction contracts	18	**55.9**	46.3
Derivative financial instruments	30	**11.8**	3.0
Income tax payable		**20.8**	19.4
Provisions	22	**22.8**	27.3
Total current liabilities		**377.6**	315.9
Non-current liabilities			
Interest-bearing loans & borrowings	20	**217.0**	145.9
Derivative financial instruments	30	**5.1**	1.8
Provisions	22	**22.6**	13.6
Deferred tax liabilities	23	**53.3**	13.9
Retirement benefit plan deficits	24	**8.6**	11.7
Total non-current liabilities		**306.6**	186.9
Total liabilities		**684.2**	502.8
NET ASSETS		**545.2**	371.9
CAPITAL & RESERVES			
Share capital	25	**26.5**	26.4
Share premium	25	**37.7**	35.4
Treasury shares	25	**(9.3)**	(10.7)
Capital redemption reserve	25	**0.5**	0.5
Foreign currency translation reserve	25	**0.2**	(2.9)
Hedge accounting reserve	25	**3.5**	3.5
Retained earnings	25	**485.6**	319.3
Shareholders equity		**544.7**	371.5
Minority interest	25	**0.5**	0.4
TOTAL EQUITY		**545.2**	371.9

Approved by the Board of Directors on 11 March 2008

Mark Selway *Director*

Keith Cochrane *Director*

Consolidated Cash Flow Statement

for the 52 weeks ended 28 December 2007

	Notes	**52 weeks ended 28 December 2007 £m**	52 weeks ended 29 December 2006 £m
Continuing operations			
Cash flows from operating activities	26		
Cash generated from operations		**151.8**	111.0
Additional pension contributions paid		**(6.5)**	(7.0)
Fundamental restructuring costs paid		**(0.4)**	(3.3)
Income tax paid		**(33.1)**	(16.5)
Net cash generated from operating activities		**111.8**	84.2
Continuing operations			
Cash flows from investing activities			
Acquisitions of subsidiaries	26	**(317.8)**	(2.1)
Disposals of subsidiaries & associate	26	**127.3**	(1.8)
Purchases of property, plant & equipment & intangible assets		**(43.5)**	(24.7)
Exceptional proceeds on sale of property		**-**	8.3
Other proceeds from sale of property, plant & equipment & intangible assets		**3.2**	0.8
Interest received		**7.5**	5.3
Dividend received from discontinued associate		**2.5**	-
Other dividends received		**3.7**	1.5
Net cash used in investing activities		**(217.1)**	(12.7)
Continuing operations			
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2.4**	3.1
Proceeds from borrowings		**124.3**	90.7
Repayments of borrowings		**(73.7)**	(110.2)
Interest paid		**(12.6)**	(10.2)
Dividends paid to equity holders of the Company		**(31.1)**	(27.7)
Net cash generated from (used in) financing activities		**9.3**	(54.3)
Net (decrease) increase in cash & cash equivalents from continuing operations		**(96.0)**	17.2
Net increase in cash & cash equivalents from discontinued operations - operating activities		**1.4**	22.9
Net decrease in cash & cash equivalents from discontinued operations - investing activities		**(0.5)**	(2.7)
Cash & cash equivalents at beginning of period		**139.1**	104.0
Foreign currency translation differences		**2.1**	(2.3)
Cash & cash equivalents at end of period	19	**46.1**	139.1

Consolidated Statement of Recognised Income & Expense

for the 52 weeks ended 28 December 2007

	Note	**52 weeks ended 28 December 2007 £m**	52 weeks ended 29 December 2006 £m
Income & expense recognised directly in equity			
Gains taken to equity on cash flow hedges		**6.2**	11.5
Exchange differences on translation of foreign operations		**3.1**	(12.8)
Actuarial gains on defined benefit plans		**29.5**	33.0
Share of associate's actuarial gain on defined benefit plans		**-**	4.4
Transfers to the income statement			
On cash flow hedges		**(1.9)**	(1.1)
On cash flow hedges - discontinued operations		**(4.3)**	-
Tax on items taken directly to or transferred from equity	7	**(7.0)**	(12.5)
Net income recognised directly in equity		**25.6**	22.5
Profit for the period		**175.0**	81.6
Total recognised income & expense for the period		**200.6**	104.1
Attributable to			
Equity holders of the Company		**200.5**	104.1
Minority interests		**0.1**	-
		200.6	104.1

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 28 December 2007 were approved and authorised for issue in accordance with a resolution of the directors on 11 March 2008. The comparative information is presented for the 52 weeks ended 29 December 2006. 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.

In preparing these financial statements the Group has applied IAS40 "Investment Property", IFRS7 “Financial Instruments: Disclosures” and IAS1 “Amendment to IAS1: Capital Disclosures”. Following the disposal of Weir Pumps, a property held by the company now meets the definition of investment property. The application of IAS40 resulted in a reclassification, amounting to £4.8m, from property, plant & equipment to investment property in the balance sheet. The directors have chosen to apply the cost model within IAS40, therefore there has been no adjustment necessary to the measurement basis of the property and as such there is no other impact from the adoption of this accounting policy, which is detailed below, in these financial statements. The adoption of IFRS7 resulted in the Group disclosing additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to including greater detail on the fair value of its financial instruments and its risk exposure. The adoption of the IAS1 amendment resulted in the Group disclosing additional information about its capital structure. There has been no effect on reported income or net assets from the adoption of IFRS7 or the IAS1 amendment.

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 29 December 2006 and the Group’s 2007 Interim Report. The format of the consolidated income statement included within these consolidated financial statements, which now presents intangibles amortisation in a separate column with exceptional items, has been adopted as it presents information in a format that is more relevant to users of the financial statements by improving the visibility of the impact that increased acquisition activity has had on intangible assets. In addition, the analysis of expenses has been transferred from the face of the income statement to the notes to the financial statements in order to present the key performance indicators more clearly to users of the financial statements. The comparative information has been reclassified accordingly, resulting in the reclassification of intangibles amortisation of £2.3m.

The format of the consolidated cash flow statement presented in these financial statements differs from that used in the Group's consolidated financial statements for the 52 weeks ended 29 December 2006. The format of the consolidated cash flow statement included within these financial statements, which presents cash flows for continuing operations only, 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 restated accordingly, resulting in £22.9m of cash inflows from operating activities and £2.7m of cash outflows from investing activities being reclassified as relating to discontinued operations.

Use of estimates & 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 21.

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 associate’s results. The financial statements of subsidiaries, joint ventures and associate’s 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 associate 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 and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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.

Notes to the Group Financial Statements (Continued)

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.

Intangible assets acquired separately are measured on initial recognition at cost. 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 intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost which, in respect of an acquired intangible asset, represents its fair value at the acquisition date, to the income statement over its expected useful life. An 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.

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.

The expected useful lives of intangible assets are as follows

Brand names	-	indefinite life
Customer relationships	-	10 - 25 years
Purchased software	-	4 - 8 years
Intellectual property & trade marks	-	6 -15 years
Other	-	up to 6 years

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.

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.

Investment property

The Group has one property which is currently being held to earn rentals and for capital appreciation rather than for use in the production or supply of goods and services and as such this property is classified as investment property. Investment property is stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over 40 years.

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, other short-term highly liquid investments with a maturity on acquisition of three months or less, bank overdrafts and short-term borrowings with a maturity on acquisition of three months or less. 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 comprise bank overdrafts and short-term borrowings, loans, cash and short-term deposits as well as financial derivatives. 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.

Notes to the Group Financial Statements (Continued)

Financial instruments

(a) Derivative financial instruments

The Group uses derivative financial instruments, principally forward foreign currency contracts and cross currency swaps, 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 foreign currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of cross currency swap contracts is calculated by reference to market values. 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.

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 remeasured 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 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
IFRS2	Amendment to IFRS2 Share Based Payment: Vesting Conditions and Cancellations *	1 January 2009
IFRS3	Revised IFRS3 Business Combinations *	1 July 2009
IFRS8	Operating Segments	1 January 2009
IAS1	Amendments to IAS1 Presentation of Financial Statements: A Revised Presentation *	1 January 2009
IAS23	Amendments to IAS23 Borrowing Costs	1 January 2009
IAS27	Amendments to IAS27 Consolidated and Separate Financial Statements *	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC12	Service Concession Arrangements	1 January 2008
IFRIC13	Customer Loyalty Programmes*	1 July 2008
IFRIC14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	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.

IAS23 requires borrowing costs attributable to the acquisition or construction of certain assets to be capitalised. The option currently taken by the Group of charging such costs to the income statement in the period in which they are incurred will no longer be available prospectively from 1 January 2009.

IFRS3 will apply to business combinations arising from 1 January 2010. This will require recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs will be required to be recognised immediately in the income statement.

Notes to the Group Financial Statements (Continued)

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.

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 28 December 2007 and 52 weeks ended 29 December 2006 analysed by business segment.

	Engineering Products		**Engineering Services**		**Defence, Nuclear & Gas**		**Total continuing operations**	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Revenue								
Sales to external customers								
- existing operations	**632.9**	538.0	**231.4**	225.2	**117.6**	107.2	**981.9**	870.4
- acquisitions	**78.7**	-	**-**	-	**-**	-	**78.7**	-
Sales to external customers	**711.6**	538.0	**231.4**	225.2	**117.6**	107.2	**1,060.6**	870.4
Inter-segment sales	**22.1**	22.4	**1.2**	1.6	**-**	-	**23.3**	24.0
Segment revenue	**733.7**	560.4	**232.6**	226.8	**117.6**	107.2	**1,083.9**	894.4
Sales to external customers - existing operations - at 2007 average exchange rates	**632.9**	525.5	**231.4**	221.7	**117.6**	107.3	**981.9**	854.5
Result								
Segment result before exceptional items & intangibles amortisation								
- existing operations	**79.6**	59.9	**18.5**	12.9	**10.4**	10.0	**108.5**	82.8
- acquisitions	**19.1**	-	**-**	-	**-**	-	**19.1**	-
Exceptional income (net) - existing operations	**-**	5.0	**-**	-	**-**	-	**-**	5.0
Intangibles amortisation								
- existing operations	**(1.7)**	(1.5)	**(0.5)**	(0.5)	**(0.2)**	(0.2)	**(2.4)**	(2.2)
- acquisitions	**(3.7)**	-	**-**	-	**-**	-	**(3.7)**	-
	93.3	63.4	**18.0**	12.4	**10.2**	9.8	**121.5**	85.6
Share of results of joint ventures	**-**	-	**3.4**	2.4	**-**	-	**3.4**	2.4
	93.3	63.4	**21.4**	14.8	**10.2**	9.8	**124.9**	88.0
Unallocated expenses*							**(9.0)**	(7.6)
Unallocated exceptional income							**-**	10.7
Operating profit							**115.9**	91.1
Segment result before exceptional items & intangibles amortisation - existing operations - at 2007 average exchange rates	**79.6**	58.1	**18.5**	13.1	**10.4**	10.0	**108.5**	81.2

*Unallocated expenses include intangibles amortisation of £0.1m (2006: £0.1m).

3. Segment information (continued)

	Engineering Products		Engineering Services		Defence, Nuclear & Gas		Total operations	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Assets & liabilities								
Segment assets	**955.7**	472.1	**110.5**	111.4	**34.8**	29.6	**1,101.0**	613.1
Investments in joint ventures & associate	**-**	-	**7.2**	7.5	**-**	-	**7.2**	7.5
	955.7	472.1	**117.7**	118.9	**34.8**	29.6	**1,108.2**	620.6
Segment assets now classified as discontinued operations							**-**	77.5
Unallocated assets							**121.2**	176.6
Total assets							**1,229.4**	874.7
Segment liabilities	**216.6**	146.5	**42.0**	44.0	**59.4**	52.6	**318.0**	243.1
Segment liabilities now classified as discontinued operations							**-**	42.6
Unallocated liabilities							**366.2**	217.1
Total liabilities							**684.2**	502.8
Other segment information								
Segment capital expenditure	**33.4**	17.5	**8.7**	5.7	**1.3**	1.2	**43.4**	24.4
Unallocated capital expenditure							**0.1**	1.1
Total capital expenditure							**43.5**	25.5
Segment depreciation & amortisation	**17.8**	12.1	**4.7**	4.2	**0.9**	0.9	**23.4**	17.2
Unallocated depreciation & amortisation							**0.3**	0.3
Total depreciation & amortisation							**23.7**	17.5
Warranty expense (net)	**4.5**	4.1	**0.8**	0.3	**1.3**	-	**6.6**	4.4

Segment assets now classified as discontinued operations represent £51.5m previously included within Engineering Products and £26.0m previously included within Engineering Services.
Segment liabilities now classified as discontinued operations were previously included within Engineering Products. Further 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 28 December 2007 and the 52 weeks ended 29 December 2006.

52 weeks ended 28 December 2007	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	**323.9**	**138.4**	**123.6**	**114.2**	**117.2**	**83.3**	**105.9**	**76.1**	**1,082.6**
Less sales attributable to discontinued operations	**(0.2)**	**(6.5)**	**(6.2)**	**(0.1)**	**(0.2)**	**(3.7)**	**(2.0)**	**(3.1)**	**(22.0)**
Revenue from continuing operations	**323.7**	**131.9**	**117.4**	**114.1**	**117.0**	**79.6**	**103.9**	**73.0**	**1,060.6**
Other segment information									
Segment assets	**506.2**	**146.4**	**7.5**	**144.6**	**63.4**	**21.0**	**206.3**	**18.0**	**1,113.4**
Investments in joint ventures	**-**	**-**	**-**	**-**	**-**	**7.2**	**-**	**-**	**7.2**
	506.2	**146.4**	**7.5**	**144.6**	**63.4**	**28.2**	**206.3**	**18.0**	**1,120.6**
Unallocated assets									**108.8**
Total assets									**1,229.4**
Total capital expenditure	**15.5**	**6.9**	**1.6**	**4.4**	**4.9**	**1.8**	**7.8**	**1.1**	**44.0**

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	(1.3)	(15.1)	(12.6)	(1.0)	(5.2)	(15.3)	(1.9)	(18.1)	(70.5)
Revenue from continuing operations	240.5	115.9	104.7	110.2	93.5	72.1	72.6	60.9	870.4
Other segment information									
Segment assets	131.3	180.0	3.3	119.6	41.3	14.0	168.5	14.9	672.9
Investments in joint ventures & associate	-	26.0	-	-	-	7.5	-	-	33.5
	131.3	206.0	3.3	119.6	41.3	21.5	168.5	14.9	706.4
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

Unallocated assets primarily comprise cash and 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 and 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.

4. Revenues & expenses

The following disclosures are given in relation to continuing operations.

	2007 £m	2006 £m
An analysis of the Group's revenue is as follows.		
Sales of goods	**754.7**	596.4
Rendering of services	**202.9**	183.5
Revenue from construction contracts	**103.0**	90.5
Revenue	**1,060.6**	870.4
Finance income	**7.6**	5.3
Total revenue	**1,068.2**	875.7

No revenue was derived from exchanges of goods or services (2006: £nil).

	2007 £m	2006 £m
A reconcilliation of revenue to operating profit is as follows.		
Revenue	**1,060.6**	870.4
Cost of sales	**(746.4)**	(623.6)
Gross profit	**314.2**	246.8
Other operating income (note 5)	**2.4**	6.7
Selling & distribution costs	**(115.9)**	(110.7)
Administrative expenses (note 5)	**(88.2)**	(52.3)
Restructuring costs (note 5)	**-**	(1.8)
Share of results of joint ventures	**3.4**	2.4
Operating profit	**115.9**	91.1

	2007 £m	2006 £m
Operating profit is stated after charging		
Costs of inventories recognised as an expense	**746.4**	623.6
Depreciation	**17.5**	15.2
Amortisation (note 12)	**6.2**	2.3
Foreign exchange losses (net)	**0.6**	-
Impairment of trade receivables (note 17) (included within administrative expenses)	**1.5**	0.6

The following disclosures are given in relation to total operations.

	2007 £m	2006 £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 Company 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	**0.8**	0.6
- Other services pursuant to legislation	**0.5**	0.1
- Transaction support services	**0.7**	-
Fees payable in respect of the Group's pension schemes		
- Audit	**0.1**	0.1

Notes to the Group Financial Statements (Continued)

4. Revenues & expenses (continued)

Research & development costs

Research & development costs consist of £8.9m (2006: £6.1m) 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 £10.0m (2006: £9.7m).

	2007 £m	2006 £m
Employee benefits expense		
Wages & salaries	**234.5**	223.0
Social security costs	**29.4**	28.5
Pension costs (income) - defined benefit plans	**4.0**	(4.9)
Pension costs - defined contribution plans	**6.6**	7.0
Share-based payments - equity settled transactions	**1.4**	1.4
	275.9	255.0

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.

	2007 Number	2006 Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows.		
Engineering Products	**5,689**	4,850
Engineering Services	**1,893**	1,980
Defence, Nuclear & Gas	**583**	522
Discontinued operations	**194**	623
	8,359	7,975

5. Exceptional items & intangibles amortisation

	2007 £m	2006 £m
Recognised in arriving at operating profit from continuing operations		
Profit on sale of property (included in other operating income)	**-**	6.8
Pension plan gain (included in administrative expenses)	**-**	10.7
Restructuring costs	**-**	(1.8)
Exceptional items	**-**	15.7
Intangibles amortisation	**(6.2)**	(2.3)
Exceptional items & intangibles amortisation	**(6.2)**	13.4

Profit on sale of property

A profit of £6.8m was made in 2006 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 in 2006, 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.

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 were 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 separately.

6. Net finance costs

(a) Finance costs

	2007 £m	2006 £m
Interest payable on bank loans & overdrafts	**(12.3)**	(9.8)
Finance charges payable under finance leases	**-**	(0.1)
Finance charges related to committed loan facilities	**(0.4)**	(0.9)
	(12.7)	(10.8)

(b) Finance income

	2007 £m	2006 £m
Interest receivable on cash at bank	**7.6**	5.3

7. Tax expense

(a) Income tax expense

	2007 £m	2006 £m
Consolidated income statement		
Current income tax		
UK corporation tax - continuing operations	**(9.1)**	(3.2)
- discontinued operations	**-**	(1.0)
Adjustments in respect of current income tax of previous years	**4.6**	(0.5)
UK corporation tax	**(4.5)**	(4.7)
Foreign tax	**(21.9)**	(23.5)
Adjustments in respect of current income tax of previous years	**(1.0)**	0.2
Total current income tax	**(27.4)**	(28.0)
Deferred income tax		
Origination & reversal of temporary differences	**(8.3)**	(7.7)
Adjustment to estimated recoverable deferred tax assets	**2.8**	13.1
Effect of changes in tax rates	**0.6**	-
Total deferred tax *	**(4.9)**	5.4
Total income tax expense in the consolidated income statement	**(32.3)**	(22.6)

* Includes £2.6m of deferred tax charge relating to foreign tax (2006: a credit of £2.3m).

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

	2007	2006
Tax expense - continuing operations before exceptional items & intangibles amortisation	**(33.8)**	(19.6)
- exceptional items	**-**	(2.7)
- intangibles amortisation	**2.1**	0.7
- within profit from discontinued operations	**(0.6)**	(1.0)

UK corporation tax includes £nil (2006: a credit of £0.5m) in respect of the exceptional restructuring costs of £nil (2006: £1.8m) and deferred tax "origination & reversal of temporary differences" includes £nil (2006: a charge of £3.2m) in respect of the exceptional pension plan gain of £nil (2006: £10.7m).

Current tax for 2007 has been reduced by £2.8m (2006: £1.9m) due to the utilisation of deferred tax assets previously not recognised.

The total deferred tax included in the income tax expense is detailed in note 23.

7. Tax expense (continued)

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

	2007 £m	2006 £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
Deferred tax - origination & reversal of temporary differences	**(8.0)**	(10.2)
	(8.0)	(10.1)
Deferred tax on hedge gains / losses	-	(3.2)
Deferred tax on share-based payments	**0.4**	0.3
Current tax on share-based payments	**0.5**	0.5
Effect of changes in tax rates	**0.1**	-
Tax charge in the statement of recognised income & expense	**(7.0)**	(12.5)

(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 31.3% (2006: 31.0%). The differences are reconciled below.

	2007 £m	2006 £m
Profit from continuing operations before tax	**114.0**	90.5
Profit from discontinued operations before tax	**93.3**	13.7
Accounting profit before tax	**207.3**	104.2
At the weighted average of standard rates of corporation tax across the Group of 31.3% (2006: 31.0%)	**64.8**	32.3
Adjustments in respect of previous years - current tax	**(3.6)**	0.3
- deferred tax	**(0.5)**	(1.4)
Effect of changes in tax rates	**(0.6)**	-
Joint ventures & associate	**(2.0)**	(3.2)
Unrecognised deferred tax assets	**(2.8)**	(13.1)
Overseas tax on unremitted earnings	**1.1**	7.6
Permanent differences	**0.2**	1.1
Gains exempt from tax	**(24.3)**	(1.0)
At effective tax rate of 15.6% (2006: 21.7%)	**32.3**	22.6

8. Discontinued operations

On 8 May 2007, the Group disposed of its Glasgow-based pump manufacturing operation Weir Pumps for a total cash consideration of £45.5m resulting in a gain on disposal of £26.0m after a tax charge of £nil. Of the disposal proceeds, £1.7m has been allocated to the ongoing lease of the Cathcart site by the purchaser and has been deferred. The net assets disposed of amounted to £13.7m and direct disposal costs and provisions amounted to £8.4m, including estimated costs of £2.6m associated with separating the discontinued operations of Weir Pumps from the remaining Weir Engineering Services and Materials and Foundry operations. The net gain suspended in equity on cash flow hedges, amounting to £4.3m, has been recycled to the income statement as part of the gain on sale in accordance with IAS39.

On 28 June 2007, the Group completed the sale of its 24.5% interest in its associate, Devonport Management Limited, for a total cash consideration of £85.7m. Approval of the sale was obtained from the Ministry of Defence on 26 June 2007, at which time the investment became held for sale. The carrying value of the investment at the date of sale was £26.8m. Costs and provisions associated with the disposal amounted to £4.0m resulting in a gain on disposal of £54.9m after a tax charge of £nil.

The results of Weir Pumps, which were previously included within the Engineering Products segment, and the Group's share of the results of Devonport Management Limited, which were previously reported in the Engineering Services segment, have been included in the consolidated income statement as discontinued operations. The net gain of £80.9m made on these disposals has been recorded as an exceptional item in the consolidated income statement.

Profits recognised in respect of prior years' disposals relate to the negotiated settlement of claims connected to prior period disposals and the release of certain provisions no longer required.

The revenue, results and cash flows relating to discontinued operations are as follows.

	2007 £m	2006 £m
Sale of goods	**9.9**	29.9
Revenue from construction contracts	**12.1**	40.6
Revenue	**22.0**	70.5
Cost of sales	**(13.9)**	(55.9)
Other operating income	**1.2**	2.2
Selling & distribution costs	**(2.7)**	(8.6)
Administrative expenses	**(1.4)**	(4.0)
Share of results of associate (after tax)	**3.3**	8.1
Operating profit	**8.5**	12.3
Income tax	**-**	(1.0)
Profit after tax	**8.5**	11.3
Profits recognised in respect of prior years' disposals (after tax)	**3.3**	1.4
Profit for the period from discontinued operations *	**11.8**	12.7
Net gain on current year disposals - exceptional items (on which no tax has been provided)	**80.9**	-
Profit for the period from discontinued operations	**92.7**	12.7

* including intangibles amortisation net of tax of £nil (2006: £0.1m)

Loss before net finance costs and tax is stated after charging		
Costs of inventories recognised as an expense	**13.9**	55.9
Depreciation & amortisation	**0.9**	2.6
Foreign exchange losses (net)	**0.1**	-
The income tax is analysed as follows.		
On profit on ordinary activities	**-**	(1.0)
In respect of prior year disposals	**(0.6)**	-
The cash inflow from current year disposals was as follows.		
Consideration	**129.5**	-
Costs associated with the disposals	**(4.3)**	-
Net cash inflow	**125.2**	-
Inter-segment sales	**4.2**	5.0
Capital expenditure	**0.5**	2.9
Warranty expense (net)	**0.4**	2.4

8. Discontinued operations (continued)

Earnings per share from discontinued operations

	2007 pence	2006 pence
Basic	**44.4p**	6.1p
Diluted	**43.9p**	6.0p

These earnings per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations of £92.7m (2006: £12.7m) by the weighted average number of ordinary shares for both basic and diluted amounts shown in note 9.

The major classes of assets and liabilities disposed of were as follows (2006: nil).

	2007 £m
Property, plant & equipment	**9.7**
Other intangible assets	**0.4**
Investment in associate	**26.8**
Inventories	**6.7**
Trade & other receivables	**13.6**
Construction contracts assets	**9.7**
Forward foreign currency contracts assets	**2.9**
Trade & other payables	**(17.7)**
Construction contracts liabilities	**(7.5)**
Forward foreign currency contracts liabilities	**(0.1)**
Provisions	**(4.0)**
	40.5

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 LTIP awards).

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

	2007 £m	2006 £m
Basic earnings per share		
Profit attributable to equity holders of the Company		
- Total operations*	**174.9**	81.6
- Continuing*	**82.2**	68.9
- Continuing (before exceptional items & intangibles amortisation)*	**86.3**	57.5
Weighted average share capital (number of shares, million)	**208.6**	207.1
Diluted earnings per share		
Profit attributable to equity holders of the Company		
- Total operations*	**174.9**	81.6
- Continuing*	**82.2**	68.9
- Continuing (before exceptional items & intangibles amortisation)*	**86.3**	57.5
Weighted average share capital (number of shares, million)	**210.9**	210.1

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.

	2007 Shares Million	2006 Shares Million
Weighted average number of ordinary shares for basic earnings per share	**208.6**	207.1
Effect of dilution: share options	**0.4**	1.0
LTIP awards	**1.9**	2.0
Adjusted weighted average number of ordinary shares for diluted earnings per share	**210.9**	210.1

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

	2007 £m	2006 £m
Net profit attributable to ordinary shareholders from continuing operations*	**82.2**	68.9
Exceptional items & intangibles amortisation net of tax	**4.1**	(11.4)
Net profit attributable to ordinary shareholders from continuing operations before exceptional items & intangibles amortisation*	**86.3**	57.5

There have been 7,200 (2006: 80,367) share options exercised between the reporting date and the date of signing of these financial statements.

* adjusted for £0.1m (2006: £nil) attributable to minority interests.

10. Dividends paid & proposed

	2007 £m	2006 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2006: 10.75p (2005: 9.65p)	**22.4**	19.9
Interim dividend for 2007: 4.15p (2006: 3.75p)	**8.7**	7.8
	31.1	27.7
Proposed for approval by shareholders at the AGM		
Final dividend for 2007: 12.35p (2006: 10.75p)	**25.8**	22.3

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.

Notes to the Group Financial Statements (Continued)

11. Property, plant & equipment & Investment property

	Land & buildings £m	Plant & equipment £m	Total property plant & equipment £m	Investment property £m
Cost				
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	-
Additions	8.7	31.4	40.1	-
Acquisitions	2.4	8.7	11.1	-
Disposals	(1.7)	(9.9)	(11.6)	-
Discontinued operations	-	(35.4)	(35.4)	-
Reclassification	(11.8)	-	(11.8)	11.8
Exchange adjustment	3.3	8.5	11.8	-
At 28 December 2007	**65.5**	**185.2**	**250.7**	**11.8**
Accumulated depreciation & impairment				
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	-
Depreciation charge for the period	1.8	16.3	18.1	0.2
Disposals	(1.4)	(5.3)	(6.7)	-
Discontinued operations	-	(25.7)	(25.7)	-
Reclassification	(6.8)	-	(6.8)	6.8
Exchange adjustment	1.0	4.6	5.6	-
At 28 December 2007	**17.8**	**96.6**	**114.4**	**7.0**
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	-
Net book value at 28 December 2007	**47.7**	**88.6**	**136.3**	**4.8**

The carrying value of buildings held under finance leases is £1.6m (2006: £1.6m). The carrying value of plant and equipment held under finance leases is £0.1m (2006: £nil). Leased assets are pledged as security for the related finance lease liabilities. The carrying amount of assets under construction included in plant & equipment is £4.3m (2006: £1.5m). 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 £1.2m (2006: £2.1m).

Following the disposal of Weir Pumps, a property held by the company now meets the definition of investment property and rental income is generated from Clyde Pumps Limited. The site is subject to a conditional sale agreement, due for completion in 2009, for a consideration of not less than £25.0m. The rental income included in the income statement amounts to £0.6m.

12. Intangible assets

	Goodwill £m	Brand name £m	Customer relationships £m	Purchased software £m	Intellectual property & trade marks £m	Other £m	Total £m
Cost							
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
Additions	-	-	-	1.8	2.1	-	3.9
Acquisitions	178.1	25.1	85.1	0.2	11.0	4.4	303.9
Disposals	-	-	-	(0.2)	-	-	(0.2)
Discontinued operations	-	-	-	(1.6)	-	-	(1.6)
Reclassification	-	-	-	(0.5)	0.5	-	-
Exchange adjustment	16.6	1.1	3.5	0.2	0.7	0.2	22.3
At 28 December 2007	**348.6**	**30.8**	**103.4**	**15.4**	**14.3**	**5.2**	**517.7**
Accumulated amortisation & impairment							
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
Amortisation charge for the period	-	-	2.3	1.9	0.5	1.6	6.3
Disposals	-	-	-	(0.1)	-	-	(0.1)
Discontinued operations	-	-	-	(1.2)	-	-	(1.2)
Reclassification	-	-	-	(0.5)	0.5	-	-
Exchange adjustment	-	-	-	0.1	0.1	-	0.2
At 28 December 2007	**-**	**-**	**3.1**	**8.6**	**1.1**	**1.7**	**14.5**
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
Net book value at 28 December 2007	**348.6**	**30.8**	**100.3**	**6.8**	**13.2**	**3.5**	**503.2**

Brand names have been assigned an indefinite useful life and as such are not amortised. The brand name value of £30.8m comprises three brands, Gabbioneta £5.0m, SPM £23.1m and Multiflo £2.7m, all of which were recognised at fair value at their respective dates of acquisition. Both the Gabbioneta and SPM brands have long histories in the oil & gas markets where they are both considered to be market leaders. The carrying value is tested annually for impairment.

Customer relationships of £100.3m comprise £14.9m acquired as part of the Group's acquisition of Pompe Gabbioneta SpA in 2005 and £85.4m acquired as part of the Group's acquisition of SPM Flow Control, Inc. in 2007. The remaining amortisation period of these assets as at 28 December 2007 is 23 years and an average of 24 years respectively.

The carrying value of purchased software held under finance leases is £nil (2006: £0.4m). The amortisation charge for the period is included in the income statement as follows.

	2007 £m	2006 £m
Cost of sales	**0.4**	0.4
Selling & distribution costs	**0.1**	0.1
Administrative expenses	**5.7**	1.8
Profit for the period from discontinued operations	**0.1**	0.2
	6.3	2.5

Notes to the Group Financial Statements (Continued)

13. Business combinations

On 19 July 2007, the Group acquired 100% of the share capital of SPM Flow Control, Inc., a company based in Fort Worth, Texas, specialising in the manufacture of high-pressure well service pumps and related flow control equipment which operate in abrasive, high-wear applications in oil & gas drilling and extraction. The total cash consideration was £321.9m. On 21 August 2007, the Group acquired Multiflo, a privately owned specialist mine dewatering pump business based in Caloundra, Australia. The total cash consideration was £9.3m. Both acquisitions have been accounted for on a provisional basis as a limited number of fair values have still to be finalised.

The provisional fair values of the identifiable assets and liabilities at the relevant dates of acquisition are as follows.

	2007 Carrying values Multiflo £m	2007 Recognised on acquisition Multiflo £m	2007 Carrying values SPM £m	2007 Recognised on acquisition SPM £m	2007 Recognised on acquisition Total £m
Property, plant & equipment	0.1	0.2	11.5	10.9	11.1
Intangible assets	-	4.4	-	121.4	125.8
Inventories	1.3	0.3	29.6	37.2	37.5
Trade & other receivables	1.5	1.5	36.8	35.6	37.1
Cash & cash equivalents	-	-	13.5	13.5	13.5
Interest-bearing loans & borrowings	-	-	(0.2)	(0.2)	(0.2)
Trade & other payables	(2.1)	(1.4)	(21.7)	(21.9)	(23.3)
Provisions	(0.1)	(0.1)	(1.0)	(2.7)	(2.8)
Income tax	-	-	(0.2)	(4.2)	(4.2)
Deferred tax	-	-	0.8	(41.4)	(41.4)
Fair value of net assets	0.7	4.9	69.1	148.2	153.1
Goodwill arising on acquisition		4.4		173.7	178.1
Total consideration		**9.3**		**321.9**	**331.2**
Consideration		9.2		319.3	328.5
Costs associated with the acquisition		0.1		2.6	2.7
Total consideration		**9.3**		**321.9**	**331.2**
The cash outflow on acquisition was as follows.					
Cash & cash equivalents acquired		-		13.5	13.5
Cash paid		(9.3)		(321.9)	(331.2)
Net cash outflow		**(9.3)**		**(308.4)**	**(317.7)**

From the date of the acquisition SPM Flow Control, Inc. contributed £9.8m to the 2007 profit for the period from continuing operations of the Group. The results of Multiflo were not significant. The combined revenue and profit of the Group, assuming that SPM Flow Control, Inc. and Multiflo had been acquired at the start of 2007, would have been £1164.9m and £98.5m respectively.

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.

Included in the £178.1m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

14. Impairment testing of goodwill & 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.

	2007 £m	2006 £m
Weir SPM	**178.0**	-
Warman companies	**94.7**	88.5
Weir Gabbioneta	**52.7**	48.2
Other	**23.2**	17.2
	348.6	153.9

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 (brand names) have been allocated as follows.

	2007 £m	2006 £m
Weir SPM	**23.1**	-
Weir Multiflo	**2.7**	-
Weir Gabbioneta	**5.0**	4.6
	30.8	4.6

The increase of £0.4m in the carrying value of the Gabbioneta 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 CGU 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. Weighted average growth rates used were 2.6% for Weir SPM, 2.9% (2006: 2.9%) for the Warman companies, 2.0% (2006: 2.0%) for Weir Gabbioneta and 2.8% (2006: 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% for Weir SPM, 15.5% (2006: 14.8%) for the Warman companies, 14.3% (2006: 13.6%) for Weir Gabbioneta and 14.0% (2006: 13.5%) 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 usedand believe that there are no such changes that would cause the carrying value of the units to exceed their recoverable amounts.

Notes to the Group Financial Statements (Continued)

15. Investments in joint ventures & associate

The significant investments in joint ventures & associate are as follows.

	Joint ventures £m	Associate £m	Total £m
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
Share of results	3.4	3.3	6.7
Share of dividends	(3.7)	(2.5)	(6.2)
Discontinued operations	-	(26.8)	(26.8)
At 28 December 2007	**7.2**	**-**	**7.2**

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

	2007 £m	2006 £m
Share of joint ventures' balance sheet		
Goodwill	**2.6**	2.7
Current assets	**6.8**	7.0
Non-current assets	**2.0**	1.4
Current liabilities	**(3.7)**	(3.2)
Non-current liabilities	**(0.5)**	(0.4)
Net assets	**7.2**	7.5
Share of joint ventures' revenue & profit		
Revenue	**13.7**	12.1
Cost of sales	**(8.7)**	(8.4)
Selling & distribution costs	**(0.4)**	(0.5)
Administrative expenses	**(0.6)**	(0.4)
Income tax expense	**(0.6)**	(0.4)
Profit after tax	**3.4**	2.4
Carrying value of investments in joint ventures	**7.2**	7.5
Share of associate's balance sheet		
Current assets	**-**	30.2
Non-current assets	**-**	42.8
Current liabilities	**-**	(40.3)
Non-current liabilities	**-**	(6.7)
Net assets	**-**	26.0
Share of associate's revenue & profit		
Revenue	**55.0**	111.1
Profit after tax	**3.3**	8.1
Carrying value of investment in associate	**-**	26.0
Total carrying value of investments in joint ventures & associate	**7.2**	33.5

The Group's significant investments in joint ventures are listed on page 107.

16. Inventories

	2007 £m	2006 £m
Raw materials	**46.8**	30.3
Work in progress	**48.3**	41.6
Finished goods	**78.4**	49.0
	173.5	120.9

The carrying amount of inventory at fair value less costs to sell is £43.8m (2006:£36.6m). 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

	2007 £m	2006 £m
Trade receivables	**220.7**	172.1
Allowance for doubtful debts	**(4.2)**	(3.2)
	216.5	168.9
Other debtors	**21.5**	17.9
Sales tax receivable	**6.8**	5.7
Accrued income	**2.8**	4.2
Amounts owed by joint ventures & associate	**-**	0.2
Prepayments	**7.6**	6.9
	255.2	203.8

The average credit period on sales of goods is 54 days (2006: 59 days).

Analysis of trade receivables

	2007 £m	2006 £m
Neither impaired nor past due	**172.5**	139.6
Past due but not impaired	**44.0**	29.3
Impaired	**4.2**	3.2
	220.7	172.1

Ageing of past due but not impaired trade receivables

	2007 £m	2006 £m
Up to 3 months	**36.6**	21.9
Between 3 and 6 months	**5.7**	6.1
More than 6 months	**1.7**	1.3
	44.0	29.3

Notes to the Group Financial Statements (Continued)

17. Trade & other receivables (continued)

Movement in the allowance for doubtful debts

	2007 £m	2006 £m
Balance at beginning of period	**(3.2)**	(4.2)
Impairment losses recognised on receivables	**(2.0)**	(1.2)
Discontinued operations	**0.3**	-
Amounts written off as uncollectible	**0.3**	1.5
Amounts recovered during the year	**0.3**	0.3
Impairment losses reversed	**0.2**	0.3
Exchange adjustment	**(0.1)**	0.1
Balance at end of period	**(4.2)**	(3.2)

Ageing of impaired trade receivables

	2007 £m	2006 £m
Up to 3 months	**0.1**	0.1
Between 3 and 6 months	**0.3**	0.3
More than 6 months	**3.8**	2.8
	4.2	3.2

18. Construction contracts

	2007 £m	2006 £m
Gross amount due from customers for contract work (included in current assets)	**32.8**	34.9
Gross amount due to customers for contract work (included in current liabilities)	**55.9**	46.3

For contracts in progress at the balance sheet date, the amount of contract costs incurred plus recognised profits less recognised losses to date was £188.2m (2006: £238.6m). The amount of retentions held by customers for contract work amounted to £1.0m (2006: £0.1m) and the amount of advances received from customers for contract work amounted to £152.5m (2006: £44.3m).

19. Cash & short-term deposits

	2007 £m	2006 £m
Cash at bank & in hand	**51.6**	43.6
Short-term deposits	**2.6**	102.7
	54.2	146.3

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

	2007 £m	2006 £m
Cash & short-term deposits	**54.2**	146.3
Bank overdrafts & short-term borrowings (note 20)	**(8.1)**	(7.2)
	46.1	139.1

Cash at bank and 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

	2007 £m	2006 £m
Current		
Bank overdrafts	**2.7**	7.2
Short-term borrowings	**5.4**	-
	8.1	7.2
Bank loans	**0.1**	0.1
Obligations under finance leases (note 27)	**0.3**	0.2
	8.5	7.5
Non-current		
Bank loans	**216.5**	145.3
Obligations under finance leases (note 27)	**0.5**	0.6
	217.0	145.9
Bank loans comprise the following:		
C$ variable rate loans 2009	**89.5**	76.7
A$ variable rate loans 2009	**76.9**	68.4
US$ variable rate loan 2009	**50.1**	-
Euro 5.4% fixed rate loan 2009	**0.1**	0.3
	216.6	145.4
Less: current instalments due on bank loans	**(0.1)**	(0.1)
	216.5	145.3

The A$ and US$ variable rate loans are borrowings under the Group's £300m five year syndicated multi-currency revolving credit facility which was entered into in July 2004. The A$ loans bear interest at rates based on the bank bill swap rate or Australian dollar LIBOR. The current weighted average effective interest rate on the A$ loans is 7.72% per annum (2006: 6.84% per annum).

The US$ loan bears interest at rates based on US dollar LIBOR. The current effective interest rate on the US$ loan is 5.42% per annum (2006: n/a).

The C$ variable rate loans represent borrowings under four separate credit facilities. These loans bear interest at rates based on Canadian dollar LIBOR. The current weighted average effective interest rate on the C$ loans is 5.46% per annum (2006: 4.75% per annum).

As at 28 December 2007, the undrawn committed facilities amounted to £173.0m (2006: £231.6m) on the £300m five year multi-currency revolving credit facility and C$5.0m (2006: C$5.0m) on the Canadian dollar credit facilities. The Group has further undrawn committed facilities under an additional revolving credit facility amounting to £85.0m.

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.

21. Trade & other payables

	2007 £m	2006 £m
Trade payables	**142.1**	128.4
Other creditors	**14.0**	8.5
Other taxes & social security costs	**14.2**	11.3
Accruals	**61.4**	48.0
Deferred income	**26.1**	16.2
	257.8	212.4

22. Provisions

	Warranties £m	Employee related £m	Discontinued operations warranty & indemnity £m	Rationalisation £m	Onerous sales contracts £m	Other £m	Total £m
At 29 December 2006	14.8	6.1	11.4	3.4	1.3	3.9	40.9
Additions	8.9	6.1	4.9	1.9	1.3	2.0	25.1
Acquisitions	2.7	0.1	-	-	-	-	2.8
Discontinued operations	(4.0)	-	-	-	-	-	(4.0)
Utilised	(3.9)	(1.0)	(6.4)	(2.6)	(0.5)	(1.9)	(16.3)
Unused	(1.9)	(0.5)	(1.2)	(0.3)	-	(0.6)	(4.5)
Exchange adjustment	1.0	0.3	-	-	(0.3)	0.4	1.4
At 28 December 2007	**17.6**	**11.1**	**8.7**	**2.4**	**1.8**	**3.8**	**45.4**
Current 2007	12.7	2.1	2.7	2.3	1.8	1.2	22.8
Non-current 2007	4.9	9.0	6.0	0.1	-	2.6	22.6
	17.6	**11.1**	**8.7**	**2.4**	**1.8**	**3.8**	**45.4**
Current 2006	11.0	2.0	7.3	2.8	1.3	2.9	27.3
Non-current 2006	3.8	4.1	4.1	0.6	-	1.0	13.6
	14.8	**6.1**	**11.4**	**3.4**	**1.3**	**3.9**	**40.9**

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.

Employee related

Employee related provisions arise from legal obligations and claims primarily in the UK, Australia, South America and Europe. These provisions are based on management's best estimates of the likely costs. It is expected that the costs will be incurred in the period up to 2021.

Discontinued operations warranty & indemnity

During 2005, the Company provided in full for residual liabilities of discontinued operations for which the Company retains responsibility. Provisions amounting to £6.4m were utilised during 2007 (2006: £2.1m) and, following the expiry of certain warranty periods, an amount of £1.2m has been released to the income statement as it is no longer required. Provisions have increased by £4.9m during 2007 in respect of the current year disposals (note 8).

The provision as at 28 December 2007 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ, and in some cases, this may be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within two years 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 various ongoing restructuring activities across the Group. It is expected that the majority of the provision will be utilised in 2008 with remaining costs being incurred in the period up to 2010.

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.

Other

Other provisions relate principally to an environmental clean up programme in the United States, for a company acquired in 1992. 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.

23. Deferred tax

	2007 £m	2006 £m
Consolidated balance sheet		
Deferred income tax assets		
Post-employment benefits	**3.2**	3.5
Decelerated depreciation for tax purposes	**0.2**	0.3
Tax losses	**-**	2.6
US deferred interest deductions	**0.4**	3.2
Untaxed reserves	**20.1**	14.5
Offset against liabilities	**(20.8)**	(4.8)
Gross deferred income tax assets	**3.1**	19.3
Deferred income tax liabilities		
Post-employment benefits	**(12.8)**	(1.7)
Accelerated depreciation for tax purposes	**(3.0)**	(2.7)
Overseas tax on unremitted earnings	**(9.1)**	(7.6)
Intangible assets	**(47.8)**	(4.8)
Other temporary differences	**(1.4)**	(1.9)
Offset against assets	**20.8**	4.8
Gross deferred income tax liabilities	**(53.3)**	(13.9)
Net deferred income tax (liability) asset	**(50.2)**	5.4

The movement in deferred income tax asset and liabilities during the year is as follows.

	Post employment benefits £m	Accelerated depreciation for tax purposes £m	Tax losses £m	US deferred interest deductions £m	Overseas tax on unremitted earnings £m	Intangible assets £m	Other temporary differences £m	Total £m
At 30 December 2005	19.3	(1.5)	0.6	-	-	(4.8)	(0.1)	13.5
(Charged) credited to the income statement	(7.0)	(1.0)	2.1	3.2	(7.6)	0.1	15.6	5.4
Charged to equity	(10.1)	-	-	-	-	-	(2.9)	(13.0)
Exchange adjustment	(0.4)	0 .1	(0.1)	-	-	(0.1)	-	(0.5)
At 29 December 2006	1.8	(2.4)	2.6	3.2	(7.6)	(4.8)	12.6	5.4
(Charged) credited to the income statement	(3.4)	(0.4)	(2.7)	(2.7)	(1.1)	2.1	3.3	(4.9)
(Charged) credited to equity	(7.9)	-	-	-	-	-	0.4	(7.5)
Acquisition of subsidiary	-	-	-	-	-	(43.7)	2.3	(41.4)
Exchange adjustment	(0.1)	-	0.1	(0.1)	(0.4)	(1.4)	0.1	(1.8)
At 28 December 2007	**(9.6)**	**(2.8)**	**-**	**0.4**	**(9.1)**	**(47.8)**	**18.7**	**(50.2)**

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 occurs.

Deferred tax asset balances for unused tax losses of £8.2m (2006: £9.5m) and deductible temporary differences of £4.0m (2006: £2.4m) 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 £16.1m (2006: £17.6m) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

23. Deferred tax (continued)

Temporary differences associated with Group investments

The Group has determined that the unremitted earnings of the South American subsidiaries will be distributed in the foreseeable future and accordingly, a deferred tax liability of £9.1m (2006: £7.6m) has been recognised in respect of taxes arising from such a distribution. As at 28 December 2007, 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 or joint ventures which would result in a reversal of deferred tax.

The temporary differences associated with investments in subsidiaries and joint ventures, for which a deferred tax liability has not been recognised aggregate to £465.8m (2006: £211.3m).

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

24. Pensions & 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 as follows.

52 weeks ended 28 December 2007

	UK pensions £m	**North American pensions £m**	**Post retirement healthcare £m**	**Total £m**
Plans in surplus at 28 December 2007	**44.0**	**1.5**	-	**45.5**
Plans in deficit at 28 December 2007	**(1.1)**	**(3.1)**	**(4.4)**	**(8.6)**
	42.9	**(1.6)**	**(4.4)**	**36.9**
Plan assets at fair value				
Equities	**208.5**	**4.6**	-	**213.1**
Bonds	**159.2**	**33.9**	-	**193.1**
Insurance policy	**218.5**	**18.3**	-	**236.8**
Other	-	**0.7**	-	**0.7**
Fair value of plan assets	**586.2**	**57.5**	-	**643.7**
Present value of plan liabilities	**(543.3)**	**(59.1)**	**(4.4)**	**(606.8)**
Net pension asset (liability)	**42.9**	**(1.6)**	**(4.4)**	**36.9**

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 liability	2.5	(1.5)	(4.9)	(3.9)

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.

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

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

52 weeks ended 28 December 2007

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Recognised in the income statement				
Current service cost	**2.9**	**1.1**	**-**	**4.0**
Expected return on plan assets	**(33.1)**	**(3.0)**	**-**	**(36.1)**
Interest cost on plan liabilities	**29.8**	**2.8**	**0.3**	**32.9**
Other finance (income) cost	**(3.3)**	**(0.2)**	**0.3**	**(3.2)**
Taken to the statement of recognised income & expense				
Actual return on plan assets	**13.5**	**2.9**	**-**	**16.4**
Less: expected return on plan assets	**(33.1)**	**(3.0)**	**-**	**(36.1)**
	(19.6)	**(0.1)**	**-**	**(19.7)**
Other actuarial gains (losses)	**50.2**	**(1.4)**	**0.4**	**49.2**
Actuarial gains (losses) recognised in the statement of recognised income & expense	**30.6**	**(1.5)**	**0.4**	**29.5**

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)
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

24. Pensions & 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. The Group made contributions of £6.5m in 2007 (2006: £7.0m) in addition to the employers' regular contributions. The total contributions to the defined benefit plans in 2008 are expected to be £5.5m. 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 American pensions		Post-retirement healthcare	
	2007 %	2006 %	**2007 %**	2006 %	**2007 %**	2006 %
Main assumptions						
Rate of salary increase	**3.3**	3.1	**3.1**	3.1	**n/a**	n/a
Rate of increase in pensions in payment						
Pre 6 April 2006 service	**3.3**	2.8	**n/a**	n/a	**n/a**	n/a
Post 6 April 2006 service	**2.5**	2.5	**n/a**	n/a	**n/a**	n/a
Discount rate	**5.9**	5.2	**5.7**	5.4	**6.4**	5.8
Expected rates of return on plan assets						
Equities	**7.7**	7.7	**8.0**	7.4	**n/a**	n/a
Bonds	**4.3**	4.5	**4.2**	4.2	**n/a**	n/a
Insurance policy	**5.9**	n/a	**5.5**	n/a	**n/a**	n/a
Other	**n/a**	n/a	**2.5**	3.0	**n/a**	n/a
Inflation assumption	**3.3**	3.1	**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.

	2007 Years	2006 Years	**2007 Years**	2006 Years	**2007 Years**	2006 Years
Post-retirement mortality						
Current pensioners at 65 - male	**18.1**	18.1	**19.2**	17.5	**18.1**	18.1
Current pensioners at 65 - female	**20.9**	20.9	**21.7**	21.3	**20.5**	20.5
Future pensioners at 65 - male	**19.6**	19.6	**22.4**	23.8	**18.1**	18.1
Future pensioners at 65 - female	**22.3**	22.3	**22.5**	27.7	**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 2037 (in 30 years time).

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

	Increase 2007 £m	**Decrease 2007 £m**	Increase 2006 £m	Decrease 2006 £m
Effect on defined benefit obligation	**0.4**	**(0.3)**	0.4	(0.3)

24. Pensions & 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 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 & 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
Current service cost	2.9	1.1	-	4.0
Interest cost	29.8	2.8	0.3	32.9
Benefits paid	(23.3)	(3.0)	(0.3)	(26.6)
Contributions by employees	1.9	0.5	-	2.4
Actuarial gains & losses	(50.2)	1.4	(0.4)	(49.2)
Exchange adjustment	-	6.3	(0.1)	6.2
As at 28 December 2007	**543.3**	**59.1**	**4.4**	**606.8**

The defined benefit obligation comprises £5.5m (2006: £5.9m) arising from unfunded plans and £601.3m (2006: £631.2m) 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 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 & losses	12.1	1.9	-	14.0
Exchange adjustment	-	(6.4)	-	(6.4)
As at 29 December 2006	584.7	48.5	-	633.2
Expected return on plan assets	33.1	3.0	-	36.1
Employer contributions	9.4	2.0	0.3	11.7
Contributions by employees	1.9	0.5	-	2.4
Benefits paid	(23.3)	(3.0)	(0.3)	(26.6)
Actuarial gains & losses	(19.6)	(0.1)	-	(19.7)
Exchange adjustment	-	6.6	-	6.6
As at 28 December 2007	**586.2**	**57.5**	**-**	**643.7**

Notes to the Group Financial Statements (Continued)

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

History of experience gains & losses

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
UK pensions					
Fair value of plan assets	**586.2**	584.7	548.0	463.5	419.8
Present value of defined benefit obligation	**(543.3)**	(582.2)	(596.5)	(548.2)	(511.3)
Surplus (deficit) in the plans	**42.9**	2.5	(48.5)	(84.7)	(91.5)
Experience adjustments arising on plan liabilities	**1.6**	(0.4)	1.1	0.4	
Changes in financial assumptions underlying plan liabilities	**48.6**	17.3	(37.1)	(19.9)	
Experience adjustments arising on plan assets	**(19.6)**	12.1	60.2	14.6	
North American pensions					
Fair value of plan assets	**57.5**	48.5	50.1	38.5	32.5
Present value of defined benefit obligation	**(59.1)**	(50.0)	(57.1)	(43.2)	(40.4)
Deficit in the plans	**(1.6)**	(1.5)	(7.0)	(4.7)	(7.9)
Experience adjustments arising on plan liabilities	**(1.9)**	(0.1)	(0.4)	0.5	
Changes in financial assumptions underlying plan liabilities	**0.5**	1.9	(4.8)	(2.1)	
Experience adjustments arising on plan assets	**(0.1)**	1.9	2.9	2.3	
Post-retirement healthcare					
Present value of defined benefit obligation	**(4.4)**	(4.9)	(6.1)	(5.9)	(7.0)
Experience adjustments arising on plan liabilities	**(0.1)**	-	0.1	(0.9)	
Changes in financial assumptions underlying plan liabilities	**0.5**	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 £81.2m (2006: a gain of £51.7m).

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

	2007 Number Million	2006 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.

	2007 Number Million	2006 Number Million
Issued & fully paid share capital		
At beginning of period	**211.0**	209.7
Issued during the year for cash on exercise of share options	**0.9**	1.3
Issued during the year in respect of LTIP awards	**0.2**	-
At end of period	**212.1**	211.0

	2007 £m	2006 £m
Shares allotted		
Aggregate nominal value of share options exercised	**0.1**	0.2
Share premium	**2.3**	2.9
Consideration received on exercise of share options	**2.4**	3.1

25. Share capital & reserves (continued)

	2007 Number Million	2006 Number Million
Treasury shares		
At beginning of period	**3.3**	3.3
Issued during the year in respect of LTIP awards	**(0.4)**	-
At end of period	**2.9**	3.3

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 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
Total recognised income & expense for the period	-	-	-	200.5	200.5	0.1	200.6
Cost of share-based payments	-	-	-	1.4	1.4	-	1.4
Dividends	-	-	-	(31.1)	(31.1)	-	(31.1)
Exercise of options & LTIP awards	0.1	2.3	1.4	(1.4)	2.4	-	2.4
At 28 December 2007	**26.5**	**37.7**	**(9.3)**	**489.8**	**544.7**	**0.5**	**545.2**

25. Share capital & reserves (continued)

	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Total reserves £m
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
Total recognised income & expense for the period	-	3.1	-	197.4	200.5
Cost of share-based payments	-	-	-	1.4	1.4
Dividends	-	-	-	(31.1)	(31.1)
LTIP awards	-	-	-	(1.4)	(1.4)
At 28 December 2007	**0.5**	**0.2**	**3.5**	**485.6**	**489.8**

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. Included in the £3.1m movement in the year is a charge of £7.9m (2006: £nil) in respect of the Group's hedge of its net investment in 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. Gains (net) transferred from equity into profit or loss during the period are included in the following line items in the income statement.

	2007 £m	2006 £m
Revenue	**0.4**	-
Cost of sales	**1.3**	-
Profit for the period from discontinued operations (revenue)	**0.2**	1.1
Profit for the period from discontinued operations (exceptional items)	**4.3**	-
	6.2	1.1

26. Additional cash flow information

	2007 £m	2006 £m
Continuing operations		
Net cash generated from operations		
Operating profit	**115.9**	91.1
Exceptional items	**-**	(15.7)
Share of results of joint ventures	**(3.4)**	(2.4)
Depreciation & amortisation	**23.7**	17.5
(Gains) losses on disposal of property, plant & equipment & investments	**(0.6)**	0.2
Funding of pension & post-retirement costs	**(1.2)**	(0.9)
(Gains) losses on derivatives that have been taken to operating profit	**(1.9)**	-
Employee share schemes	**1.4**	1.4
Increase in provisions	**7.3**	1.9
Increase in inventories	**(16.1)**	(6.6)
Increase in trade & other receivables & construction contracts & derivative financial instruments	**(20.7)**	(20.1)
Increase in trade & other payables & construction contracts & derivative financial instruments	**47.4**	44.6
Cash generated from operations	**151.8**	111.0
Additional pension contributions paid	**(6.5)**	(7.0)
Fundamental restructuring costs paid	**(0.4)**	(3.3)
Income tax paid	**(33.1)**	(16.5)
Net cash generated from operating activities	**111.8**	84.2
Acquisitions of subsidiaries		
Current year acquisitions (note 13)	**(317.7)**	(0.8)
Previous year acquisitions deferred consideration paid	**(0.1)**	(1.3)
	(317.8)	(2.1)
Disposals of subsidiaries & associate		
Current year disposals (note 8)	**125.2**	-
Previous year disposals	**2.1**	(1.8)
	127.3	(1.8)
Reconciliation of net (decrease) increase in cash & cash equivalents to movement in net debt		
Net (decrease) increase in cash & cash equivalents from continuing operations	**(96.0)**	17.2
Net increase in cash & cash equivalents from discontinued operations	**0.9**	20.2
Net (increase) decrease in debt	**(50.6)**	19.5
Change in net debt resulting from cash flows	**(145.7)**	56.9
Lease acquired	**(0.2)**	-
Foreign currency translation differences	**(18.3)**	12.4
Change in net debt during the period	**(164.2)**	69.3
Net debt at beginning of period	**(7.1)**	(76.4)
Net debt at end of period	**(171.3)**	(7.1)
Net debt comprises the following		
Cash & short term deposits (note 19)	**54.2**	146.3
Current interest-bearing loans & borrowings (note 20)	**(8.5)**	(7.5)
Non-current interest-bearing loans & borrowings (note 20)	**(217.0)**	(145.9)
	(171.3)	(7.1)

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.

	2007 £m	2006 £m
Within one year	**8.1**	6.5
After one year but not more than five years	**18.3**	12.8
More than five years	**6.1**	2.3
	32.5	21.6

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.

	2007 Minimum payments £m	**2007 Present value of payments £m**	2006 Minimum payments £m	2006 Present value of payments £m
Within one year	**0.3**	**0.3**	0.3	0.2
After one year but not more than five years	**0.6**	**0.5**	0.5	0.5
More than five years	**-**	**-**	0.1	0.1
Total minimum lease payments	**0.9**		0.9	
Less amounts representing finance charges	**(0.1)**		(0.1)	
Present value of minimum lease payments	**0.8**	**0.8**	0.8	0.8

It is the Group's policy to lease certain of its assets under finance leases. The weighted average outstanding lease term is 3.48 years (2006: 4.45 years). For the 52 weeks ended 28 December 2007, the weighted average effective borrowing rate was 5.55% (2006: 5.55%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital commitments

	2007 £m	2006 £m
Outstanding capital commitments contracted but not provided for - property, plant & equipment	**6.8**	2.5

The Group's share of the capital commitments of its joint ventures amounted to £0.3m (2006: £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.

28. Equity settled share-based payments

LTIP

Three types of award may be made under the LTIP to senior executives: performance shares, matching shares and investment shares. All awards vest over a three year period.

Performance shares

Performance shares are conditional awards to acquire free shares subject to Group performance. In 2007, conditional awards of performance shares were made worth 70% (2006: 70%) of salary to the chief executive, 45% (2006: 100%) of salary to the Group finance director and 80% (2006: 45%) to the legal and commercial director. Other conditional awards of performance shares made in 2007 were 40% (2006: 40%) of salary to other senior executives who participate in the matching shares awards, and 25% (2006: 25%) of salary to other senior executives who do not participate in that plan. At the 2008 annual general meeting of the Company, shareholder approval will be sought to amend the terms of the LTIP to (i) increase the annual limit on performance shares from 80% of salary to 100% of salary and (ii) provide flexibility to increase such limit to 150% of salary in such circumstances as the Remuneration Committee determine exceptional (currently the exceptional limit is restricted for use in connection with recruitment). The changes are being proposed following the Remuneration Committee concluding that the current annual limits constrain the Company's ability to make market competitive performance share awards. No other changes to the terms of the LTIP are envisaged.

Matching & investment shares

Matching shares are conditional awards to acquire free shares, subject to Group 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 20%) 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.

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, 2006 and 2007, 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 and 2007 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 and weighted average share prices (WASP) of shares awarded under the LTIP.

	2007 Number Million	2007 WASP	2006 Number Million	2006 WASP
Outstanding at the beginning of the period	**2.3**	**£3.55**	1.7	£3.15
Awarded during the period	**0.5**	**£7.27**	0.7	£4.45
Exercised during the period	**(0.6)**	**£7.22**	-	-
Forfeited during the period	**(0.3)**	**£6.01**	(0.1)	£4.15
Outstanding at the end of the period	**1.9**	**£4.75**	2.3	£3.55

An amount of £1.4m (2006: £1.3m) 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 £0.5m (2006: £0.4m) in respect of parent company employees and £0.9m (2006: £0.9m) in respect of employees of subsidiaries. Subsidiary companies made a cash contribution to the parent company of £0.9m (2006: £0.9m) in the year in respect of their LTIP awards.

The remaining contractual lives of the outstanding LTIP awards at the end of the period are as follows.

Year of award	2007 Number Million	2007 Remaining contractual life	2006 Number Million	2006 Remaining contractual life
2004	**-**	**-**	0.8	5 months
2005	**0.7**	**3 months**	0.8	15 months
2006	**0.7**	**15 months**	0.7	27 months
2007	**0.5**	**30 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.

	2007 Number Million	**2007 WAEP**	2006 Number Million	2006 WAEP
Outstanding at the beginning of the period	**1.3**	**£2.45**	2.8	£2.40
Expired during the period	**(0.2)**	**£2.43**	(0.2)	£2.43
Exercised during the period	**(0.9)**	**£2.54**	(1.3)	£2.35
Outstanding at the end of the period*	**0.2**	**£2.03**	1.3	£2.45
Exercisable at the end of the period	**-**	**£2.29**	0.6	£2.51

*Included within this balance are options over 13,246 (2006: 804,225) 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 707.3p (2006: 458.4p).

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

	Price per share	**2007 Number Million**	**2007 Remaining contractual life**	2006 Number Million	2006 Remaining contractual life
Executive Share Option Scheme 1994					
	246.50p	**-**	**-**	0.2	39 months
	251.50p	**-**	**-**	0.2	63 months
	262.50p	**-**	**-**	0.2	80 months
	273.00p	**-**	**-**	0.2	99 months
Savings Related Share Option Scheme 2001					
	260.00p	**-**	**-**	0.2	12 months
	201.00p	**0.2**	**12 months**	0.3	24 months

Fair value of equity settled share-based payments

The fair value of the conditional awards under the LTIP has been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the 52 weeks ended 28 December 2007 and the 52 weeks ended 29 December 2006.

	2007	2006
Weighted average dividend yield (%)	**1.99**	4.11
Weighted average expected volatility (%)	**24.00**	23.11
Weighted average expected life (years)	**3.00**	3.00
Weighted average risk free rate (%)	**5.70**	4.44
Weighted average share price (pence)	**727p**	445p
Weighted average fair value (pence)	**495p**	219p

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.

Related party		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	**2007**	**-**	**-**	**0.1**	**-**	**-**
	2006	-	0.2	0.4	-	-
Associate	**2007**	**0.4**	**0.1**	**0.7**	**-**	**-**
	2006	0.7	0.3	1.1	0.2	-
Group pension schemes	**2007**	**-**	**-**	**-**	**-**	**0.4**
	2006	-	-	-	-	0.6

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

Terms & 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 28 December 2007, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2006: £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.

Compensation of key management personnel

	2007 £m	2006 £m
Short-term employee benefits	**2.9**	2.4
Share-based payments	**0.5**	0.4
	3.4	2.8

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

30. Financial instruments

Financial risk management objectives & policies

The Group's principal financial instruments comprise bank overdrafts and short-term borrowings, loans, cash and short-term deposits as well as financial derivatives. 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.

Foreign currency risks may exist in respect of financial instruments which are denominated in a currency that is not the functional currency of the Group's subsidiary operations and which are of a monetary nature. The Group seeks to minimise these risks by ensuring that major non-derivative monetary financial instruments (receivables, payables, cash and short-term deposits and interest-bearing loans and borrowings) are either directly denominated in the functional currency of the Group's subsidiary operations or are transferred to the functional currency through the use of derivatives. Exchange rate fluctuations in respect of these financial instruments therefore have no significant effects on profit or loss or shareholders' equity.

The exception to the above is the US$100.0m variable rate loan which is not denominated in the functional currency of the borrowing entity. This borrowing forms part of the Group's hedge of its net investment in foreign operations and, as such, exchange rate fluctuations in respect of this borrowing have no effect on profit or loss and would be offset within shareholders' equity.

30. Financial instruments (continued)

Similarly, the Group's cross currency swaps, amounting to US$403.0m, and certain forward foreign currency contracts, amounting to US$150.0m, are not denominated in the functional currency of the borrowing entity. These derivative financial instruments also form part of the Group's hedge of its net investment in foreign operations and therefore exchange rate fluctuations in respect of these financial instruments have no effect on profit or loss and would be offset within shareholders' equity.

The Group also maintains a policy that all operating units hedge using forward foreign 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. Therefore, some of the Group's forward foreign currency contracts form part of an effective cash flow hedge. Exchange rate fluctuations in respect of the forward foreign currency contracts which form part of a cash flow hedge will have an impact on shareholders' equity. Exchange rate fluctuations in respect of the other forward foreign currency contracts will have an impact on profit or loss.

The Group considers the most significant foreign currency risk relates to the Australian dollar, Canadian dollar, Euro and US dollar. The following table demonstrates the sensitivity of outstanding forward foreign currency contracts to a reasonably possible change in these foreign currency exchange rates with all other variables held constant. The sensitivity analysis shows the effect on profit or loss in respect of the outstanding forward foreign currency contracts in those subsidiary operations which are not required by the Group to apply hedge accounting and the effect on shareholders' equity in respect of the outstanding forward foreign currency contracts in those subsidiary operations which do apply hedge accounting, both analysed by the relevant foreign currency. The sensitivity analysis adjusts their translation at the year end for a 5% strengthening of sterling against the relevant exchange rates.

	Increase in currency rate	Effect on profit £m	Effect on equity £m
2007			
Australian dollar	**+5%**	**-**	**-**
Canadian dollar	**+5%**	**0.4**	**-**
Euro	**+5%**	**0.2**	**(0.7)**
United States dollar	**+5%**	**1.0**	**3.3**
2006			
Australian dollar	+5%	0.1	-
Canadian dollar	+5%	0.1	-
Euro	+5%	0.1	(1.0)
United States dollar	+5%	0.1	7.0

A 5% decrease in currency rate would have an equal and opposite effect.

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. Due to long established relationships with the majority of customers, the Group does not consider there to be a significant credit quality issue. 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.

30. Financial instruments (continued)

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. Further details of the Group's borrowing facilities are disclosed in note 20.

The tables below summarise the Group's remaining contractual maturity for its financial liabilities at 28 December 2007 and 29 December 2006. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

52 weeks ended 28 December 2007

	On demand £m	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**
Trade payables & construction contracts	**-**	**(155.0)**	**(43.0)**	**-**	**-**	**(198.0)**
Obligations under finance leases	**-**	**(0.1)**	**(0.2)**	**(0.6)**	**-**	**(0.9)**
Bank overdrafts & short-term borrowings	**(2.7)**	**(5.4)**	**-**	**-**	**-**	**(8.1)**
Bank loans	**-**	**(3.8)**	**(9.1)**	**(222.1)**	**-**	**(235.0)**
	(2.7)	**(164.3)**	**(52.3)**	**(222.7)**	**-**	**(442.0)**
Cross currency swaps	**-**	**(2.7)**	**(45.7)**	**(175.5)**	**-**	**(223.9)**
Forward foreign currency contracts	**-**	**(214.7)**	**(267.7)**	**(4.5)**	**-**	**(486.9)**

52 weeks ended 29 December 2006

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Trade payables & construction contracts	-	(139.0)	(35.7)	-	-	(174.7)
Obligations under finance leases	-	(0.1)	(0.2)	(0.5)	(0.1)	(0.9)
Bank overdrafts	(7.2)	-	-	-	-	(7.2)
Bank loans	-	(2.1)	(6.3)	(158.5)	-	(166.9)
	(7.2)	(141.2)	(42.2)	(159.0)	(0.1)	(349.7)
Forward foreign currency contracts	-	(66.6)	(271.5)	(58.1)	-	(396.2)

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.

Interest rate maturity profile of financial assets & liabilities

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 28 December 2007

	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	**(0.3)**	**(0.2)**	**(0.1)**	**(0.1)**	**(0.1)**	**-**	**(0.8)**
Bank loans	**(0.1)**	**-**	**-**	**-**	**-**	**-**	**(0.1)**
Floating rate							
Cash & short-term deposits	**54.2**	**-**	**-**	**-**	**-**	**-**	**54.2**
Bank overdrafts & short-term borrowings	**(8.1)**	**-**	**-**	**-**	**-**	**-**	**(8.1)**
Bank loans	**-**	**(216.5)**	**-**	**-**	**-**	**-**	**(216.5)**
Cross currency swaps	**(1.0)**	**(1.0)**	**(1.0)**	**(1.0)**	**(0.9)**	**-**	**(4.9)**

30. Financial instruments (continued)

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	(7.2)	-	-	-	-	-	(7.2)
Bank loans	-	-	(145.1)	-	-	-	(145.1)

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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax through the impact on floating rate borrowings and cross currency swaps. There is no impact on the Group's equity. Currency derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

	Increase in basis points	**Effect on profit before tax £m**
2007		
Australian dollar	**+ 25**	**(0.2)**
Canadian dollar	**+ 25**	**(0.2)**
United States dollar	**+ 25**	**(0.6)**
UK sterling	**+ 25**	**0.5**
2006		
Australian dollar	+ 25	(0.2)
Canadian dollar	+ 25	(0.2)
United States dollar	+ 25	n/a
UK sterling	+ 25	n/a

A decrease of 25 basis points would have an equal and opposite effect.

30. Financial instruments (continued)

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 2007 £m	Fair value 2007 £m	Carrying amount 2006 £m	Fair value 2006 £m
Financial assets				
Fair value through profit or loss				
Held for trading	**5.8**	**5.8**	1.4	1.4
Derivative instruments in designated hedge accounting relationships	**6.0**	**6.0**	10.0	10.0
Loans & receivables (cash & short-term deposits)	**54.2**	**54.2**	146.3	146.3
Financial liabilities				
Fair value through profit or loss				
Held for trading	**(10.8)**	**(10.8)**	(0.5)	(0.5)
Derivative instruments in designated hedge accounting relationships	**(6.1)**	**(6.1)**	(4.3)	(4.3)
Amortised cost				
Bank overdrafts & short-term borrowings	**(8.1)**	**(8.1)**	(7.2)	(7.2)
Obligations under finance leases	**(0.8)**	**(0.8)**	(0.8)	(0.8)
Floating rate borrowings	**(216.5)**	**(216.5)**	(145.1)	(145.1)
Fixed rate borrowings	**(0.1)**	**(0.1)**	(0.3)	(0.3)

The fair value of forward foreign currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of cross currency swaps is calculated by reference to market values. 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, i.e. 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.

Derivative financial instruments

	2007 £m	2006 £m
Included in non-current assets		
Forward foreign currency contracts designated as cash flow hedges	**1.0**	4.9
Other forward foreign currency contracts	**0.2**	-
	1.2	4.9
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	**5.0**	5.1
Other forward foreign currency contracts	**5.6**	1.4
	10.6	6.5
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	**0.9**	2.5
Forward foreign currency contracts designated as net investment hedges	**0.2**	-
Cross currency swaps designated as net investment hedges	**1.0**	-
Other forward foreign currency contracts	**9.7**	0.5
	11.8	3.0
Included in non-current liabilities		
Forward foreign currency contracts designated as cash flow hedges	**0.1**	1.8
Cross currency swaps designated as net investment hedges	**3.9**	-
Other forward foreign currency contracts	**1.1**	-
	5.1	1.8

The net credit included in the income statement in respect of the change in fair value of forward foreign currency contracts that have not been subject to hedge accounting was £1.1m (2006: £1.5m).

Notes to the Group Financial Statements (Continued)

30. Financial instruments (continued)

Cash flow hedges

At 28 December 2007, the Group held over 500 (2006: over 900) 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 used to eliminate currency risk of material 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 & purchases

52 weeks ended 28 December 2007

	Sell currency m	Sterling equivalent £m	Weighted average exchange rate	Buy currency m	Sterling equivalent £m	Weighted average exchange rate	Maturity dates
Euro	**4.1**	**2.8**	**1.46**	**24.5**	**17.2**	**1.42**	**2008**
	0.8	**0.5**	**1.47**	**4.7**	**3.3**	**1.43**	**2009**
Danish kroner	**-**	**-**	**-**	**121.5**	**11.5**	**10.57**	**2008**
	-	**-**	**-**	**33.1**	**3.1**	**10.69**	**2009**
Norwegian kroner	**2.0**	**0.2**	**11.24**	**28.5**	**2.5**	**11.48**	**2008**
	-	**-**	**-**	**11.8**	**1.0**	**11.89**	**2009**
Swiss franc	**-**	**-**	**-**	**20.8**	**9.4**	**2.20**	**2008**
	-	**-**	**-**	**4.2**	**1.9**	**2.21**	**2009**
United States dollar	**119.5**	**63.6**	**1.88**	**7.5**	**3.9**	**1.93**	**2008**
	38.4	**20.1**	**1.92**	**-**	**-**	**-**	**2009**
Yen	**-**	**-**	**-**	**590.1**	**2.8**	**208.71**	**2008**
	-	**-**	**-**	**121.3**	**0.6**	**204.31**	**2009**

52 weeks ended 29 December 2006

	Sell currency m	Sterling equivalent £m	Weighted average exchange rate	Buy currency m	Sterling equivalent £m	Weighted average exchange rate	Maturity dates
Canadian dollar	0.6	0.3	2.14	-	-	-	2007
Euro	11.8	8.2	1.43	16.1	11.5	1.41	2007
	2.9	2.0	1.42	24.4	17.2	1.43	2008
	-	-	-	5.7	4.0	1.43	2009
Danish kroner	-	-	-	70.0	6.7	10.40	2007
	-	-	-	121.5	11.5	10.57	2008
	-	-	-	33.1	3.1	10.69	2009
Norwegian kroner	2.0	0.2	11.30	11.4	1.0	11.25	2007
	2.0	0.2	11.24	28.5	2.5	11.48	2008
	-	-	-	11.8	1.0	11.89	2009
Swiss franc	-	-	-	27.9	13.0	2.15	2007
	-	-	-	19.7	9.0	2.19	2008
	-	-	-	4.2	1.9	2.21	2009
United States dollar	126.9	77.7	1.63	3.2	2.2	1.47	2007
	135.6	73.5	1.84	0.6	0.3	1.94	2008
	45.5	24.0	1.89	-	-	-	2009
	0.6	0.4	1.80	-	-	-	2010
	3.0	1.7	1.83	-	-	-	2011
Yen	48.6	0.3	190.59	334.7	1.7	193.55	2007
	-	-	-	328.1	1.6	199.91	2008
	-	-	-	106.3	0.5	202.48	2009

Certain of the Group's cash flow hedges were deemed to be ineffective during the year resulting in a net credit to the income statement of £4.6m (2006: £0.1m). Included in the £4.6m was £4.3m in respect of Weir Pumps which was recycled to the income statement in accordance with IAS39 on disposal of the business and this is included within profit for the period from discontinued operations.

Net investment in foreign operation

The US dollar variable rate loan included in interest-bearing loans and borrowings, amounting to US$100.0m, plus cross currency swaps and forward foreign currency contracts amounting to US$553.0m have been designated as a hedge of the net investment in SPM Flow Control, Inc. and are being used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the retranslation of this borrowing and the fair value of the cross currency swaps and forward foreign currency contracts are transferred to equity to offset any gains or losses on translation of the net investment in this subsidiary. The US$403.0m cross currency swaps mature between 2008 and 2012 and the US$150.0m forward foreign currency contracts mature in 2008.

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using the following indicators.

Gearing ratio

Gearing comprises net debt divided by total equity. Net debt comprises cash and short-term deposits and interest-bearing loans and borrowings (see note 26).

	2007	2006
Net debt (£m)	**171.3**	7.1
Total equity (£m)	**545.2**	371.9
Gearing ratio (%)	**31**	2

Net debt to EBITDA cover

Net debt to EBITDA comprises net debt divided by operating profit from continuing operations before exceptional items, depreciation and amortisation.

	2007	2006
Net debt (£m)	**171.3**	7.1
Operating profit (£m)	**115.9**	91.1
Exceptional items (£m)	**-**	15.7
Depreciation & amortisation (£m)	**23.7**	17.5
EBITDA (£m)	**139.6**	124.3
Net debt to EBITDA cover (ratio)	**1.2**	0.1

Interest cover

Interest cover comprises operating profit from continuing operations before exceptional items and intangibles amortisation divided by net finance costs (excluding other finance income).

	2007	2006
Operating profit before exceptional items & intangibles amortisation (£m)	**122.1**	77.7
Net finance costs (£m)	**5.1**	5.5
Interest cover (ratio)	**23.9**	14.1

32. Exchange rates

The principal exchange rates applied in the preparation of these financial statements were as follows.

	2007	2006
Average rate		
United States dollar (per £)	**2.01**	1.86
Australian dollar (per £)	**2.39**	2.45
Euro (per £)	**1.46**	1.47
Canadian dollar (per £)	**2.14**	2.10
Closing rate		
United States dollar (per £)	**2.00**	1.96
Australian dollar (per £)	**2.27**	2.48
Euro (per £)	**1.37**	1.49
Canadian dollar (per £)	**1.96**	2.28

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 28 December 2007 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 28 December 2007.

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 & 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 information that is contained in the Charman's Statement, the Chief Executive's Review, 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 2007, 2007 Highlights, the Chairman's Statement, Our Geographic Footprint, the Chief Executive's Review, 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 28 December 2007;
- 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
11 March 2008

Company Balance Sheet

at 28 December 2007

	Notes	28 December 2007 £m	29 December 2006 £m
Fixed assets			
Tangible assets	3	**0.5**	0.5
Investments	4	**731.2**	422.7
Total fixed assets		**731.7**	423.2
Current assets			
Debtors	5	**17.2**	16.5
Derivative financial instruments		**4.9**	0.5
Cash at bank & in hand		**1.5**	92.6
		23.6	109.6
Creditors falling due within one year			
Bank overdrafts & short-term borrowings		**50.5**	46.4
Other creditors	6	**19.4**	26.3
Derivative financial instruments		**6.2**	0.5
		76.1	73.2
Net current (liabilities) assets		**(52.5)**	36.4
Total assets less current liabilities		**679.2**	459.6
Creditors falling due after more than one year			
Loans	7	**273.6**	134.8
Derivative financial instruments		**3.9**	-
Provisions	8	**8.3**	13.4
Net assets excluding retirement benefits		**393.4**	311.4
Retirement benefits	9	**0.8**	0.8
Net assets including retirement benefits		**392.6**	310.6
Capital & reserves			
Share capital	10	**26.5**	26.4
Share premium	11	**37.7**	35.4
Treasury shares	11	**(9.3)**	(10.7)
Capital redemption reserve	11	**0.5**	0.5
Special reserve	11	**1.8**	1.8
Profit & loss account	11	**335.4**	257.2
Total equity		**392.6**	310.6

Approved by the Board of Directors on 11 March 2008

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 associate 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 remeasured 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 comprise bank overdrafts and short-term borrowings, loans, cash and short-term deposits as well as financial derivatives.

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, 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 and cross currency swaps, 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. The fair value of cross currency swaps is calculated by reference to market values. 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 £109.1m (2006: £18.2m). 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 & proposed

	2007 £m	2006 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2006: 10.75p (2005: 9.65p)	**22.4**	19.9
Interim dividend for 2007: 4.15p (2006: 3.75p)	**8.7**	7.8
	31.1	27.7
Proposed for approval by shareholders at the AGM		
Final dividend for 2007: 12.35p (2006: 10.75p)	**25.8**	22.3

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 LTIP awards are included in the Remuneration Committee Report on pages 34 to 39.

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 £12,000 (2006: £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 29 December 2006	0.9
Additions	0.1
At 28 December 2007	**1.0**
Aggregate depreciation	
At 29 December 2006	0.4
Charge for year	0.1
At 28 December 2007	**0.5**
Net book value at 28 December 2007	**0.5**
Net book value at 29 December 2006	0.5

4. Fixed asset investments

	Subsidiaries Shares £m	Subsidiaries Loans £m	Associate £m	Total £m
Cost				
At 29 December 2006	443.9	97.6	1.7	543.2
Additions	15.1	330.1	-	345.2
Disposals / repayments	-	(35.0)	(1.7)	(36.7)
At 28 December 2007	**459.0**	**392.7**	**-**	**851.7**
Impairment				
At 29 December 2006 and 28 December 2007	**99.4**	**21.1**	**-**	**120.5**
Net book value at 28 December 2007	**359.6**	**371.6**	**-**	**731.2**
Net book value at 29 December 2006	344.5	76.5	1.7	422.7

The principal subsidiaries of the Company are listed on page 107.

5. Debtors

	2007 £m	2006 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	**9.7**	4.3
Tax recoverable	**0.3**	-
Deferred tax recoverable	**2.1**	2.3
Other debtors	**3.8**	7.7
Prepayments & accrued income	**1.3**	2.2
	17.2	16.5

6. Other creditors

	2007 £m	2006 £m
Amounts owed to subsidiaries	**9.6**	16.0
Other taxes & social security costs	**1.4**	0.6
Tax payable	**-**	3.1
Other creditors	**1.2**	0.8
Accruals & deferred income	**7.2**	5.8
	19.4	26.3

7. Loans

	2007 £m	2006 £m
Amounts due are repayable as follows		
in more than one year but not more than two years		
- bank loan	**50.1**	-
in more than two years but not more than five years		
- loans from subsidiaries	**223.5**	134.8
	273.6	134.8

Notes to the Company Financial Statements (Continued)

8. Provisions

	Subsidiaries £m	Discontinued operations warranty & indemnity £m	Total £m
At 29 December 2006	2.0	11.4	13.4
Additions	-	2.0	2.0
Unutilised	-	(1.2)	(1.2)
Utilised	-	(5.9)	(5.9)
At 28 December 2007	**2.0**	**6.3**	**8.3**

Subsidiaries

As at 28 December 2007, a provision of £2.0m (2006: £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 & indemnity

During 2005, the Company provided in full for residual liabilities of discontinued operations for which the Company retains responsibility. Provisions amounting to £5.9m were utilised during 2007 and, following the expiry of certain warranty periods, an amount of £1.2m has been released to the income statement as it is no longer required. Provisions have increased by £2.0m during 2007 in respect of the current year disposal.

The provision as at 28 December 2007 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ, and in some cases, this may be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within two years of the balance sheet date with the remaining costs expected to be incurred within five years of the balance sheet date.

Further details of the current year disposal of the company's investment in Devonport Management Limited can be found in note 8 to the Group financial statements.

9. Retirement benefits

The Company participates in the defined benefit plan arrangements within The Weir Group Pension and 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 28 December 2007, there is an overall surplus of £44.6m (2006: £5.3m) 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 positions at the 2006 and 2007 year ends 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, 2006 and 2007 year ends by a qualified independent actuary. It is intended that the next full actuarial assessment of The Weir Group 1972 Pensions and Life Assurance Plan for Senior Executives will be as at 31 December 2007.

Resulting from the latest actuarial assessment of the defined benefit plan section of The Weir Group Pension and Retirement Savings Scheme, on the advice of the actuary, the employer contribution rate increased from 12.5% to 13.5% of total contribution salaries with effect from 1 January 2007. 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 assumptions used by the actuary were (in nominal terms).

	2007 %	2006 %	2005 %
Rate of increase in salaries	**3.3**	3.1	3.9
Rate of increase in pensions in payment			
Pre 6 April 2006 service	**3.3**	2.8	2.8
Post 6 April 2006 service	**2.5**	2.5	2.8
Discount rate	**5.9**	5.2	4.8
Inflation assumption	**3.3**	3.1	2.8

9. Retirement benefits (continued)

The assets and liabilities of the plans and the long term expected rates of return are as follows.

	2007 %	2007 £m	2006 %	2006 £m	2005 %	2005 £m
Equities	**7.7**	**209.1**	7.7	398.2	7.1	382.6
Insurance policy	**5.9**	**218.5**	n/a	-	n/a	-
Bonds	**4.3**	**159.2**	4.5	188.2	3.9	166.7
Total market value of assets		**586.8**		586.4		549.3
Actuarial value of plan liabilities		**(542.2)**		(581.1)		(595.4)
Net surplus (deficit) in the plans		**44.6**		5.3		(46.1)

The movement in the surplus (deficit) during the period is analysed as follows.

	2007 £m	2006 £m
Surplus (deficit) in plans at beginning of period	**5.3**	(46.1)
Movement in year		
Current service costs	**(2.9)**	(4.5)
Negative past service cost	**-**	10.7
Other finance income	**3.5**	5.1
Profit before tax impact	**0.6**	11.3
Contributions	**9.6**	10.7
Actual return less expected return on pension plan assets	**(21.0)**	12.5
Experience gain (loss) arising on retirement benefits plan liabilities	**1.7**	(0.4)
Changes in financial assumptions underlying retirement benefits plan liabilities	**48.4**	17.3
Variance between actuarial assumptions & actual experience	**29.1**	29.4
Surplus in the plans at end of period	**44.6**	5.3

Company unapproved plan

The major assumptions used by the actuary for the Company unapproved plan were as follows.

	2007 %	2006 %	2005 %
Rate of increase in pensions in payment	**3.3**	3.1	2.8
Discount rate	**5.9**	5.2	4.8
Inflation assumption	**3.3**	3.1	2.8

The liabilities of the Company unapproved plan are as follows.

	2007 £m	2006 £m	2005 £m
Actuarial value of plan liabilities	**(1.1)**	(1.1)	(1.1)
Related deferred tax asset	**0.3**	0.3	0.3
Net pension liability	**(0.8)**	(0.8)	(0.8)

The movement in the deficit during the period is analysed as follows.

	2007 £m	2006 £m
Deficit in plan at beginning of period	**(1.1)**	(1.1)
Movement in year		
Interest on pension liabilities being profit before tax impact	**(0.1)**	(0.1)
Contributions	**0.1**	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)

History of experience gains & losses

	2007	2006	2005	2004	2003
Experience gains & losses on plan liabilities					
Amount (£m)	**(0.1)**	-	-	-	(0.1)
Percentage of present value of plan liabilities	**10%**	-	-	-	8%
Total gross amount recognised in statement of total recognised gains & losses					
Amount (£m)	**-**	-	(0.1)	(0.1)	(0.1)
Percentage of present value of plan liabilities	**-**	-	9%	7%	14%

10. Share capital

	2007 £m	2006 £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	**26.5**	26.4

Shares allotted

	2007 Number Million	2006 Number Million
Issued during the year for cash on exercise of share options	**0.9**	1.3
Issued during the year in respect of LTIP awards	**0.2**	-
	1.1	1.3

	2007 £m	2006 £m
Aggregate nominal value of share options exercised	**0.1**	0.2
Share premium	**2.3**	2.9
Consideration received on exercise of share options	**2.4**	3.1

Treasury shares

	2007 Number Million	2006 Number Million
At beginning of period	**3.3**	3.3
Issued during the year in respect of LTIP awards	**(0.4)**	-
At end of period	**2.9**	3.3

Equity settled share-based payments

	2007 Number Million	2006 Number Million
Share options outstanding at the end of the period	**0.2**	1.3
LTIP awards outstanding at the end of the period	**1.9**	2.3

Further details of the equity settled share-based payments and the associated cost for the year can be found in note 28 to the Group financial statements.

11. Reserves

	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Special reserve £m	Profit & loss account £m	Total £m
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
Profit for year	-	-	-	-	109.1	109.1
Dividends	-	-	-	-	(31.1)	(31.1)
Cost of share based payment net of deferred tax	-	-	-	-	1.6	1.6
Exercise of options & LTIP awards	2.3	1.4	-	-	(1.4)	2.3
At 28 December 2007	**37.7**	**(9.3)**	**0.5**	**1.8**	**335.4**	**366.1**

The profit and loss account above is stated after deducting an accumulated loss in respect of retirement benefits of £0.8m (2006: £0.8m).

12. Balance sheet - deferred tax

	Deferred tax asset £m
At 29 December 2006	2.6
Included in profit for the year	(0.5)
Credit for the year included in equity	0.3
At 28 December 2007	**2.4**

	2007 £m	2006 £m
Included in debtors (note 5)	**2.1**	2.3
Included in retirement benefits (note 9)	**0.3**	0.3
	2.4	2.6
Other timing differences	**2.1**	2.3
Retirement benefits	**0.3**	0.3
	2.4	2.6

Notes to the Company Financial Statements (Continued)

13. Operating lease commitments

	2007 £000	2006 £000
As at 28 December 2007, annual commitments under non-cancellable operating leases amounted to		
- office equipment	**10**	10
of which payable in respect of operating leases ending in the second to fifth years inclusive	**10**	10

14. Contingent liabilities & guarantees

Guarantees

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 as at 28 December 2007 amounted to £30.2m (2006: £94.1m).

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 & policies

A description of the Group's financial risk management objectives and policies is provided in note 30 to the Group financial statements. These financial risk management objectives and policies also apply to the Company.

Principal Companies of the Group

The principal subsidiaries and joint ventures of the Group are as follows.

Name	Country of registration or incorporation	% equity interest 2007
Subsidiaries		
EnviroTech Pumpsystems Inc.	USA	**100**
Liquid Gas Equipment Ltd *	Scotland	**100**
Specialised Petroleum Manufacturing Ltd	Scotland	**100**
SPM Flow Control, Inc.	USA	**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 Engineering Services Ltd (formerly Weir Pumps Ltd)	Scotland	**100**
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	South Africa	**100**
Weir Minerals Australia Ltd	Australia	**100**
Weir Minerals China Co. Ltd	China	**100**
Weir Minerals Europe Ltd	England	**100**
Weir Minerals France S.A.S.	France	**100**
Weir Minerals (India) Private Ltd	India	**97**
Weir Minerals Netherlands B.V.	Netherlands	**100**
Weir Minerals RFW	Russia	**100**
Weir Minerals Services (Africa) (Pty) Ltd	South Africa	**75**
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	Saudi Arabia	**49**
Wesco Abu Dhabi L.L.C.	U.A.E.	**49**

* Companies whose shares are owned directly by The Weir Group PLC

Shareholder Information

Takeovers Directive

Following the implementation of the EU Takeovers Directive into UK law, the following description provides the required information for shareholders where not already provided elsewhere in this report. This summary is based on the Company's current articles of association (the "current articles") but please note that the Company will propose that a new set of articles of association be adopted at this year's annual general meeting, details of which are set out in the notice of the annual general meeting.

Share capital
As at 28 December 2007, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. Details of the ordinary share capital can be found in note 25 to the Group financial statements.

Voting rights
The Company's current articles provide that on a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the annual general meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the annual general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the annual general meeting and published on the Company's website after the meeting.

Transfer of shares
There are no restrictions on the transfer of ordinary shares in the Company, other than as contained in the current articles:

- The Board may, in its absolute discretion and without giving any reason for it, refuse to register any transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place) and on which the Company has a lien as a result of such share not being fully paid up. The Board may also refuse to register any instrument of transfer of a certificated share unless it is lodged at the registered office, or such other place as the Board may decide, for registration, accompanied by a certificate for the shares to be transferred and such other evidence as the Board may reasonably require to prove title of the intending transferor;
- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws);
- Pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

Appointment and replacement of directors
The current articles require that at the annual general meeting one third of the directors shall retire from office but shall be eligible for re-appointment. Any director who has been appointed by the Board since the previous annual general meeting or has held office for three years or more since he was appointed or last re-appointed by the Company in general meeting shall retire at the next following annual general meeting and be eligible for re-appointment.

The current articles authorise the Board to appoint directors and remove a director from office.

Shares held by the Employee Benefit Trust
Kleinwort Benson (Guernsey) Trustees Limited, as Trustee of The Weir Group Employee Trust, holds through their nominee K.B. (CI) Nominees Limited 0.02% of the issued share capital of the Company as at 28 December 2007 in trust for the benefit of certain executive directors and senior executives of the Group. The voting rights in relation to these shares are exercised by the Trustee. The Trustee may vote or abstain from voting the shares or accept or reject any offer relating to shares, in any way it sees fit, without incurring any liability and without being required to give reasons for its decision.

Amendment of the Company's articles of association
The current articles may only be amended by a Special Resolution passed at a general meeting of shareholders. At the 2008 annual general meeting a Special Resolution will be put to shareholders proposing amendments to the Company's current articles to take into account provisions of the new Companies Act 2006.

Repurchase of shares
The Company obtained shareholder authority at the last annual general meeting held on 9 May 2007 to buy back up to 20.8m ordinary shares which remains outstanding until the conclusion of the next annual general meeting on 7 May 2008. The directors will only use this power after careful consideration, taking into account market considerations prevailing at the time, other investment opportunities, appropriate gearing levels, and the overall position of the Company. The directors will only purchase such shares after taking into account the effects on earnings per share and the benefits for shareholders.

Significant agreements
The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid. The Company's banking arrangements are terminable upon a change of control of the Company. Certain other indebtedness becomes repayable if a change of control leads to a downgrade in the credit rating of the Company.

Powers of the directors

The business of the Company will be managed by the Board who may exercise all the powers of the Company, subject to the provisions of the Company's memorandum of association, the current articles and any ordinary resolution of the Company.

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 7 May 2008 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 (SRN), 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 £15. 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 SRN available. The SRN appears on share certificates and tax dividend vouchers. 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 £15. 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 SRN ready when making the call. The SRN appears on share certificates and tax dividend vouchers. 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.

Shareholder Information (Continued)

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.

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; and
- 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 tax dividend voucher or your share certificate).

Financial Calendar

Ex-dividend date for final dividend

30 April 2008

Record date for final dividend*

2 May 2008

Annual General Meeting

7 May 2008

Final dividend paid

2 June 2008

*shareholders on the register at this date will receive the dividend

Registered office & company number

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Company Number 2934

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