Excellent
Engineering
Solutions

WEIR

The Weir Way
The drivers of growth

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Directors report

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Front cover: *Representing the Weir team: George H. Finn and Robert Close (both USA), Basli Sathi (Australia), Antonella Campolo (Italy), Anton Amperman (Australia) and Valentina Bortoluzzi (Italy)*

The Weir Group has a clearly defined strategy to build market presence and deliver outstanding products and services from a platform of operational excellence and customer focus. This is supported by our continuing commitment to operating disciplines throughout the business and to the development of our people.

1 INNOVATIVE ACTION

Our strategy prioritises customer-driven product and service innovation through investment in engineering skills and people development to accelerate the adoption of new approaches and business solutions. This creative focus on portfolio development delivers enhanced and extended product capability to give existing and new customers a competitive advantage.

2 COLLABORATIVE MINDSET

We will drive co-operative alliances and cross-divisional working to promote our total capability to customers in all markets. We achieve more when we empower our people to collaborate with our customers and with each other across divisions, markets and geographical regions in a shared approach to solving problems.

3 GLOBAL CAPABILITY

Our strategy is to continue to build global capability, to expand in emerging markets and serve customers globally. This means working alongside our customers in the territories that drive demand in minerals, oil and gas and power generation, channelling more products and services through our existing and expanding organisation to strengthen local relationships.

Financial highlights 2009

Group results
Continuing operations

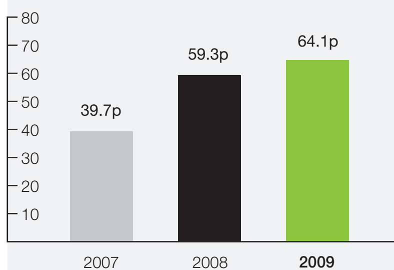
Revenue
£1,390m Up 3%

Operating profit[2]
£204.7m Up 11%

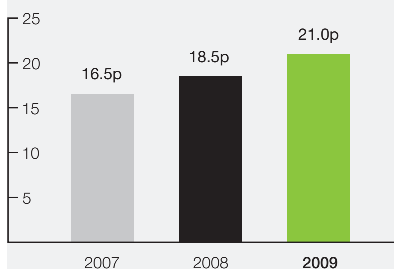
Profit before tax[2]
£187.0m Up 6%

Order input[1]
£1,302m Down 18%

Earnings per share[2]
64.1p Up 8%



Dividend per share
21.0p Up 14%



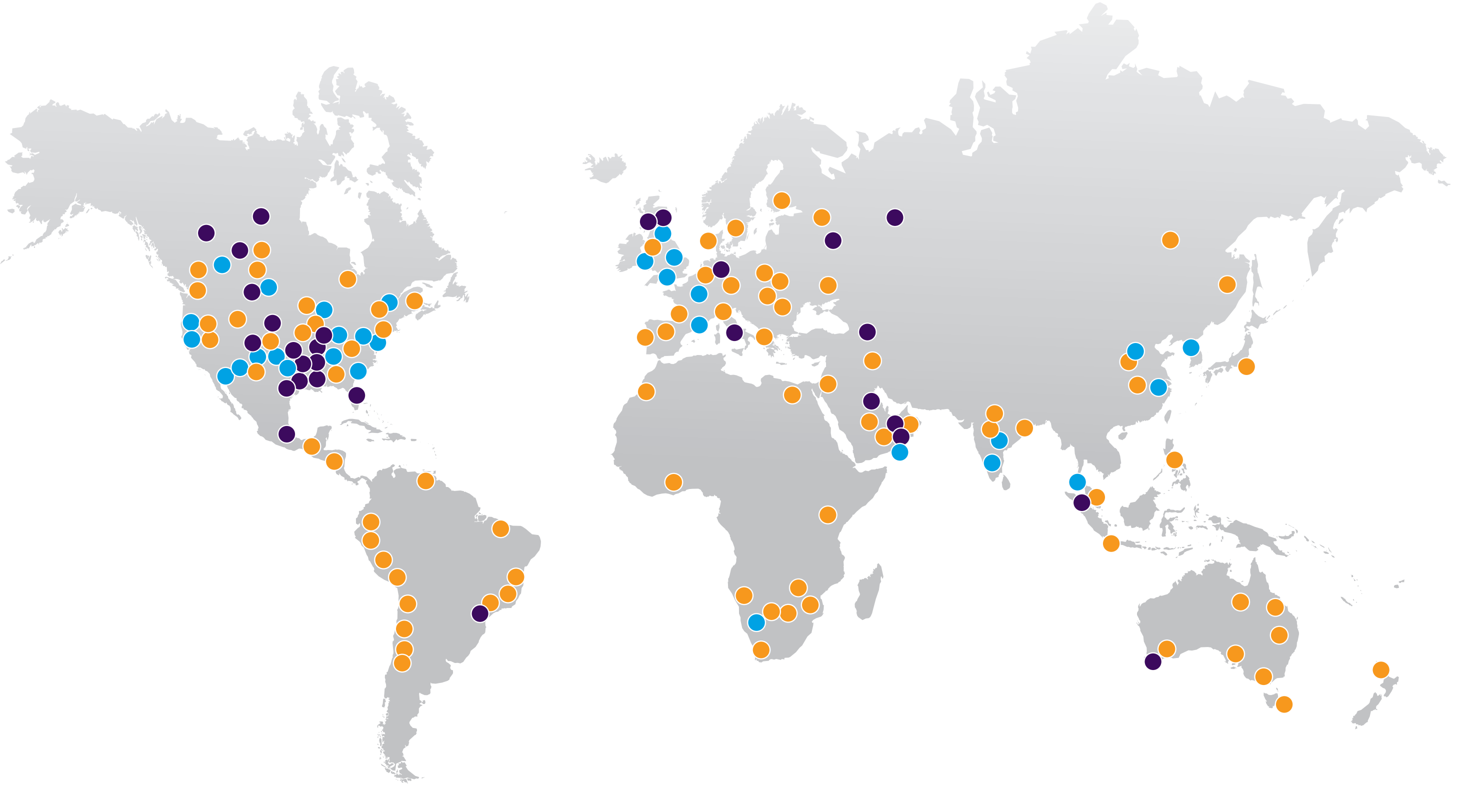
Net debt
£119.2m Down 50%

[1] 2008 restated at 2009 average exchange rates
[2] Adjusted to exclude intangibles amortisation

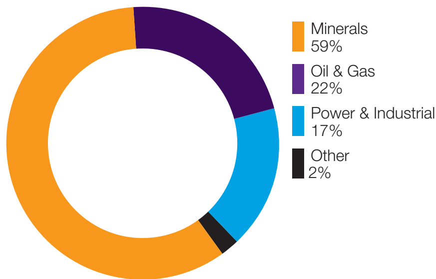
- Resilient aftermarket contributed 54% of revenues.
- Record operating profit benefiting from positive currency effect.
- Margin benefit from stronger aftermarket and cost management.
- Exceptional free cash flow generation.
- Net debt halved in the year.
- Stabilisation of Minerals order input.
- Stronger current trading driving a more positive outlook for Weir SPM.
- Power & Industrial to benefit from record nuclear order book.
- 2010 expectations upgraded.

The Weir Group PLC
Operational excellence

This map is illustrative, but not fully definitive of our locations.



2009 revenue by division



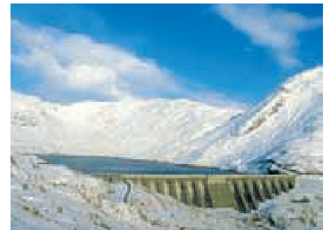
The Weir Group is well established in all three of our chosen markets: Minerals, Oil & Gas and Power. Throughout 2009, the Group has been focused on worldwide operational excellence, which has enabled us to manage through the downturn and to help our customers do likewise. Operational excellence will continue to underpin our strategy for growth going forward.

Customer focus is a precondition for sustainable growth. Going forward, we will be prioritising customer focus and customer relationships through our three principal drivers of growth. Innovative action to develop our product portfolio will be targeted at meeting specific customer needs. A collaborative mindset will allow us to work together across the Group and in partnership with our customers. Through our global capability, we will use our geographic footprint to best advantage to ensure we get closer to existing and new customers.

Valves and slurry pumps feature in Goldcorp's Mexican Penasquito project which will be the world's largest gold and silver mill in the northern hemisphere.

Weir Gabbioneta process pumps destined for Russia's Tartarstan region which is expected to refine up to seven million metric tons of crude oil per year.

Weir's excellent technical service helped Peak Gold's New South Wales mine increase throughput and reduce costs with a mill liner re-design.



With an extensive, successful track record of hydro work in the UK, our power business is seeing similar ongoing demand for refurbishment projects in Canada.

Market overview
The global economic downturn and associated decline in commodity prices resulted in difficult market conditions in 2009. While commodity production volumes were lower early in the year there was notable improvement in the second half supported by investment in Asian infrastructure.

Weir Minerals is the global leader in the provision of slurry handling equipment and associated spare parts for abrasive high wear applications used in mining as well as in the niche oil sands and flue gas desulphurisation markets. Products include pumps, hydro cyclones, valves, de-watering equipment and wear resistant linings. Investment in materials, technology and engineered hydraulics ensure world class performance. The division is present in key mining markets, including South and North America, Australia and Africa.

Facts and figures

No. of people	c5,200
No. of businesses	19
2009 order input	£718m
Addressable market	£2.7bn

Major customers
Anglo American
BHP Billiton
Newmont
Rio Tinto
Shell
Siemens Corporation
Syncrude Canada
Vale Inco
Vendanta Group
Xstrata

Market overview
The North American upstream market experienced reduced activity with lower demand for natural gas. At the mid-year, rig count had reduced by around 50% before starting to recover in the second half. Significant downstream project opportunities were driven principally by Middle East refining expansion.

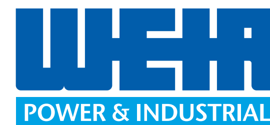
Weir Oil & Gas designs and manufactures pumps and ancillary equipment for global upstream and downstream oil and gas markets and provides substantial aftermarket service and support activities. Upstream operations specialise in high-pressure well service pumps and related flow control equipment along with repairs, parts and service of pressure control and rotating equipment. Downstream focuses on design and manufacture of centrifugal pumps, mainly for the refining industry. Principal operations are in North America, Europe and the Middle East.

Facts and figures

No. of people	c1,600
No. of businesses	11
2009 order input	£305m
Addressable market	£1.6bn

Major customers
BJ Services
BP
Cal Frac
Halliburton
Linde Impianti Italia
Neste Oil
Schlumberger
Superior Well Services
Trican Oilwell Services
Weatherford

Market overview
The original equipment power market continued to be buoyant in Asia, but depressed elsewhere. The strong Asian market has been driven by China's nuclear new build. New coal and nuclear plant delays in Europe and North America have resulted in increased potential for service and life extension projects.



Weir Power & Industrial designs, manufactures and provides aftermarket support for specialist and critical-service rotating and flow control equipment, in the main, to the global power sector. The division includes valve operations, a specialist pump business and substantial service and aftermarket operations and is one of only a few businesses globally capable of providing specialist valves into the nuclear islands of third generation nuclear power stations. Facilities are located in Europe, North America, China, Middle East, India and South Africa.

Facts and figures

No. of people	c1,900
No. of businesses	9
2009 order input	£266m
Addressable power market	£2.3bn

Major customers
British Columbia Hydro & Power Authority
CNPEC & CNEIC, China
Department of National Defence, Canada
EADS / Eurocopter France
EDF
Iberdrola
LISCO Iron & Steel Company
Loftyman Engineering
Scottish & Southern Energy
Tennessee Valley Authority

On site at Weir Minerals Chile, who were recently awarded a new maintenance contract with Minera Escondida, the world's largest copper mine.

Reducing component travel distance by 94% and set up times by 42% gave Weir SPM the operational edge to win the Group's manufacturing excellence award.

Part of Minerals de-watering range, the patented GEHO APEXS® power saving pump moves large volumes of abrasive, corrosive slurries at high pressures.

Power & Industrial's service skills have seen them extend their geographic reach with a multi-million dollar contract on a natural gas platform in the South China Sea.

Structured for growth
Chairman's statement by Lord Smith of Kelvin

I am delighted to report, that in a difficult global economic environment, the Weir Group has performed strongly in 2009 with the resilience of our business model evident in these results. We delivered a record underlying profit and an exceptional cash performance and enter 2010 in robust financial health.

With revenues up 3%, we were able to report an increase in Group pre-tax profit from continuing operations, before intangibles amortisation, of 6%, to a record £187.0m and generated free cash flow after dividend payments of £141.1m, despite seeing order input in constant currency fall by some 18% on 2008.

We are proposing a final dividend payment to shareholders of 16.2p per share, making 21.0p for the full year, an increase of 14%, reflecting the Board's continuing confidence in the Group's business.

These results reflect the successful transformation of the Group under Mark Selway's leadership, encompassing operating improvements and a strategic re-alignment into the three higher growth, higher margin, long cycle sectors of mining, oil and gas, and power. Over the last eight years, earnings have increased more than four times, the share price has trebled and dividends to shareholders increased by 81%. On behalf of the Board, our employees and all shareholders, I would like to thank Mark personally for his outstanding contribution to the success of the Group and wish him well in his new role back home in Australia.

As we move forward, the Group has a strong operating platform to drive growth both through organic development and value enhancing acquisitions. It also has a number of significant advantages. We have a clear and focused strategy targeted at three end markets with positive fundamentals, driven principally by emerging market growth. The Group's extensive installed base of original equipment products continues to grow and provides an increasing platform for more profitable and resilient aftermarket sales. It also provides exposure to both end market capital investment trends and underlying market activity levels.

We have a strong balance sheet, are highly cash generative and took early action to manage our way through the economic downturn. Over the past few years, we have also put our pension plans on a sustainable footing.

The Board is determined to achieve and maintain best practice in all areas of corporate responsibility and sustainability, including all aspects of health and safety. It was pleasing therefore to see the progress made in these areas during the year and they remain a key focus for the management team with further initiatives already underway.

There have been a number of changes to the Board during the year. I was pleased to announce the appointment of Keith Cochrane as chief executive and the subsequent seamless transition following Mark Selway's decision to leave in September 2009. The appointment of Jon Stanton to replace Keith as finance director was announced in January 2010 and Jon is expected to join us in April. We welcomed as a new non-executive director Richard Menell who brings valuable experience to the Board particularly from a mining perspective. Ian Percy will retire from the Board in April 2010 after more than 13 years of service and I would like to thank him for his valuable contribution to the Group over that period. The Board has benefited from his wisdom, guidance and perspective.

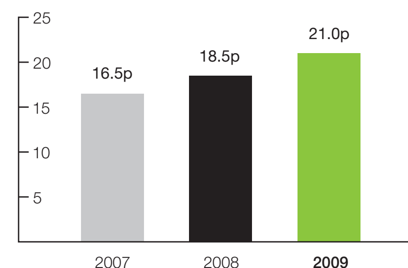
I would also like to thank all our employees for their dedication, hard work and commitment to the success of the Group over what has been a very demanding year. Skilled and dedicated people are the cornerstone of the Group's success and we are continuing to develop ways to create an environment in which we excel at all that we do.

The pace of global economic recovery during 2010 remains uncertain, but I strongly believe that our business is particularly well placed to respond to the challenges and to take advantage of the opportunities that will undoubtedly arise.

Lord Smith of Kelvin
Chairman
9 March 2010

Mark Selway
Appointed chief executive in 2001, stepped down from the role in November 2009 to take up a similar position in Australia.

Dividend per share



Driving growth The Weir Way

Overview by Chief Executive Keith Cochrane

As I take on the role of chief executive, I am excited at the range of growth opportunities open to the Group. Each of our divisions has a clearly defined strategy to build our market presence and deliver outstanding customer service, while sustaining the fundamentals that have delivered success thus far.

Group Executive (pictured)
From left to right: Scot Smith (Minerals Divisional Managing Director), Steve Noon (Oil & Gas Divisional Managing Director), Keith Cochrane (Chief Executive), Phil Clifton (Power & Industrial Divisional Managing Director), Alan Mitchelson (Legal & Commercial Director).

The Group's 2009 performance demonstrates the resilience of our business model and the benefits of a strong opening order book, diversified portfolio and strong cash generating capability. We benefit from exposure to positive end markets, geographic strength in emerging markets and a presence at the heart of the processing cycle. All these characteristics give us confidence for the future. The success of any business is down to its people and as I visit our operations, I continue to be most impressed at the very evident commitment, pride and passion of our employees.

Our installed base of original equipment delivers an aftermarket channel that enables us to stay close to customers and this business model provides access to both capital and operating expenditure. Our service, spares and support activities ensure that we build ongoing relationships with customers and can be responsive to their needs.

2009 performance

Overall order input, in constant currency, was down 18% while aftermarket input was down 2%, reflecting production activity levels in our main markets offset by our growing installed base and the greater importance of maintenance and refurbishment of existing equipment.

The proportion of revenues from aftermarket sales increased to 54%, which, together with the early actions taken to reduce the cost base during the year, largely mitigated the impact of lower volumes of original equipment on operating profits.

Revenue also benefited from a positive foreign currency effect with over 90% of the Group's revenues generated internationally. Our South American Minerals operations delivered a record operating performance and we won a number of notable contracts in the Chinese nuclear new build and Middle East downstream oil and gas refining markets. We also retained the Canadian Naval Engineering contract for a further 15 years. Positive emerging trends at Weir SPM were also evident towards the end of the year.

During 2009 we continued to make good progress against our key priorities:

- Strong management focus on health and safety resulted in a 52% reduction in lost time accidents.
- Overall operating efficiency (the Weir Production System Lean score) improved by over 9%.
- On time delivery improved by 10%.
- Working capital reduced by £66.2m, converting into cash.
- The Customer Key Account programme and the Weir Commercial System were rolled out across the Group, along with a pilot project to obtain direct customer feedback using Net Promoter Score methodology.
- Continued investment in product research and development.
  - In Minerals, design work was completed on Warman® pump enhancements.
  - Weir SPM launched the Safety Iron Manifold Trailer®.
  - Completed customer acceptance testing of a nuclear grade butterfly valve.
- Over £40m was spent on capital to improve operating efficiency and extend the Group's global presence.
  - A new foundry and rubber facility was opened in Brasil.
  - New service centres were opened in North and South America and Africa.

Continuing operations

Revenue
£1,390m
Up 3%

Operating profit[1]
£204.7m
Up 11%

[1] Adjusted to exclude intangibles amortisation

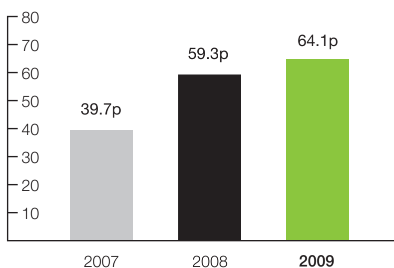
3-fold strategy

1 INNOVATIVE ACTION

2 COLLABORATIVE MINDSET

3 GLOBAL CAPABILITY

Earnings per share[1]



[1] From continuing operations before intangibles amortisation

Early and effective action was taken across the Group to manage the downturn. Detailed planning resulted in a global headcount reduction of around 600 in response to local input reductions. Such decisions in relation to employees are not taken lightly and have been restricted to those companies most affected by the downturn.

We delivered an excellent cash performance and substantially increased free cashflow to £141.1m. Our balance sheet has been strengthened by the issue of US$250m of long term debt and we took further positive steps to reduce our pension liabilities through an enhanced transfer offer to certain members of the main UK defined benefit plan. The Group has substantial financial headroom to support organic development and expand its presence across target markets.

Group strategy

The Weir Group, with its strong positions in very attractive end markets, extensive global presence and dedication to operational disciplines, has an excellent platform for growth. We will continue to extend the Group's position in the Minerals, Oil & Gas and Power sectors, all of which are high growth, long cycle markets with positive fundamentals.

Our strategy will be delivered through sustainable self-made growth supplemented by skilfully integrated, targeted acquisitions. We will invest in the technology, infrastructure and people to grow market share and our installed base of original equipment. This will include broadening our competitive portfolio of products and added-value services, with the emphasis on those products that will provide a strong stream of aftermarket opportunities.

Driving growth

The immediate priority for 2010 is to extend **operational excellence** beyond the factory floor into functional areas that have a direct impact on our ability to grow and that support our continued drive for greater **customer focus**.

The Weir Commercial System will be extended during 2010 and complements the Weir Production System that has delivered such good results in manufacturing. Both these tools contribute by sharpening customer focus and ensuring operational efficiency.

With operational excellence prioritised throughout the business, we will generate growth through three key drivers.

First, we will drive product sales through **innovation and creativity**. We will continue to take an innovative approach to the research, testing and development of new materials and products. Besides taking new products to existing markets and customers, we will proactively take our existing and developing portfolio to new markets and customers as we seek to build market presence.

Second, we will support **collaboration** in the form of co-operative alliances and cross-divisional initiatives to promote our total capability for customers in all markets and to leverage off best practice across the Group. We will continue to build customer partnerships and add value by delivering innovative engineering solutions with an integrated service offering and enhanced organisational capability.

Third, we will exploit and strengthen our **emerging markets** footprint. Over 40% of Group revenue already comes from developing markets in Asia, South America, Middle East and Africa. There are significant opportunities for us to internationalise more products through both our existing and expanding geographical network.

Outlook

The Weir Group today has a superb manufacturing platform, resilient business model and enviable market position. This is based on our reputation for excellent engineering capability and the quality of our people, whose performance under pressure has been outstanding in the past year.

Despite the impact of the current downturn, we continue to be positive as to the medium term growth prospects of each of our principal end markets and anticipate growing demand from:

- Global demographic trends causing increased demand for resources and energy.
- Continuing infrastructure investment in developing economies with fast-growing populations, such as India, China and Brasil.
- Necessary replacement or life extension of ageing power generation and hydrocarbon processing plant in the developed world.
- Increasing trend towards the unconventional supply of minerals and hydrocarbons which requires greater engineering input in both their extraction and processing.

As we enter 2010, the Group is in robust financial health and well placed to capitalise on market opportunities. Although the pace and timing of global economic recovery remains uncertain and forward visibility limited, we are now targeting a broadly similar level of profitability to that achieved in 2009.

Keith Cochrane
Chief Executive
9 March 2010

Around the world
Top – Chief executive Keith Cochrane (centre) with Minerals regional managing director Rob Brown (right) and Stone Lu (left) managing director at Power & Industrial's Suzhou facility.

Bottom – Keith Cochrane opens the new foundry facility in Brasil with Alan Mitchelson, Legal & Commercial Director (right) and Minerals Brasil managing director Lino Figurelli (left).

1

Driving growth The Weir Way
INNOVATIVE ACTION

The Weir Group's reputation is built on the superiority of our materials and products, which deliver longer plant life, extend maintenance cycles, reduce downtime and lower whole-life operating costs. We are committed to protecting this superiority, by investing in materials research and design, securing our intellectual property portfolio and focusing on bringing breakthrough developments to market ahead of the competition.

Innovation is not restricted to the development of our product portfolio through technological R&D. It is about taking the initiative in introducing new products to existing customers and existing products to new markets; about being proactive and creative in delivering operational improvement and increasing customer focus.

Our strategy for growth includes an invitation to all our people to challenge received wisdom and established processes and to utilise the talent across Weir to provide innovative solutions for the real world challenges our customers are tackling.

Our people are encouraged to pursue more innovative service solutions for our installed equipment base to develop complementary products to maximise the offering to customers.

An innovative solution from Weir's Australian field service experts created significant savings for a New Zealand paper company after a blade failure on the plant's geothermal steam turbine. A six-month wait for replacement initially seemed the only option. But design and manufacture of new blades using the latest computerised technologies and materials combined with Weir's project management skills and on-site installation expertise meant the turbine was back in action within a number of weeks.

Waterspider
The Weir Multiflo 'waterspider' is a floating pump platform for use in mine de-watering, enabling the ongoing cleaning of settling ponds which previously had to be drained and mechanically de-silted – a costly and time-consuming process.

Flow Line Safety Restraint System
Developed by Weir SPM, this best-in-class safety product is mandated on Shell offshore and onshore sites worldwide. The Safety Restraint System is designed to help provide damage control for line failures during high-pressure pumping – and to prevent the costly and potentially life-threatening effects of this.

Subsea innovation
In ultra-deep subsea gas projects, water vapour in the hydrocarbon gas can freeze and requires Mono Ethylene Glycol (MEG) injection – a type of antifreeze – to prevent costly hydrate formation. Weir Power & Industrial's rotary gate valve controls the level of MEG injection without blockage or erosion.

Weir Oil & Gas, Fort Worth, USA

"Our innovative actions are informed by customer focus and we will direct resources into targeted projects and specific challenges where we see both growing demand and the opportunity for leadership."

2

Driving growth The Weir Way
COLLABORATIVE MINDSET

The Weir Group has much to gain from maximising collaboration with our customers and between our divisions. By co-operating on securing contracts, product development and territorial expansion, we create a collaborative mindset that is a key driver of growth. Our aim is to work together as a group to present a more complete offering to customers.

To collaborate effectively requires a culture that is open and flexible, with working links between our businesses and territories. Weir people are willing and able to work in partnership with each other, as well as with our customers and partners. In 2010, we will look to further optimise our ability to operate to best effect across divisions and regions.

We are committed to building confidence in our own ever-expanding internal knowledge base. The Weir Group supports and resources joint projects and cross-divisional initiatives in areas of operational excellence, such as product development, market research, low-cost sourcing and global supply chain.

We are investing in a Carbon Capture Initiative for this new segment of the power sector. A cross-divisional working group is mapping the requirements and potential of the developing carbon capture and storage industry against our existing product portfolio, linked to our services capability and core competencies to create the best outcome for our customers and the Weir Group.

Canadian Oil Sands
The challenges of the Canadian Oil Sands present opportunities for the combined expertise of our businesses. Barge and pump package solutions are becoming increasingly important to our customers who operate in this aggressive terrain. Working closely with customers, a number of Group companies led by Weir Minerals Canada have developed a range of barges able to be customised to suit individual specifications and are seeing early success.

Improving process, reducing costs
All our companies work continuously with customers to improve process and reduce costs. One example is the collaborative partnership between Weir Minerals Australia and Worsley Alumina, one of the world's largest alumina refineries, to develop a purpose-designed cast metal Cavex® hydrocyclone specifically for harsh caustic conditions, providing a long term solution to productivity and cost efficiencies.

Nuclear opportunities
Businesses across the Power & Industrial Division are collaborating to focus on opportunities in the rapidly expanding nuclear market, ensuring that Weir products have the relevant type approvals and certification to meet customer needs globally. Specific market-focused teams, such as the nuclear technology forum, comprise representatives from different businesses with relevant engineering, technological or geographical market experience. From this base, we are working closely with customers including reactor builders such as Westinghouse and AREVA to develop an integrated product and service offering.

Weir Minerals, Sao Paulo, Brasil
“Collaboration within divisions is already driving growth and strengthening customer relationships; further inter-divisional co-operation offers still greater opportunities.”

3

Driving growth The Weir Way

GLOBAL CAPABILITY

Over 40% of the Group's revenue already comes from emerging markets in Asia, South America, Middle East and Africa. There are clear and existing opportunities for us to further internationalise our products and services through our existing geographical network and to expand beyond this established base.

We have always been committed to going where our customers are, from the most challenging offshore oil production environment to the emerging power and energy markets of Asia and Africa. Today, we have an unrivalled opportunity to leverage our presence in the fastest growing emerging markets, supported by our continuing commitment to operating discipline that will deliver quality products and services on time.

The broad geographical reach of the Group provides a global pipeline through which we can achieve more sales, in more territories, more effectively. It gives us the local know-how that enables us to service our customers operations in the field and provides a platform for further expansion.

Our Total Care best practice service offering, developed in the South American mining market, is being expanded into new territories including North America and Africa; our Oil & Gas businesses are successfully extending their Middle East operations into the Caspian region while our Power & Industrial companies are putting in place a global supply chain using the Group's manufacturing capabilities.

Service Centre roll-out
Weir SPM provides industry leading after-sales support for equipment, with facilities located in many of the oil and gas industry's fastest growing markets. In 2009, we expanded our global network of Service Centres into Mexico and the emerging Australian market, meeting strong demand for repair and recertification services where capital expenditure has been limited by the downturn.

Minerals extends presence in China
Weir Minerals Netherlands stayed ahead of the competition to secure a contract for axial flow pumps for a major new salt plant in Jintan City, north of Shanghai, due to open in 2010. Already successful in China, Weir Minerals Netherlands is planning to extend its footprint more permanently by establishing a manufacturing unit in the country.

Nuclear capability
Weir Power & Industrial is one of only a few businesses with the global capability to provide specialist valves into the nuclear islands of the new third generation of nuclear power stations. With our business model closely aligned to that of the multi-national reactor builders, three of the division's facilities hold nuclear certification for a number of safety critical valve products.

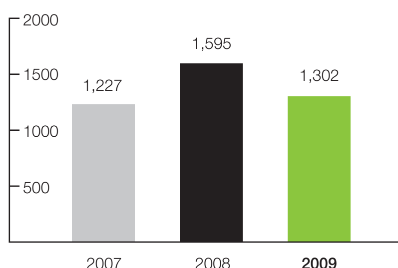
"We have created an exceptional opportunity for growth, as we meet the needs of multi-national customers by leveraging our global footprint."

Weir Power & Industrial, Suzhou, China

Key Performance Indicators
Delivering global performance

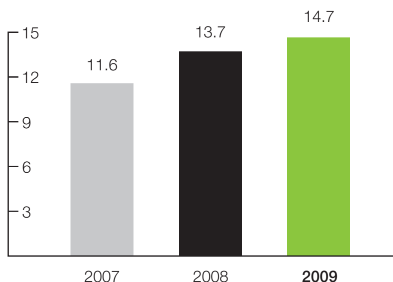
The Board uses a range of financial and non-financial metrics, reported on a periodic basis, to monitor the Group's performance over time. The key performance indicators and their linkage to operating priorities are set out below.

Input[1, 3] (£m)



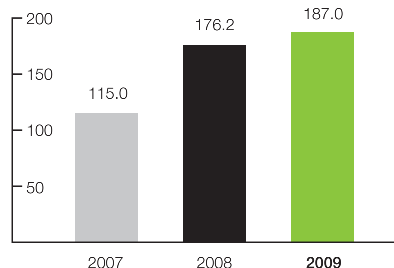
- Drive installed base growth through innovation and creativity including research and development and capital expenditure.
- Deliver aftermarket opportunities from the installed base.
- Increase sales through greater collaboration in the form of co-operative alliances and cross divisional initiatives.

Operating margin[2, 3] (%)



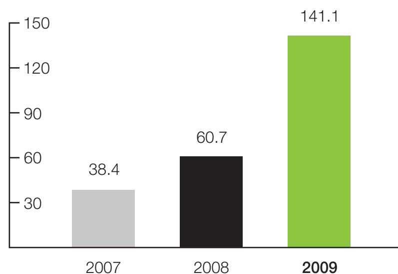
- Delivering efficiencies by leveraging off our global network.
- Maximise aftermarket opportunities.
- Maintaining a proactive approach to capacity planning and associated management of our cost base.

Profit before tax[2, 3] (£m)



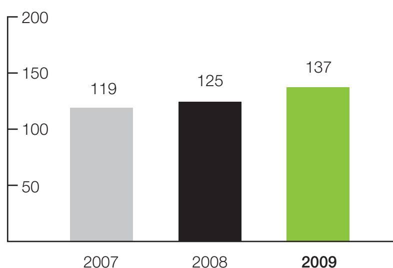
- Drive revenue growth, margins and operating efficiency.
- Maintain optimal financing costs.

Free cash flow[3] (£m)



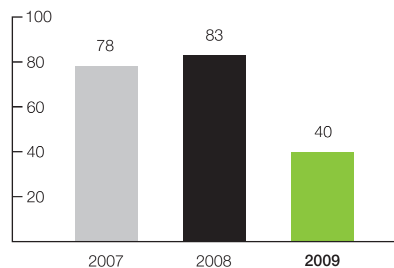
- Optimising the capital structure and long-term financing of the Group.
- Continue with our focus on working capital management including application of Lean methodologies to inventory and debtor management.

Weir Production System (Lean score)



- WPS Lean score is determined by comparing our current processes against world-class practice and performance.
- Maintaining our world-class platform developed in recent years.
- Elimination of waste and reducing lead times in business processes.
- Continued focus on on-time delivery.

Lost time accidents



- Maintaining zero tolerance toward accidents.
- Encouraging a culture of near miss reporting.

[1] Calculated at 2009 average exchange rates
[2] Adjusted to exclude intangibles amortisation
[3] Continuing operations

Weir Minerals Division
Operational review

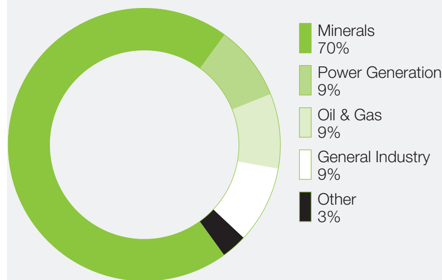
Divisional results[1]

Order Input
£718m
Down 20%

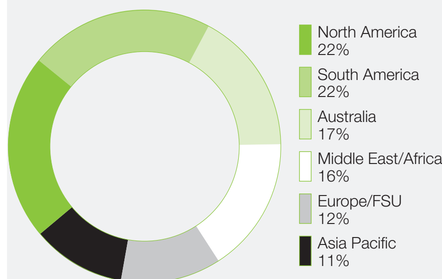
Revenue
£813m
Down 1%

Operating profit
£133.6m
Up 2%

Sector input breakdown



Geographic input breakdown



[1] Statements in respect of divisional performance are on a constant currency basis with operating profits stated before intangibles amortisation

Weir Minerals Division is the global leader in the provision of slurry handling equipment and associated spare parts for abrasive high wear applications. Mining and minerals is the division's largest sector but it also has aligned product sales into the niche markets of oil sands and flue gas desulphurisation (FGD). Products include pumps, hydro cyclones, valves, de-watering equipment and wear resistant linings. Specialised engineering resource and ongoing investment in wear resistant materials technology and engineered hydraulics ensure delivery of world-class performance in customer critical mining and minerals applications. The division is fully operational in the key mining markets, including South America, Australia, Africa and North America.

Market review

The global economic downturn and associated decline in commodity prices resulted in difficult market conditions in 2009. A number of existing mine sites were mothballed, principally in North America and Australia and many major new projects were deferred as customers sought to conserve cash and strengthen their balance sheets although enquiry levels and preliminary scoping work did increase towards the end of the year. While commodity production volumes were lower in the early part of the year, there was a notable improvement in the second half supported by investment in Asian infrastructure. This, together with increased enquiry levels for new capital projects in the latter part of 2009, indicates that we have seen a bottoming of the market. The FGD and oil sands markets were also adversely impacted by a more cautious approach to new projects, although we did see a number of follow-on orders in respect of existing oil sands projects.

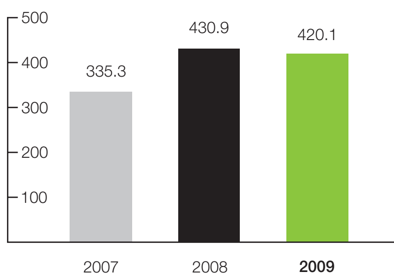
Achievements & contract wins

- Completed design work on a number of pump enhancements which will be launched in 2010.
- Commenced development of new larger facilities for Weir Multiflo in Australia reflecting the doubling in size of that business since it was acquired in 2007.
- Weir Minerals Netherlands won a substantial order in excess of €10m to supply a number of Geho® pumps to the Chinese-owned Toromocho copper mine in Peru.
- Weir Minerals Chile won an extensive multi-million dollar Service Maintenance Contract with Minera Escondida, the world's largest copper mine, in Antofagasta, Chile.
- Weir Minerals Europe won the Dense Slurry System project for the Romania - Craiova 1 power plant, as a result of the Warman® pumps ability to withstand high abrasion and transport slurry distances of up to seven kilometres.
- Weir Minerals Australia was awarded a contract worth nearly AUS$5m with MCC Mining Australia for their Sino Iron Project in Cape Preston, Western Australia.

Weir Minerals Division
Operational review (continued)

"We continue to invest in product technology, including a redesign of all our major pump lines by 2011. The focus on customer relations and global service underpins our goal to remain at the forefront of our target industries and benefit from the ongoing growth in emerging markets."

Aftermarket input (£m)



Operational performance

Despite difficult market conditions, the division has continued to perform strongly benefiting from improved operating efficiencies, a higher proportion of aftermarket revenues, pro-active management of the cost base and the continued development of the product portfolio. This performance demonstrates the resilience of the division's business model.

Order input decreased 20% to £718m (2008: £897m) reflecting a 36% decline in original equipment and a 3% reduction in aftermarket orders, resulting in a higher proportion of aftermarket orders (58%) compared to the prior year (2008:48%). Order input trends reflect the division's broad geographic spread and commodity exposure. Input in our Netherlands business, which is largely driven by major greenfield mining development, was down 44% while our Andean business with a focus on copper mining achieved input growth of 10%. The success of integrating the 2007 acquisition Multiflo was evident with input for that business increasing by 51%. We experienced a significant reduction in orders for FGD equipment, particularly in North America, pending clarification of proposed environmental legislation. Demand for products for the Canadian oil sands market remained strong with follow-on orders booked in the year. The relative resilience of aftermarket orders reflected the decline in commodity production volumes offset to some extent by an absolute increase in the installed base.

Revenue decreased 1% to £813m (2008: £825m) reflecting the strong opening order book, a full year contribution from the CH Warman acquisition and more robust shorter cycle aftermarket input trends. Our global footprint continues to drive increasing exposure to emerging markets which represented 52% of revenues in 2009 compared to 46% in 2008, with further good progress in both South America and Africa.

Operating profit increased by 2% to £133.6m (2008: £130.4m) reflecting a full year benefit from CH Warman, now successfully integrated, and the impact of stronger operating margins offset by restructuring and one-off costs of £5.5m.

Operating margins improved to 16.4% (2008: 15.8%) primarily reflecting a higher proportion of aftermarket sales and the success of our pro-active approach to downturn planning which resulted in tangible cost savings in operations, procurement and manufacturing. The division also benefited from further development of Lean best practices in all of our facilities worldwide.

Investment

The division's success is underpinned by ongoing investment in materials and product technology as well as in operating facilities to ensure that we maintain our market leading position in terms of quality and delivery. Recognising the need to respond to the changing geographic profile of the global mining market, we continue to invest in growing our presence in the emerging markets of South America and Asia. Capital expenditure in 2009 totalled £29.7m (2008: £32.2m) and included a new state-of-the-art foundry in Brasil which features the latest concepts in manufacturing, quality and safety procedures.

Investment in technology included the implementation of our Wear Fundamentals Programme which has enabled us to derive significant performance improvements from the core Warman Slurry Pump product. Design work was completed on several new products in 2009 and 2010 will see these launched to the market. In addition, the culmination of two years of product development work by the Netherlands business has resulted in the launch of the Apexs pump, which expands the GEHO® positive displacement product range. The initial application of this technology is in mine dewatering applications.

People

Our employees remain at the heart of the business and it is their engineering and operational skills which provide the competitive advantage. We continued to invest in our people through the economic downturn with a number of representatives from the division attending the Weir Group Leadership Development programme.

Outlook

While project enquiry levels are up and major miners have announced planned increases in their 2010 capital expenditure levels, we remain cautious as to the timing of conversion into original equipment orders. Furthermore product lead times dictate that any resultant flow through to revenues will not be evident until later in 2010. These factors together with our lower opening order book mean that original equipment revenues are likely to be lower through the first part of 2010. Aftermarket sales have now stabilised and we would expect these to grow in line with underlying commodity production trends determined by commodity prices and global economic growth. They will also benefit from our growing installed base of original equipment. The medium term outlook for the division remains positive, reflecting growing emerging market demand for resources.

Cavex® hydrocyclones - part of the mill circuit at Waihi

Weir in action

Customer

Newmont Mining owns and operates two gold mines at Waihi on New Zealand's North Island and gold has been mined in the area for over 100 years. These mines share a processing mill, which consists of primary crushing with SAG and ball mill circuits employing multiple Warman® AH® pumps and Cavex® hydrocyclones.

Aerial view of the Newmont Mining's New Zealand gold mines

Brief

The two mines produce ore with differing degrees of abrasiveness. Waihi's "Favona' underground mine's ore is almost four times more abrasive than the ore from the 'Martha' open pit. These differences create irregular wear rates and cause other maintenance requirements at the mill. Pump rebuilds were costly in terms of repair time, replacement parts and labour and Newmont Mining needed a longer-lasting solution to meet the varying demands of the different ores.

Solution

Weir Minerals provided its newly designed WRT™ 'wear reduction technology' streamlined impellers and throatbush for the customer's existing Warman® pumps, enabling the use of longer-lasting rubber pump liners. The results were remarkable – a 180% increase in wear life on 'Favona's' more abrasive ore and an 80% increase on 'Martha's'.

Result

The efforts of Weir Minerals have allowed the Newmont operation at Waihi to significantly reduce their costs for labour and parts and maintain a more consistent and profitable mill circuit operation. The innovative enhancements to the Warman® impellers at Waihi are being expanded for use in Warman® pumps worldwide aimed at helping customers enjoy similar performance and fiscal results.

Weir Oil & Gas Division
Operational review

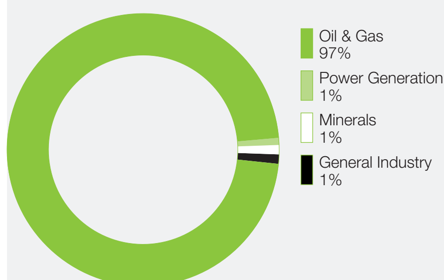
Divisional results[1]

Order Input
£305m
Down 8%

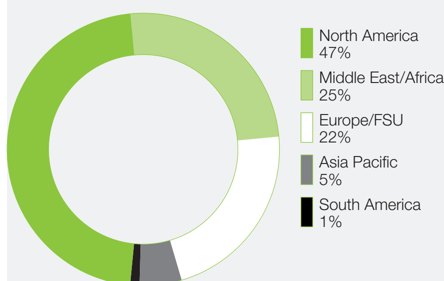
Revenue
£299m
Down 7%

Operating profit
£52.0m
Down 29%

Sector input breakdown



Geographic input breakdown



[1] Statements in respect of divisional performance are on a constant currency basis with operating profits stated before intangibles amortisation

Weir Oil & Gas Division designs and manufactures pumps and ancillary equipment for the global upstream and downstream oil and gas markets and provides substantial aftermarket service and support activities. The upstream operation which is focused in North America specialises in the manufacture of high-pressure well service pumps and related flow control equipment along with repairs, parts and service of pressure control and upstream rotating equipment. The downstream business is focused on the design and manufacture to order of centrifugal pumps, mainly used in the refining industry. The division's principal operations are located in North America, Europe and the Middle East.

Market review

During 2009, the North American upstream market experienced a substantial reduction in activity with lower demand for natural gas resulting in higher gas storage levels and reduced prices. At the mid-year point, rig count had reduced by around 50% before starting to slowly recover in the second half, with a notable increase in the drilling of harsher shale formations.

There was a significant number of project opportunities in the downstream market, principally driven by an expansion of refining capacity in the Middle East, although Middle East service operations were impacted by reduced production volumes.

Achievements & contract wins

Weir Gabbioneta was one of a few suppliers globally with the capability to design a solution that ensured they could supply API pumps to Total's Floating Production & Storage Vessel.

Weir SPM released the Safety Iron Manifold Trailer, a product which has quickly gained market acceptance from the majority of North America's service companies and gained considerable market share.

Weir Gabbioneta was awarded several major multi-million euro contracts in 2009, totalling nearly €40m and including -

- API process pumps to OJSC Taneco for a refinery in Russia.
- Process pumps for Qafco 5 project in Qatar.
- Neste Oil for biodiesel projects in Rotterdam and Singapore.
- Total's Floating Production and Storage Vessel.

Oil & Gas Services won major contract awards in Aberdeen and the Caspian region extending existing contracts.

Operational performance

The division has performed well, taking swift and decisive action to manage costs in response to market conditions while also driving greater operating efficiencies.

Order input reduced by 8% to £305m (2008: £332m). Weir SPM was impacted by the difficult market through much of the year. This was mitigated by market share gains and improving demand in the final quarter such that input was only 9% lower at £145m (US$226m) compared to £160m (US$250m) in 2008. Our Middle East service operation input was lower principally due to the reduced activity levels in that region. These reductions were partly offset by our downstream business, Weir Gabbioneta, which performed well achieving good organic growth, with input increasing from £89m in 2008 to £101m in 2009.

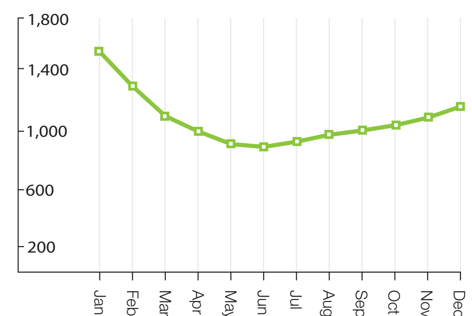
Revenue decreased 7% to £299m (2008: £323m) broadly following the input trend. Weir SPM finished the year with revenues of £131m (US$206m) against the previous year's £176m (US$275m), a reduction of 26% which compared favourably with market trends and exceeded our prior expectations of around US$175m. Revenue performance benefited from Lean improvements giving rise to competitive lead times and the introduction of new products quickly gaining traction. Weir Gabbioneta played a significant part in mitigating the effect of reduced volumes at Weir SPM with revenues increasing by 56% to £98m (2008: £63m).

Operating profit including joint ventures decreased by 29% to £52.0m (2008: £72.8m) due to the combination of Weir SPM's backlog clearance in the first half of 2008 and lower volumes at that business through much of 2009.

Operating margins were 17.4% in 2009 compared to 22.6% in 2008, reflecting the operating leverage effect of lower volumes at Weir SPM, partly offset by our actions to reduce costs at the beginning of 2009 in response to the severity of the downturn.

"The results in 2009 highlight the resilience of our business model. With improving upstream market conditions in the last quarter, we are well placed to make further progress in 2010."

2009 US rig count



Weir Oil & Gas Division
Operational review (continued)

Investment
Weir Oil & Gas continued to invest in support of future growth ambitions. Major investment in Weir SPM included the start up of six new service centres and high pressure pump test facilities at Fort Worth. Weir Oil & Gas Edmonton invested in a new vertical boring mill to expand its machining capabilities and service offering. On 5 March 2010, we further extended our geographic reach and service offering with the AUS$7m acquisition of Petroleum Certification Services, an Australian based specialist certification and testing business.

People
We have continued to develop and promote our strong talent base within the division. During 2009, management training and development activities were carried out in each area of the business and representatives from the division attended the Weir Group Leadership Development Programme.

Outlook
Although forward visibility is still limited, the immediate outlook for our upstream business is more positive than at the start of 2009. This is based on increases in rig counts since they bottomed in mid-2009 and higher demand for aftermarket products and services as the industry moves to harsher shale formations. We expect any recovery in our Middle East service operations to be slow. Our downstream order book provides a solid underpinning for 2010, although we anticipate a more challenging environment for new orders.

The medium term outlook for upstream remains strong, with rig counts forecast to continue to rise, an increasing bias towards unconventional drilling and emerging interest in shale fracturing beyond North America.

Weir SPM Safety Iron® manifold trailer

Weir in action

Customer
A "voice of customer" exercise by Weir SPM uncovered market demand for a more durable and reliable frac manifold trailer to replace existing competitor equipment which was failing prematurely in the harsh pumping environment of unconventional gas shale formations during multistage hydraulic fracturing processes.

Weir SPM Fort Worth

Brief
A leading oil field service company reported a competitor's piping and integrals components failing within 20 - 200 hours of installation due to vibration. Other customers had concerns over high wear rates during high pressure pumping and sought an alternative to reduce replacement costs.

Solution
Weir SPM analysed existing designs and created a solution utilising its patented Safety Iron®, high-pressure flow line product. The offering included both retrofit kits for existing trailers and complete new manifold trailers.

Result
To date, Safety Iron® manifold trailers and retrofit kits have been utilised by many of the oil field service pressure pumping companies. Weir SPM engineered special "hybrid" Safety Iron® components that can be installed into key stress areas in the existing flow lines of the customer's trailer. The new integrals achieved over 1,000 hour life with no issues saving the customer thousands of dollars in replacement cost and increasing the utilisation rate of the manifold trailer.

Weir Power & Industrial Division
Operational review

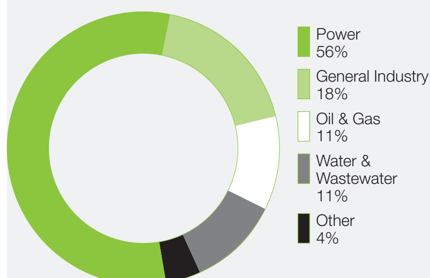
Divisional results[1]

Order Input
£266m
Down 8%

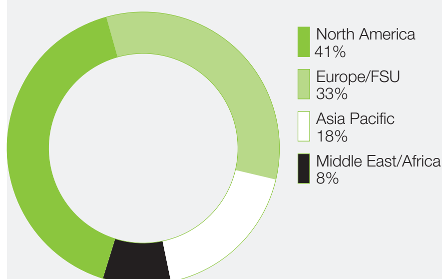
Revenue
£242m
Up 1%

Operating profit
£23.0m
Up 16%

Sector input breakdown



Geographic input breakdown



[1] Statements in respect of divisional performance are on a constant currency basis with operating profits stated before intangibles amortisation

Weir Power & Industrial Division designs, manufactures and provides aftermarket support for specialist and critical-service rotating and flow control equipment to the global power generation, industrial and oil & gas sectors. The division includes the Group's valve operations, a specialist pump business and substantial service and aftermarket operations with locations in Europe, Middle East, North America, China, India and South Africa. Three of our facilities have nuclear certification and we are one of only a few companies globally with the capability to provide specialist safety critical valves into the nuclear islands of the third generation of nuclear power stations.

Market review

The original equipment power market continued to be generally buoyant in Asia but was depressed in Europe and North America, due to new coal power station development being delayed or cancelled as a result of funding issues, environmental concerns and planning constraints. The strong Asian market has been driven by an acceleration in the placement of nuclear new build contracts in China, now the largest nuclear new build market in the world, as a consequence of the economic stimulus programme introduced by the Chinese Government.

New coal and nuclear plant delays in Europe and North America have resulted in increased potential for service and life extension projects and demand for hydro refurbishment in Canada has been robust.

The global downturn impacted the North American industrial markets which had a direct impact on our Canadian service centres.

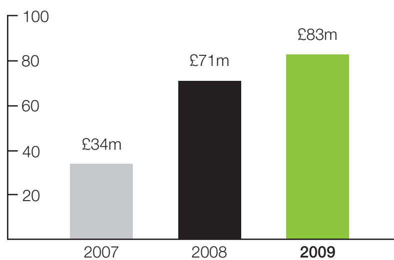
Achievements & contract wins

- Type approval certification for a new nuclear butterfly valve.
- Awarded £33m of orders from the nuclear new build programme in China with supply of critical valves from all three of our nuclear facilities in the UK, France and USA.
- Additional contract wins in Libya to supply submersible pump sets for the Sarir Wellfield extension project, which will supply and transport water to towns and industries.
- Early completion of a multi-million dollar mechanical overhaul contract at BC Hydro Peace Canyon, British Columbia's fourth largest hydro power station.
- CAD$600m15-year contract awarded for the maintenance and operation of the Canadian Naval Engineering Test Establishment.

Weir Power & Industrial Division
Operational review (continued)

"Strong power sector growth has offset industrial sector decline giving our resilient business a record order book into 2010."

Nuclear order input



Operational performance

The division has continued to make good progress in developing its presence in global power markets with a key focus on the nuclear and hydro markets. Sales to emerging markets, especially China are making a growing contribution. Improving operating margins reflect increased plant utilisation and further operational efficiencies.

Order input declined by 8% to £266m (2008: £289m), with original equipment 18% lower and aftermarket in line with the prior year. This reflects the timing of large contract awards in the power markets with the weaker industrial markets being partly offset by increased power station life extension and service work. Overall, the proportion of orders from the power sector continued to grow with some £33m of specialist valve input achieved from the Chinese nuclear new build programme scheduled for delivery in 2011 onwards. The strong power performance was offset by a decline in industrial and oil and gas orders from Canada and Europe reflecting weaker market conditions.

Our Canadian service business secured a CAD$600m 15 year contract to operate the Naval Engineering Test Establishment in Montreal providing a solid base load for that business going forward.

Revenue increased by 1% to £242m (2008: £240m). Revenue from the power sector increased 19% and now accounts for 56% of divisional revenues (2008: 48%). This reflects a strong opening order book and increased refurbishment and life extension support to power stations in Europe and North America. Oil and gas revenues declined 22% as a consequence of a general market downturn in new project activity. The proportion of the division's revenue generated from emerging markets increased to 21% compared to 20% in 2008.

Operating profit increased 16% to £23.0m (2008: £19.9m) reflecting the flow through of the underlying margin improvement and early returns on the investment in people, technology and plant made in recent years.

Operating margins rose to 9.5% from 8.3% in 2008. This increase has been driven by increased operational efficiencies, lower product costs and developing supply chain in China.

Investment

Investment in our products and facilities continues to be critical to the future success of the division. Total capital expenditure in the year was £3.7m (2008: £10.2m). Further investment has been made in Suzhou, China to expand the range of products manufactured there and to establish a customer training centre to consolidate our presence in this growing market. In the UK, we extended the capability and portfolio of services of the Alloa Service Centre in Scotland with investment in the valve workshop; a new training centre to improve our service offering on pumping equipment and a unique profiling machine for on-site valve maintenance.

People

Investment in people is central to our divisional strategy. During 2009, we created a dedicated nuclear technology forum and sales team to focus on global opportunities and ensure that we continue to have the capabilities to deliver the design, development, testing and qualification of nuclear valves that will meet customer and regulatory qualification standards.

Outlook

We enter 2010 with a record order book and the division's financial performance in 2010 will benefit from a strong nuclear workload.

Whilst we are cautious at the speed of recovery in industrial markets, the outlook for the global nuclear power market is increasingly positive driven by environmental concerns combined with a growing demand for power particularly in Asia. A significant large-scale and sustained nuclear new build market is projected worldwide. At the same time, the need for life extension and refurbishment of existing power plants in the UK, Europe and North America will continue to grow given lead times for new build in these markets.

Our global footprint, track record and nuclear expertise means we are well placed to benefit from these opportunities over the medium term.

Weir's TRICENTRIC® triple offset butterfly valve qualified to ASME QME-1 nuclear standards.
ASME = American Society of Mechanical Engineers

Weir in action

Customer

Qinshan Nuclear Power Station Phase II extension project is a joint venture between China Nuclear Energy Industries Company and China Nuclear Power Engineering and has two 650 MW reactors under construction.

The five-metre Hopkinsons® Main Steam Isolation Valve

Brief

Before a nuclear station can operate a safety case has to be accepted and the correct functioning of the Main Steam Isolation Valve is critical. The purpose of this quick closing valve is to protect the steam generator in the unlikely event of a pipe break, down stream of the valve.

Solution

Hopkinsons 750mm diameter MSIV parallel slide gate valves, at five metres tall, are the largest valves designed and built at Power & Industrial's UK valve facility. The valve is required to close within five seconds of a pipe break being detected. Weir undertook a combination of analysis and testing, based on the 700mm MSIV supplied to Sizewell 'B' nuclear power station in the UK, which had been subjected to simulated pipe break testing.

Result

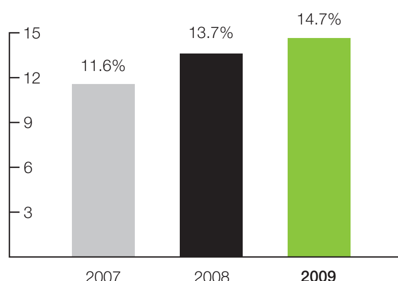
Weir carried out a detailed 'Design for Manufacture' exercise with key castings and machinist suppliers. A purpose-built specialist test rig was developed and testing and analytical results all proved the valve's quick-closure performance in the highly critical safety related function before the valves were shipped to China during 2009 for the commissioning of the unit in May 2010.

Financial Review

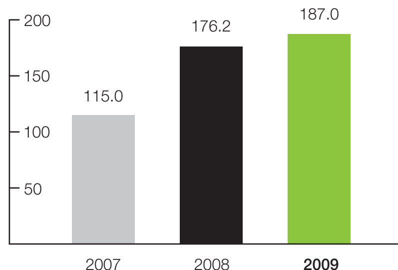
A strong set of results

Continuing operations

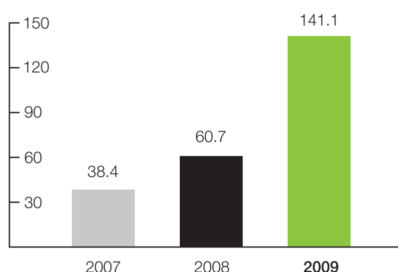
Operating margins[1]



Profit before tax[1] **(£m)**



Free cashflow (£m)



[1] Adjusted to exclude intangibles amortisation

We have delivered a strong set of results that clearly demonstrate the quality and resilience of our business model. A higher proportion of aftermarket revenues, a growing contribution from emerging markets and effective cost-base management largely mitigated the impact of reduced demand for original equipment products. An outstanding level of cash generation in the year coupled with our committed bank facilities and long dated fixed rate notes issued in January 2010 means that we start the year in a strong financial position.

Order input in constant currency at £1,302m was 18% lower than the prior year both in total and, on a like for like basis, after adjusting for prior year acquisitions and disposals. Original equipment orders were down 34%, reflecting lower capital spending across most of our end markets while aftermarket orders held up well ending the year only 2% lower than 2008, representing 58% (2008: 48%) of total input. Each of the divisions reported lower input levels in 2009. Minerals order input fell 20% to £718m (2008: £897m) and 23% on a like for like basis, while Oil & Gas input fell 8% to £305m (2008: £332m) with the like for like decline also at 8%. Power & Industrial input fell 8% to £266m (2008: £289m).

Revenue grew by 3% from £1,354m in 2008 to £1,390m, with a net currency benefit of £145m principally due to the weakening of sterling relative to the average US dollar, euro and Australian dollar rates in the prior year. In constant currency terms, this represents a 7% decline in revenue, reflecting a strong opening order book, offset by lower input levels over the year. Like for like revenues, in constant currency, were similarly down 7% reflecting the impact of prior year acquisitions and disposals. Aftermarket sales represented 54% (2008: 50%) of revenue and our exposure to emerging markets grew to 43% (2008: 40%) of revenues with stronger contributions from both South America and Africa. On a constant currency basis, Minerals revenues were down 1% to £813m (2008: £825m) with a like for like revenue decline of 5% and a full year's contribution from CH Warman. Oil & Gas revenue fell 7% to £299m (2008: £323m) with a like for like revenue decline of 8% and a full year contribution from prior year acquisitions. Power & Industrial revenues grew 1% to £242m (2008: £240m). Revenues from other Group companies fell from £110m to £36m in part due to disposals in the prior year.

Operating profit from continuing operations before intangibles amortisation increased by 11% to £204.7m (2008: £185.0m) including a net foreign currency benefit of £29.4m. On a constant currency basis, operating profits reduced by 5% to £204.7m (2008: £214.4m), in part due to lower volumes at Weir SPM and one-off restructuring costs of £6.2m partly offset by a net contribution from prior year acquisitions and disposals of £10.7m. Operating margins in constant currency increased from 14.3% to 14.7%, reflecting the favourable impact of a higher proportion of aftermarket revenues and proactive management of the cost base. On a constant currency basis, Minerals operating profits grew 2% to £133.6m (2008: £130.4m) with a £5.6m incremental contribution from CH Warman giving a divisional operating margin of 16.4% (2008: 15.8%). Oil & Gas operating profits, including joint ventures, declined to £52.0m (2008: £72.8m). Operating margins were 17.4% compared to 22.6% for the prior year. Power & Industrial operating profits increased by 16% to £23.0m (2008: £19.9m) with operating margins of 9.5% (2008: 8.3%). The profit contribution from other Group companies was £6.8m (2008: £2.0m). Depreciation and impairment of property, plant and equipment and investment property in the year was £29.2m (2008: £25.6m) giving rise to operating profits from continuing operations before depreciation and intangibles amortisation ("EBITDA") of £233.9m (2008: £210.6m).

Interest

Net finance costs increased to £17.7m (2008: £8.8m) due to an increase in pension scheme finance costs of £3.3m, one-off costs of £3.7m on cancellation of floating to fixed rate interest rate swaps in advance of the issue of a series of fixed rate notes in January 2010 and reduced interest rate differential benefits from our US dollar balance sheet hedging programme. Net finance costs (excluding other finance costs / income) were covered 12.6 times by operating profits (2008: 17.5 times).

Profit before tax

Profit before tax from continuing operations before intangibles amortisation increased by 6% to £187.0m (2008: £176.2m). Reported profit before tax from continuing operations increased by 7% to £170.4m (2008: £159.5m) reflecting intangibles amortisation of £16.6m (2008: £16.7m).

Taxation

The tax charge for the year of £52.2m (2008: £51.8m) on profits before tax from continuing operations before intangibles amortisation of £187.0m (2008: £176.2m) represents an underlying effective tax rate of 27.9% (2008: 29.4%) reflecting a lower proportion of US profits which are taxed at a higher rate. This differs from an expected rate of 29.3% (2008: 31.2%) principally as a consequence of an efficient capital structure. The reported tax charge in respect of continuing operations was £46.8m (2008: £46.5m), reflecting the additional tax credit on intangibles amortisation.

Discontinued operations

Profit from discontinued operations of £5.2m (2008: £57.8m) relates to the release of certain warranty provisions in relation to prior year disposals.

Earnings & dividends

Earnings per share from continuing operations before intangibles amortisation increased by 8% to 64.1p (2008: 59.3p). Reported earnings per share including intangibles amortisation, exceptional items and discontinued operations was 61.2p (2008: 81.4p) reflecting the gain of £55.1m realised on the sale of Strachan & Henshaw in the prior year. The weighted average number of shares in issue increased to 210.3 million (2008: 209.9 million).

Subject to shareholder approval, the full year dividend will be 21.0p, an increase of 14% over last year's total of 18.5p. This results in dividend cover (being the ratio of earnings per share from continuing operations before intangibles amortisation and exceptional items to dividend per share) of 3.1 times compared to 3.2 times in 2008.

Financial review (continued)

Cashflows

The Group delivered an outstanding cash result. Cash generated from operations increased 41% to £302.3m (2008: £214.4m) representing an EBITDA to cash conversion ratio of 129% (2008: 102%), principally driven by a net working capital inflow of £66.2m (2008: £9.0m outflow). Overall working capital on a constant currency basis is now 10% of revenues (2008: 13%) with strong management attention in the year yielding an improvement in debtor days from 52 to 47 and an improvement in inventory turns from 3.2 times to 3.6 times. Our working capital performance did benefit from an unusually high level of advance payments on major contracts and we expect to see an associated unwind of around £30m during 2010.

Additional pension contributions of £11.1m (2008: £6.5m) were paid in the period, principally in respect of the enhanced transfer offer to certain deferred members of the main UK plan and agreed special contributions to the UK plans. We expect such payments to reduce to around £9m in 2010.

Capital expenditure reduced from £53.3m in 2008 to £40.6m, representing 1.4 times depreciation (2008: 2.3 times), reflecting continued attractive investment opportunities available across the Group.

Settlement of derivative financial instruments resulted in cash outflows of £16.5m (2008: £4.2m). This principally represented the scheduled settlement of cross currency swaps which formed part of the hedge of our US dollar investment in Weir SPM with the remainder of these derivatives rolling-off over the next four years.

Net free cashflow (being net cashflow generated from continuing operations, excluding the cash impact in relation to acquisitions, disposals and net repayment of borrowings) after all financing costs, tax and dividends was £141.1m (2008: £60.7m). Taken together with the adverse impact of the translation of foreign currency borrowings of £18.9m (2008: £63.5m), net debt reduced by £120.7m to £119.2m (2008: £239.9m) reflecting a net debt/EBITDA ratio of just 0.5 times (2008: 1.1 times).

Treasury management

The Group is financed through a combination of bank debt, fixed rate notes and equity. The capital structure is managed centrally with the objective of optimising capital efficiency while maintaining a good degree of financial headroom.

The principal financial risks faced by the Group are those relating to liquidity, foreign currency and credit risk. The Group's treasury policies and procedures, which are reviewed and updated on a regular basis, seek to reduce these financial risks. Within this framework, the Group uses financial assets and liabilities including derivatives to hedge certain foreign exchange and interest rate risks.

Funding & liquidity

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and long term fixed rate notes.

The Group has committed bank borrowing facilities of £625m which mature in the third quarter of 2011. At 1 January 2010, £173.1m (2008: £241.8m) was drawn under these facilities and all covenants were met at 1 January 2010. During the year Canadian dollar facilities of CAD$90m matured and were repaid using drawings under the committed bank borrowing facilities. The Group also held net cash balances of £55.7m at 1 January 2010 (2008: £53.6m) representing operating balances held by the Group's subsidiaries of which £1.9m was held in the UK.

The Group has additional committed and uncommitted bank facilities under which guarantees are issued in order to support commercial activities.

On 11 January 2010, the Group issued through a Private Placement to UK and US investors, the equivalent of US$250m of five year (2015) and eight year (2018) fixed rate notes in a combination of US dollar and sterling. Including the effect of swapping the sterling notes into US dollars the all-in average US dollar equivalent interest rate across these notes is 4.8%. This bond issue further improves the Group's financial flexibility by diversifying our sources of finance and lengthening the maturity profile of borrowings. The proceeds from this placement have been used to repay borrowings under our bilateral facilities.

Credit management

The Group's credit risk is primarily attributable to its trade receivables with risk spread over a large number of countries and customers, with no significant concentration of risk. Credit worthiness checks are undertaken before entering into contracts with new customers and credit limits are set as appropriate. Where appropriate, we will use trade finance instruments such as letters of credit and insurance to mitigate any identified risk. The Group's exposure to the credit risk of financial institutions is limited by the adherence to counterparty limits and by only trading with counterparties that have a strong credit standing based upon ratings provided by the major agencies.

Interest rate risk management

The Group's bilateral facilities are charged at variable rates of interest. It is our policy to maintain a proportion of debt at fixed rates of interest subject to the future outlook for the level of interest rates. At 1 January 2010, 18% (2008: 47%) of the Group's debt was at fixed rates of interest through the use of floating to fixed interest rate swaps. Following the issuance of the equivalent of US$250m fixed rate notes on 11 January 2010, almost all of the Group's borrowings will be at fixed interest rates.

Foreign exchange

The Group is exposed to movements in exchange rates for transactions undertaken in non-functional currencies of the operating companies concerned and the translation of foreign currency denominated net assets and profit and loss items.

All material transactional currency exposures are hedged, usually by means of forward contracts thereby ensuring certainty over revenue and costs. Subject to local exchange controls, foreign exchange transactions are executed by the central treasury function. No speculative transactions are undertaken. Although hedging is undertaken for all material exposures, only two companies apply cash flow hedge accounting under IFRS.

The Group manages a proportion of the potential currency translation exposures from US dollar denominated net investments through a combination of US dollar borrowing, forward foreign currency contracts and cross currency swaps. The strengthening of sterling relative to a number of major currencies in the year resulted in a negative net asset translation effect of £12.9m, including the benefit of the balance sheet hedging programme. The fair value of derivatives designated as net investment hedges at 1 January 2010 was a liability of £40.7m (2008: £77.4m) reflecting the weakening of the US dollar relative to sterling during the year. These derivatives are due to cash settle on a broadly even annual basis through to 2013.

The Group does not hedge foreign currency translation exposures related to profit and loss items.

Further information on financial risk management objectives and policies can be found in note 30 to the Group financial statements.

Retirement benefits

The Group has five defined benefit plans in the UK and North America, the most significant being in the UK. All defined benefit plans were closed to new members in 2002.

The Group has continued to manage pro-actively manage its exposure to its pension plans. The wind-up of the Canadian defined benefit plan was completed and an enhanced transfer offer made to certain deferred members of the main UK plan which has further reduced our defined benefit pension obligations by around 5%. The net Group deficit for retirement benefit obligations at the period end was £71.0m (2008: £29.9m), reflecting a reduction in bond yields and the impact of updating mortality assumptions, partly offset by better than expected equity returns.

Net assets

Net assets increased by £45.5m in the year to £742.4m (2008: £696.9m), principally reflecting total net comprehensive income for the year of £83.3m less dividends paid of £39.2m.

Litigation

The Company and certain subsidiaries are from time to time, parties to legal proceedings and claims which arise in the normal course of business.

There were 308 asbestos related actions (2008: 180) outstanding against Group companies. All such actions are robustly defended.

In 2004, an announcement was made to the London Stock Exchange in connection with the Group's involvement in the UN sanctioned Oil for Food Programme. The Group continues to co-operate fully with the on-going investigations by UK authorities in this connection. In addition, the Company is subject to a claim relating to an action for damages arising from the UN Oil for Food Programme which has been raised in the United States against just under 100 companies. This action will be robustly defended.

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 on the Group's financial position.

Critical accounting policies

The accounts have been prepared in accordance with IFRS and the material accounting policies are set out on pages 63 to 69 of this financial report. There have been no significant changes to the accounting policies adopted in 2008.

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 accounts.

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

Retirement benefits

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

Board of Directors

Lord Smith of Kelvin
Chairman (65) ●

Lord Smith joined the Board in February 2002 and was appointed chairman in July of the same year. He is chairman of Scottish & Southern Energy plc and a non-executive director of Standard Bank Group Ltd. He is also chairman of Glasgow 2014 Ltd, the organising committee for the Commonwealth Games.

He is currently a member of the Council of Economic Advisors to the First Minister of Scotland, chancellor of the University of the West of Scotland and patron of the Scottish Community Foundation.

He was formerly chairman and chief executive of Morgan Grenfell Private Equity and was chief executive of Morgan Grenfell Asset Management from 1996 until 2000 before becoming vice chairman of Deutsche Asset Management between 2000 and 2002.

He has also held a number of other positions in the financial services industry and was a member of the Judicial Appointments Board for Scotland and former chairman of the trustees of the National Museums of Scotland.

He is a chartered accountant and a former president of the Institute of Chartered Accountants of Scotland.

Keith Cochrane
Chief Executive (45) ●

Keith Cochrane joined the Group as finance director in July 2006 and was appointed chief executive in November 2009. Following a number of years with Arthur Andersen, Keith joined Stagecoach Group plc in 1993. He was appointed finance director in 1996 and group chief executive in 2000. He joined Scottish Power plc in 2003 where he became director of group finance.

He is a chartered accountant and a member of the Institute of Chartered Accountants of Scotland.

Keith is currently a non-executive director of the Royal Scottish National Orchestra Society Ltd.

Professor Ian Percy CBE
Non-Executive Director (68) ▲■●

Professor Percy was appointed a non-executive director in October 1996. He joined Cala Group Ltd as a non-executive director in 2000 and is the interim non-executive chairman. He was a partner in the accountancy firm Grant Thornton where he worked for 25 years, becoming a senior partner before he left in 1995. He joined Kiln plc as a director in 1998 and became chairman in 2002. He was chairman of the Accounts Commission for Scotland (1992-2001), chairman of Companies House (2000-2006) and a former president of the Institute of Chartered Accountants of Scotland. He was also deputy chairman of Ricardo plc for eight years until 2008.

He is currently chairman of Queen Margaret University, Edinburgh, and a fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA). He is a chartered accountant and a member of the Institute of Chartered Accountants of Scotland

He is deputy chairman.

Alan Mitchelson
Legal and Commercial Director & Company Secretary (60)

Alan Mitchelson joined the Group as company secretary in March 2000 and was appointed a director in December 2001.

Following a period in legal private practice, a number of years were spent in the oil industry before joining Trafalgar House as a legal advisor. He joined Highland Distillers plc in 1988 where he was company secretary before being appointed legal and personnel director in 1991. He is currently a non-executive director of Glasgow 2014 Ltd.

He is a solicitor and member of the Law Society of Scotland.

Stephen King
Non-Executive Director (49) ▲

Stephen King was appointed a non-executive director in February 2005. In December 2009, Stephen was appointed group finance director of Caledonia Investments plc. Between 2003 and 2009 he was the group finance director of De La Rue plc and prior to that, finance director of Aquila Networks plc (formerly Midlands Electricity plc). Stephen has held senior financial positions in several companies including Lucas Industries plc and Seeboard plc, having qualified as a chartered accountant with Coopers & Lybrand.

He was a non-executive director of Camelot Group plc from 2008 until 2009. He is a fellow of the Institute of Chartered Accountants in England & Wales and an associate member of the Association of Corporate Treasurers.

He is chairman of the Audit Committee.

From left to right:
Lord Smith of Kelvin
Keith Cochrane
Richard Menell
Stephen King
Alan Mitchelson
John Mogford
Michael Dearden
Professor Ian Percy
Lord Robertson of Port Ellen

Michael Dearden

Non-Executive Director (67) ■ ●

Michael Dearden was appointed a non-executive director in February 2003. Michael worked for Burmah Castrol plc for a period of 20 years where he held a number of senior roles including director and chief executive of Castrol Worldwide from 1998 to 2000. He was a non-executive director of Johnson Matthey plc (1999-2008) and Travis Perkins plc (2000-2009), and chairman of Galileo Brick Ltd (2003-2004) and Minova International Ltd (2003-2007). He is currently chairman of Mondo Minerals BV.

He is chairman of the Remuneration Committee and the senior independent director.

John Mogford

Non-Executive Director (56) ▲

John Mogford was appointed a non-executive director in June 2008. He is currently advising private equity on the energy sector since retiring from BP. He was formerly an executive vice president of BP plc having been with BP for over 30 years, initially in their exploration division and progressively rising to Executive Vice President (Chief Operating Officer US Downstream & Head of Refining). He held numerous positions in every area of BP Operations from gas and renewables to upstream and downstream oil. Throughout his career with BP, John had a strong focus on health and safety and for a number of years was responsible for their global safety in operations.

He is a fellow of the Institution of Mechanical Engineers.

Richard Menell

Non-Executive Director (54) ▲

Richard Menell was appointed a non-executive director in April 2009. Richard was previously an investment banker with JP Morgan in New York and Australia and an executive director of gold producer Delta Gold in Australia. He returned to South Africa in 1992 to join the Anglovaal Group and was appointed chief executive of Anglovaal Mining in 1996 and executive chairman in 2002. He was president and chief executive of TEAL Exploration & Mining Inc in 2005 until 2008. He was also formerly chairman of Avgold Ltd (1996-2004) and Bateman Engineering BV (2005-2009).

Richard is currently a director of Mutual & Federal Insurance Company Ltd, Standard Bank Group Ltd and Gold Fields Ltd in South Africa. He is a fellow of the Geological Society (London), and both the Australasian and South African Institute of Mining and Metallurgy.

Lord Robertson of Port Ellen (George) KT, GCMG, HonFRSE, PC

Non-Executive Director (63) ■ ●

Lord Robertson was appointed a non-executive director in February 2004. He is deputy chairman of TNK-BP and a non-executive director of Western Ferries (Clyde) Ltd. He is senior international advisor to CWI (formerly Cable and Wireless International) and a senior counsellor with The Cohen Group (USA). He was the Secretary of State for Defence from 1997 until 1999 before becoming Secretary General of NATO from 1999 until 2003. He was formerly a director of Smiths Group plc (2004-2006) and deputy chairman of Cable & Wireless plc (2004-2006). Between 2004 and 2009 he was an advisor to the private equity group Englefield Capital.

He is joint president of Chatham House (Royal Institute of International Affairs), president of the Atlantic Council of the United Kingdom and a member of Her Majesty's Privy Council. He is an honorary fellow of the Royal Society of Edinburgh and an Elder Brother of the Corporation of Trinity House.

Jon Stanton

Finance Director (43)

Jon Stanton is expected to join the Board in April 2010. He joins from Ernst & Young where he has worked since 1988 after joining as a graduate trainee in their Birmingham office. He has been a partner in the London office since 2001 with lead responsibility for the audit of a number of FTSE 100 multi-national clients.

With Ernst & Young he has led the Japanese Business Services practice for Europe and headed up the Industrial Products audit business unit. He has significant corporate finance experience, including mergers and acquisitions and has been involved in a number of restructuring and business process improvement projects. Jon has extensive international experience including two years based at Ernst & Young's Detroit office.

He is a chartered accountant and a member of the Institute of Chartered Accountants in England and Wales.

▲ Audit Committee

■ Remuneration Committee

● Nomination Committee

Principal risks & uncertainties

Risk is inherent in the Group's business activities and as a consequence of operating a comprehensive 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, revenues, 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.

RISK	POTENTIAL IMPACT	MITIGATION
Global political and economic conditions		
The Group operates in a number of regions where it may be exposed to economic, political, regulatory or business risks.	While benefiting from the opportunities and growth in these regions, changes such as the introduction of new regulations, expropriation of assets or the imposition of trade barriers could disrupt the Group's business activities or impact on the Group's customers, suppliers or other parties with which it does business. In some instances, this could have a material adverse effect on the Group's financial position and prospects.	The Group's diversified geographic footprint mitigates against any exposure within any one country in which it operates. Management monitor such risks and amend business procedures accordingly, while remaining in compliance with local and international requirements. In addition, strategic reviews are carried out by the Group prior to entry into a new country.
Human resources		
The future success of the Group depends on the skills and efforts of its employees across all of its businesses and the ability to retain and develop these individuals. In addition, the success of Group acquisitions will depend on the ability to retain management personnel of acquired companies.	If it is unable to attract and retain excellent talent, the Group may not be able to effectively implement its business strategies.	The Group constantly reviews its remuneration packages to ensure they remain competitive and also maintains development and succession planning programmes. The Group's employee development programmes are explained in more detail on page 50.
Health and safety		
Certain aspects of the Group's manufacturing and service activities mean that employees are exposed to hazardous environments.	If the Group cannot maintain a safe place of work for all its employees, a number of negative outcomes to the Group could result including: • fines and penalties; • loss of key customers; • exclusion from market sectors deemed important for future growth; and • damage to reputation.	The Group is committed to maintaining a safe working environment and a culture of zero tolerance to accidents. To support this, all operations are encouraged to achieve OHSAS 18001. More details of this are contained on page 49. The Group has in place quality and safety processes within each of its businesses which are regularly audited by professional bodies and customers.

RISK	POTENTIAL IMPACT	MITIGATION
Environmental and regulatory		
The Group has contracts and operations in many parts of the world and is subject to local laws and regulations. Non-compliance with any of these laws or regulations could expose the Group to financial or reputational damage. In addition, manufacturing facilities are, at times, subject to permits that control the discharge of hazardous substances into the air or water; and the storage and disposal of such materials which could result in contamination of the site. It is expected that controls over environmental issues will increase in the future.	Failure by the Group, or agents acting on its behalf, to comply with these laws and regulations could result in administrative, civil or criminal liabilities resulting in significant fines and penalties and/or debarment of the Group from government contracts for a period of time or affect the Group's future operational performance or financial condition.	The Group has formal systems and policies in place which are mandated under the Group compliance scorecard to ensure adherence to regulatory requirements and to identify any restrictions that could adversely impact on the Group's activities. More detail on this can be found on pages 38 and 39. Each of the Group's operational sites have managers who monitor regulatory developments. All sites have to be ISO 14001 compliant in order that they not only meet with current requirements but also have the appropriate management systems in place to ensure continuous improvement in environmental performance. More detail on this is contained on page 51.
Legal		
Manufacturing companies are, from time to time, exposed to personal injury claims and class actions or other litigation resulting from injuries sustained at work, including asbestosis or other health problems associated from working in industries that used asbestos in the twentieth century.	The Group has insurance cover for certain claims but not for all the claims. The number and size of the claims is dependent on the number of third parties that are still in existence and can be included in such actions. Both of these can change over time and as a result the Group's exposure can increase.	The Group has internal policies and procedures for monitoring these risks, managing and mitigating against these liabilities and to ensure that there is regular reporting to the Board on any changes or developments.
Competition and innovation		
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. The Group's continued success depends not only on the continuous improvement of its existing product portfolio but its ability to continue to develop and produce new and enhanced products in a cost effective and timely manner in accordance with customer demands. Failure to maintain a competitive advantage or manufacture at the lowest cost could have a significant adverse impact on the Group's business.	All new or improved technologies and products involve risk, including the potential for abortive expenditure, reputational risk and potential customer claims. In addition, the Group's processes to bring a new product to market may not be fast enough to gain market share or the new product may not achieve market acceptance, thereby harming the Group's reputation.	To remain competitive, the Group invests continuously in its manufacturing, marketing, customer service support and distribution networks. The Group also maintains the highest manufacturing and quality standards which include regular dialogue with customers to ensure that individual customer requirements are met. It also takes appropriate action to ensure that its cost base remains competitive and margins protected. The diversity of operations reduces the possible effect of action by a single competitor and combined with the application of the Weir Production System ensures the Group's competitive advantage is sustained.

Principal risks & uncertainties (continued)

RISK	POTENTIAL IMPACT	MITIGATION
Financial		
The Group is exposed to foreign currency, liquidity and credit risk. Foreign currency transactional risk arises when operating subsidiaries enter into transactions denominated in currencies other than their functional currencies. Translational exposure arises on the translation of overseas earnings and investments into sterling for consolidated reporting purposes. Credit risk is the risk that a customer or counterparty fails to meet an obligation under a contract and liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due.	Foreign currency transactional and translational risk could result in volatility in reported consolidated earnings and net assets. Credit risk could have a negative impact on reported earnings and cash and consequently the liquidity of the Group. Liquidity risk could impact negatively on the Group's reputation, borrowing costs or ultimately its ability to continue as a going concern.	Foreign currency transactional risk is managed by hedging significant exposures, usually by means of forward foreign exchange contracts. Net assets translational risk is partly hedged using foreign currency borrowings and derivative financial instruments. The Group does not hedge translational exposure arising from profit and loss items. Credit risk is managed by undertaking credit reviews of key customers with reference to external credit rating agencies and then adhering to the resultant credit limits. Credit risk to financial institutions is limited by restricting the range of counterparties to those with high credit ratings. Liquidity risk is managed by monitoring forecast and actual cashflows and ensuring that sufficient committed facilities are in place to meet possible downside scenarios.
Acquisitions		
The anticipated benefits of acquisitions may not be realised.	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.	The Group implements a rigorous due diligence process and ensures clear financial targets are in place as well as putting any acquisition through a formal approval process. The Group implements an internal 100 day plan to ensure that the integration process is actioned with the minimum of disruption.
Delivery performance and production		
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 in relation to on-time delivery.	Failure to deliver in accordance with customer expectation could subject the Group to financial penalties, damage customer relationships and, as a result, impact on the Group's financial performance.	Manufacturing scheduling and planning is subject to stringent internal assurance processes to optimise each business unit's order book. The effect of this is to maximise capacity and minimise reworking costs and delays in delivery times. This is complemented by the use of the Group's Manufacturing Resource Planning systems, together with the slotting and scheduling achieved through the Weir Production System.

Corporate governance report

Introduction

The Board remains committed to the principles of good governance. Good corporate governance, using the Combined Code as a guide to the components of good practice, is an integral part of the Board's stewardship obligations. The interpretation of good governance changes over time but the Group constantly aims for best practice in all matters and, by doing so, promotes the success of the business to the benefit of the shareholders.

As part of the Board's review into its effectiveness conducted during the year, the Board considered its composition and skills and concluded that it has the right experience to address and respond to the challenges it faces.

The Combined Code

This report explains how the Company applies the principles of the Financial Reporting Council Combined Code on Corporate Governance (the Combined Code) published in June 2008 and appended to the Listing Rules. The Combined Code is available on the Financial Reporting Council website. During the 53 weeks ended 1 January 2010, the Company complied with all provisions set out in the Combined Code.

Board of directors

The Board has a schedule of matters reserved to it for its decision. This schedule is reviewed regularly and includes approval of:

- environmental, health and safety policies;
- annual and half-year financial results, interim management statements and trading updates;
- dividend policy;
- Board appointments;
- Group strategy and the annual operating budget;
- changes to the Group's management and control structure;
- major capital expenditure, acquisitions and disposals;
- treasury policies; and
- risk management strategy and the system of internal controls.

Board meetings

In the 53 weeks to 1 January 2010, the Board met eight times, with one meeting at Weir SPM in Texas, USA. The majority of meetings were held at the Company's head office in Glasgow with two meetings held in London at the time of the Company's annual and interim announcements. There is regular contact outside formal meetings between the chairman, chief executive and the other directors.

The following table identifies the attendance record of individual directors at the eight board meetings held during 2009.

Name	Attendance
Lord Smith	8 of 8
Keith Cochrane	8 of 8
Michael Dearden	8 of 8
Stephen King	8 of 8
Richard Menell[1]	5 of 6
Alan Mitchelson	8 of 8
John Mogford	7 of 8
Professor Ian Percy	8 of 8
Lord Robertson	7 of 8
Mark Selway[2]	8 of 8

[1] Richard Menell was appointed to the Board on 1 April 2009.
[2] Mark Selway resigned as a director on 8 December 2009.

Re-election of directors

The Company's articles of association require that all 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. In addition, 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. Any non-executive director who has served on the Board for more than six years is subject to a particularly rigorous review and any director who has held office for more than nine years is required to submit himself for re-election annually.

Board information and development

On joining the Board, directors are provided with documentation on the Group 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.

All directors are provided with updates on corporate governance developments, legislative and regulatory changes and relevant industry and technical information.

Corporate governance report (continued)

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties, 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 issues arising at board meetings and non-executive directors have access to the chairman at any time.

Board evaluation

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 as well as 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.

The Board also conducts 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 meets with each of them to discuss the feedback. The results of the evaluation for 2009 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 by the chairman. An appraisal of the chairman is carried out by the senior independent director, with input from other board members.

Board balance and independence

The Board currently comprises the chairman, chief executive, legal and commercial director and six non-executive directors, all of whom are independent. Michael Dearden was appointed senior independent director in November 2009. Jon Stanton is expected to join the Group as finance director in April 2010.

There is an agreed procedure for directors to take independent professional advice, where appropriate, 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.

All directors bring their own independent judgement to major matters affecting the Group. Each of the non-executive directors is considered by the Company to be independent, with the exception of Professor Percy, who, as set out in the Chairman's statement, will be retiring from the Board prior to the forthcoming annual general meeting after over thirteen years with the Group.

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.

There is a division of responsibilities between the chairman, who is responsible for leading and running the Board and related matters and the chief executive, who has executive responsibility for running the Group's business and developing the appropriate organisational structure for a global organisation. The chief executive chairs the Group Executive Committee.

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. The letters of appointment of the chairman and the non-executive directors, which are available for inspection at the Company's registered office, set out the required commitment to the Company.

Directors conflicts of interests

The statutory duties for directors relating to conflicts of interest, set out in the Companies Act 2006 (the '2006 Act'), came into force on 1 October 2008. Under the 2006 Act, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The Company has adopted a formal procedure for the disclosure, review, authorisation and management of directors conflicts of interest and potential conflicts of interest in accordance with these provisions. The procedure requires directors formally to notify the Board, via the company secretary, as soon as they become aware of any actual or potential conflict of interest with their duties to the Company or of any material change in existing or potential conflicts that may have been authorised by the Board. The Board continues to monitor and review potential conflicts of interest on a regular basis. A register is maintained of all such disclosures and the terms of any such authorisation.

Shareholders

The Company is committed to a process of continual dialogue with its shareholders, including making appropriate contact with institutional investors and their representative bodies when there are specific matters to discuss. This dialogue with its institutional shareholders is in the form of the Group's investor relations programme. This includes regular update meetings and presentations with major shareholders and industry analysts. Feedback from these presentations, which is reported to the Board, gives investors an opportunity to comment on the quality of the communications they receive in their contact with the chief executive and finance director. Attendees at the results presentations include the chairman, the executive directors, the senior independent director and a number of the non-executive directors. 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 and the chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions. The date of the key publications in 2010 can be found on the Company's website.

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. Electronic proxy voting, details of which are included in the notice of the 2010 annual general meeting, is available. Voting participation at the annual general meetings in 2007, 2008 and 2009 was 61%, 56% and 64% respectively.

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 specialised trade press and its own internal bulletins, which have wide circulation and through the news section on both the divisional and Company websites.

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.

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 Executive Committee

The Group Executive Committee comprises the chief executive, finance director, legal and commercial director (whose biographies are on pages 28 and 29) and the three divisional managing directors whose details are set out below:

Phil Clifton (50) is the Weir Power & Industrial Divisional Managing Director based in East Kilbride, UK. Phil joined the Group from AWG PLC, the parent company of Anglian Water, where he was responsible for government services and group business development. Prior to AWG, he was managing director of Reyrolle Ltd, an international business in the industrial power group of Rolls-Royce PLC.

Steve Noon (45) is the Weir Oil & Gas Divisional Managing Director based in Fort Worth, USA. Steve has worked with several multi-nationals including Schefenacker Vision Systems, James Hardie Industries and The Toro Company. Before joining the Group in 2007, he held the position of president of Schefenacker Vision Systems, North America.

Scot Smith (46) is the Weir Minerals Divisional Managing Director based in Madison, USA. Prior to joining the Group, Scot spent 18 years in the automotive industry with companies such as Van Dresser Corporation, General Motors and Britax. Within Britax, Scot held a number of positions including marketing director, managing director of Britax Geco and latterly regional managing director for the Americas.

In the 53 weeks to 1 January 2010, the Group Executive Committee met 12 times.

The Group Executive Committee is responsible for ensuring that each of the Group's businesses is managed effectively and that the key performance indicators of the Group, as approved by the Board, are achieved.

The Committee's 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 which provide 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 coordination in areas such as purchasing, branding and career development planning. It also approves major items of capital expenditure within limits authorised by the Board.

Corporate governance report (continued)

General Administration Committee

The principal duties of the General Administration Committee are to allot shares under the Group Long Term Incentive Plan and other matters of a routine nature. This Committee comprises the executive members of the Board and meets as required.

Remuneration Committee

The chairman of the Committee is Michael Dearden. The other members of the Committee are Lord Robertson and Professor Ian Percy. John Mogford joined the Committee in 2010. 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.

The minutes of each meeting are circulated to the Board.

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 and share awards of the members of the Group Executive Committee;
- 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 is constituted and operated throughout the year in accordance with the relevant provisions of the Combined Code. The Committee's terms of reference can be found on the Company's website.

The Committee met four times in 2009. The following table identifies the attendance record of individual directors at the Committee meetings held during 2009.

Name	Attendance
Michael Dearden (chairman)	4 of 4
Professor Ian Percy	4 of 4
Lord Robertson	4 of 4

Nomination Committee

The members of the Committee during the year were Lord Smith (chairman), Keith Cochrane, Michael Dearden, Professor Ian Percy, Mark Selway and Lord Robertson. Alan Mitchelson acts as secretary to the Committee. The Committee meets at least twice a year and at other times when necessary, and in 2009 met four times. The following table identifies the attendance record of individual directors at the Committee meetings held during 2009.

Name	Attendance
Lord Smith (chairman)	4 of 4
Keith Cochrane[1]	1 of 1
Michael Dearden	4 of 4
Professor Ian Percy	4 of 4
Lord Robertson	4 of 4
Mark Selway[2]	2 of 2

[1] Keith Cochrane was appointed to the Committee on 2 November 2009.
[2] Mark Selway ceased to be a member of the Committee on 16 September 2009.

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 on the Company's website.

During the year, the Committee undertook the search for a new chief executive to succeed Mark Selway. Having considered the Group's succession plans and reviewed the external candidates identified by search consultants, the Committee recommended to the Board the appointment of Keith Cochrane as chief executive. The Committee then undertook the search for a new finance director, with both internal and external candidates being considered, and identified Jon Stanton as Keith Cochrane's replacement. Both recommendations were approved by the Board.

Audit Committee

The chairman of the Committee is Stephen King. During the year, the other members of the Committee were Professor Ian Percy, Richard Menell (who was appointed to the Committee on 1 April 2009) and John Mogford. The secretary to the Committee is Alan Mitchelson. In addition, the chief executive, finance director, the head of internal audit and the external auditors attend each meeting. The head of internal audit and the external auditors also have access to the chairman of the Committee outside formal Committee meetings.

The Board is satisfied that Stephen King has recent and relevant financial experience.

The Committee has the ability to call on Group's employees to assist in its work and also has access to independent advice.

The Board has delegated to the Committee responsibility for overseeing the financial reporting and internal risk management control functions and for making recommendations to the Board in relation to the appointment of the Group's external auditors.

The 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 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; and
- review treasury policy.

The Committee also reviews the guidance issued by bodies such as the Financial Reporting Council into the work of audit committees and incorporates any recommendations into its working practices.

There were three meetings in 2009, in January, March and July. The following table identifies the attendance record of individual directors at the Committee meetings held during 2009.

Name	Attendance
Stephen King (chairman)	3 of 3
Richard Menell[1]	1 of 1
John Mogford	3 of 3
Professor Ian Percy	3 of 3

[1] Richard Menell was appointed to the Committee on 1 April 2009.

The Committee maintains a formal calendar of items for consideration at its meetings and within the annual audit cycle to ensure that its work is in line with the requirements of the Combined Code. During the March meeting, the Committee undertook a full review of the audit with the Group's auditors.

In the course of 2009, the Committee discussed the following matters:

- the annual report and financial statements, the half year report and interim management statements, any significant audit issues, accounting policies and financial reporting issues and judgements identified by the finance director and the auditors;
- the annual report disclosures relevant to the Committee, including the going concern statement and the reports on risk management and internal control;
- the terms of reference for the Committee;
- the internal audit scope and approach for 2009;
- the results of the Group compliance scorecard;
- the Group accounting policies;
- the findings of internal audit reviews undertaken by PricewaterhouseCoopers LLP and the head of internal audit;
- the fees for Ernst & Young LLP for 2009;
- the audit strategy for year end 2009 audit;
- the fraud and error guidelines contained in ISA240; and
- the Group 'whistleblowing' policy.

Corporate governance report (continued)

The minutes of each meeting are circulated to the Board. The Committee's terms of reference can be found on the Company's website.

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. During the year, the Committee reviewed the auditors' process for ensuring their independence and effectiveness and commented on their internal quality control procedures. The Committee are satisfied as to their continued independence.

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 policies are delegated to the finance director who in turn monitors each of the Group's subsidiaries 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 £1.2m (2008: £1.3m) and transaction support services of £nil (2008: £0.2m) in respect of 2009 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 can be brought in to review procedures if appropriate. The 'whistleblowing' policy is available to all staff within the Group through the Group intranet.

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 company secretary. These policies are reviewed on a regular basis.

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 2009 and up until the date of this report, except that it did not apply to the Group's joint ventures. 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 Group compliance 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 reviewed by 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 Group 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 principal risks and uncertainties identified by the Group Risk and Control Framework and how they are managed or mitigated are summarised on pages 30 to 32.

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 executive directors, the Audit Committee and the Board, as appropriate. 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:

- A clearly defined organisational structure within which individual responsibilities are identified and monitored.
- A Group compliance scorecard which records compliance with the policies and procedures.
- Policies and procedures manuals are in place and communicated to all Group operating companies through the Group intranet. The managing directors are responsible for ensuring that each company observes and implements these policies and procedures which are continuously reviewed and updated.
- A comprehensive annual planning and financial reporting system incorporating consolidated management accounts, which compares results with forecast and the previous year on a monthly and cumulative basis. Management information systems provide directors with relevant and timely reports that identify significant variations from approved forecasts and revised forecasts for the year are produced four times a 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.

Alan Mitchelson
Secretary
Signed and approved for and on behalf of the Board
9 March 2010

Remuneration report

Introduction

The Remuneration Committee's main aim is to support the Group in its ability to attract, motivate and retain high calibre individuals to deliver the highest possible performance to our shareholders. During 2009, the Committee reviewed the Group's Long Term Incentive Plan, the performance conditions attached to the awards and the levels at which they are made to ensure they remain competitive and are appropriate in the current environment.

The Committee believes that the salary levels and the mix between fixed and variable compensation continues to be appropriate and shall continue to review the remuneration package on a regular basis to ensure it remains so.

Membership of the Remuneration Committee

The chairman of the Committee is Michael Dearden. The other members of the Committee who served during the year are Lord Robertson and Professor Ian Percy. The secretary to the Committee is Alan Mitchelson.

Hewitt New Bridge Street ("Hewitt") continued to provide external advice in formulating remuneration policy and its implementation during 2009, as well as advice on long-term incentive schemes. Hewitt's appointment was renewed by the Committee for the year 2010. Hewitt 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.

No individual plays a part in the determination of their own remuneration.

Remuneration strategy and policy for executive directors

The Committee adopted the following policy for the remuneration of executive directors throughout 2009. It is intended that this policy will apply in 2010 and future years.

- The Group'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.
- 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 Group's Long Term Incentive Plan ("LTIP").

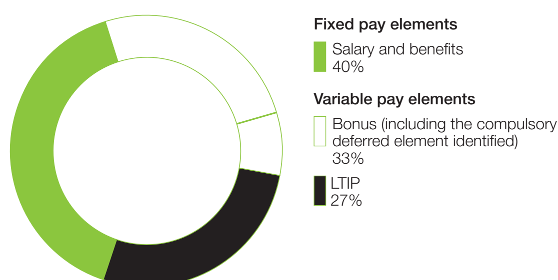
Elements of remuneration

The following table provides a summary of the key elements of the executive directors' remuneration package:

Element	Objective	Performance period	Policy
Salary	To provide a competitive base salary to attract and retain talented leaders.	—	Reviewed annually by reference to companies of a similar size and industry and having regard to salary increases throughout the Group. The only component of executive remuneration which is pensionable is the basic salary.
Annual bonus	Bonus payments are intended to reflect the achievement of agreed business objectives and positive contribution to stretching the performance of the Group.	One year	The Committee reviews the bonuses payable on an annual basis and sets the targets at the beginning of the financial year. The target used is normalised pre-tax profits. The maximum potential bonus receivable by the chief executive is 125% of salary and for the other executive directors is 100% of salary. As part of the LTIP, 25% of the chief executive's bonus is deferred in the form of shares and in respect of the other executive directors 20% of their bonuses are deferred. In 2011, it is proposed that the deferral will increase to 30% for all executive directors.*
Long term share incentives	To incentivise executives to achieve superior long-term performance to align shareholder interests with the executives and the retention of key individuals.	Three years	Vesting is based on an earnings per share growth target and the relative Group total shareholder return over the three year performance period.

Analysis of remuneration package

The following chart illustrates the proportions of the 2009 remuneration package for the executive directors comprising fixed and variable elements of pay. For 2009, it shows that 60% of executive directors total remuneration package was performance related.



Salary and benefits

Following his appointment as chief executive, Keith Cochrane's basic salary increased with effect from 2 November 2009 to £550,000. There will be no change to his salary in 2010. Reflecting the fact that there was no adjustment to his salary in 2009, Alan Mitchelson's salary will increase by 3% in April 2010. Jon Stanton's salary will be £370,000 and the other elements of his remuneration package will be in line with the other executive directors.

Executive directors also receive other benefits which are the provision of a car allowance, participation in a Group health care scheme, travel allowance and death in service insurance.

Bonus

Under the Group annual performance–related bonus, the payout for 2009 was based 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. Although pre-tax profits increased in 2009, the stretch target for the executive directors was not fully achieved and as a result they earned 83.7% of their maximum bonus entitlement for the period. The performance criteria and the maximum bonus potential will be the same for 2010.

Long Term Incentive Plan

During 2009, the Company continued with its annual grant policy under the LTIP and made awards of performance shares, compulsory investment shares and matching shares.

Details of each award are as follows:

- 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 2009, awards were made up to a maximum of 100% of salary. It is the Remuneration Committee's intention to make awards in 2010 of up to 100% of salary.
- 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 convert a further portion of their Group bonus (subject to any cap imposed by the Remuneration Committee, currently 20%) into Weir Group shares. In 2011, it is proposed that the compulsory deferral of the Group bonus for the 2010 financial year be increased to 30%.* In addition, it is proposed that the amount that the chief executive will be able to invest voluntarily be increased to 25%.* The cap in relation to the other executive directors will remain at 20%. These changes, which do not require formal shareholder approval, should permit a greater proportion of bonus to be converted into shares, which should further align management with shareholders.
- 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. In 2009, matching shares were awarded 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. In 2011, it is proposed that this be reduced to 2 times.* As a result, the overall maximum opportunity represented by the deferral and matching arrangement will not increase.

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 and matching share awards granted in 2009, the performance condition was 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 currently comprises:

AGA Rangemaster Group	Rolls-Royce
Bodycote	Rotork
Cookson Group	Senior
Halma	Smiths Group
IMI	Spirax-Sarco Engineering
Meggitt	Tomkins
Mitie Group	Wood Group
Morgan Crucible Company	WS Atkins

The Remuneration Committee may, in its absolute discretion, vary, add, remove or alter the companies making up the Comparator Group where events happen which cause the Remuneration Committee to consider that such change is appropriate to ensure that the performance condition continues to represent a fair measure of performance.

* This is subject to the approval of the various changes to the LTIP being put to shareholders as outlined in the notice of the 2010 annual general meeting.

Remuneration report (continued)

Only if the Company's TSR ranks in the upper quintile of the Comparator 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.

In addition to TSR performance, for any of the performance and matching share awards 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.

The performance condition for the performance and matching share awards to be made in 2010 has been amended to one which is 50% based on TSR, using the same Comparator Group, and 50% based on earnings per share growth (adjusted to exclude intangibles amortisation and exceptional items) as set out in the following table:

Earnings per share growth	% of the earnings per share portion of the award which vests
11% per annum	100%
4% per annum	25%
Less than 4% per annum	0%

There is straight line vesting between each point.

The earnings per share performance condition used up until 2009 will no longer apply to awards from 2010 onward.

The Committee considers that the earnings per share targets introduced for 2010 are very demanding. The Committee will set appropriate earnings per share targets for future awards, which will be at least as challenging in the circumstances as the 2010 award targets were when they were set.

The Committee believes that a balance between earnings per share and TSR is appropriate and aligned to the Company's long-term strategic goals of driving sustained earnings performance and shareholder value creation.

The TSR calculation is performed by Hewitt for the Remuneration Committee at the time of vesting.

In 2009, the awards made in 2006 vested and due to the performance condition only 69% of the awards were exercisable with the remainder lapsing.

Proposed changes to the Long Term Incentive Plan

During 2009, the Remuneration Committee reviewed the LTIP and identified the need to revise several aspects of the incentive arrangements to maintain their effectiveness.

At the annual general meeting in 2010, the Company proposes to put a number of changes to the LTIP to shareholders in relation to the following:

- The introduction, for awards made from 2011, of dividend equivalents in respect of vested compulsory investment share, matching share and performance share awards to provide better alignment with shareholders, reflecting ABI guidelines.
- The provisions relating to compulsory investment share awards made from 2011 will be changed to make them forfeitable only in the case of gross misconduct or a material misstatement of the Group's financial results in respect of which the bonus was generated.
- To increase the annual limit on the grant of performance share awards under the LTIP from 100% to 150% of salary and to increase the limit on grants in exceptional circumstances from 150% to 200% of salary. This will allow the flexibility to increase award levels in future years should the commercial need arise but, as mentioned above, normal awards will not exceed 100% of salary in 2010.

Full details of these changes are contained in the notice to the 2010 annual general meeting.

The Committee has ensured that, in accordance with its policy, there continues to be a suitable degree of stretch within the LTIP.

Conditional share award

In 2008, a one-off conditional award of 405,953 shares was made to Mark Selway, which has now lapsed.

Pensions

Alan Mitchelson is an active member of the Company's 1972 pension and life assurance plan. The plan is a contributory defined benefit 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 £123,600.

The plan provides for a surviving spouse's pension of one half of the member's pension (before any exchange for cash) and, in certain circumstances, for a dependent child's pension until the child attains the age of 23 years.

Pension built up prior to April 2006 increases in payment by the annual increase in the retail prices index up to a maximum of 5%. For pension built up after April 2006, the annual increase is limited to a maximum of 2.5%. Deferred pensions are revalued between the date of exit and normal retirement date in line with statute.

The plan provides a lump sum death benefit of five times salary for Alan Mitchelson.

Keith Cochrane is responsible for his own pension arrangement and Jon Stanton will be responsible for his own pension arrangement.

Chairman and non-executive directors

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.

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

Director	Contract commencement date	Next re-election	Notice period by Company
Lord Smith	6 February 2002	May 2010	6 months
Michael Dearden	17 February 2003	May 2011	6 months
Stephen King	3 February 2006	May 2011	6 months
Richard Menell	1 April 2009	May 2012	6 months
John Mogford	1 June 2008	May 2012	6 months
Lord Robertson	1 February 2004	May 2012	6 months
Professor Ian Percy	11 October 1996	—	6 months

Executive directors service contracts

All the executive 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 twelve 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 Remuneration 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.

To recruit the best executives, the Remuneration Committee may in the future agree contractual notice periods which initially exceed twelve months, particularly as it is often necessary for executives to relocate their families.

The details of the service contracts in relation to the executive directors who served during the year are:

Director	Contract commencement date	Unexpired term	Notice period by Company
Keith Cochrane	3 July 2006	12 months	12 months
Alan Mitchelson	12 December 2001	12 months	12 months
Mark Selway	5 June 2001	—	—

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. It is the Company's policy that remuneration earned from such appointments may be kept by the individual executive director. During 2009, Mark Selway acted as a non-executive director of Lend Lease Corporation Limited, an Australian and New Zealand listed company. His remuneration in respect of this appointment was AUS$140,000.

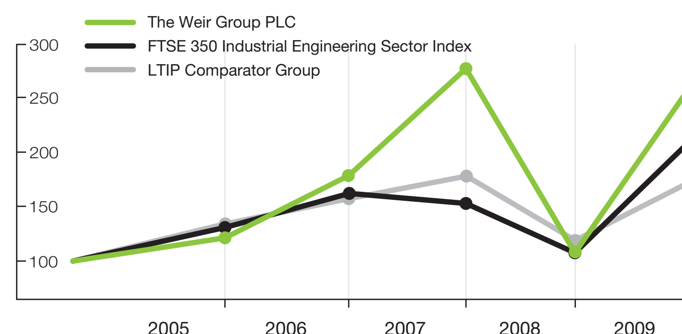
Remuneration of the chairman and non-executive directors

The remuneration of the chairman is agreed by the Board on the recommendation of the Remuneration Committee. Fees for 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 Hewitt. 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, where appropriate, 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 but have not been increased since 2007. With effect from 1 April 2010, the chairman's remuneration will be increased from £175,000 to £182,500 and the basic fee for each of the non-executive directors will be increased from £40,000 to £45,000. The additional fees paid to the deputy chairman and the chairmen of the Audit and Remuneration Committees remain unchanged. Michael Dearden, who became the senior non-executive director on 1 November 2009, is receiving an additional fee of £2,500 for that role.

Total shareholder return

The graph below illustrates the performance of the Company against the FTSE 350 Industrial Engineering Sector Index and the Comparator Group used in the LTIP. 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, as at 31 December 2009, of £100 invested in The Weir Group PLC over the last five financial years compared with the value of £100 invested in the FTSE 350 Industrial Engineering Sector Index and the average of the LTIP Comparator Group. The other points are the values at the intervening financial year ends.

Remuneration report (continued)

Directors interests

The interests of the directors in the ordinary shares of the Company as at 1 January 2010 and at the end of the preceding financial period were as follows:

		As at 1 January 2010		As at 26 December 2008	
	Notes	Shares	LTIP awards	Shares	LTIP awards
Lord Smith		145,900	-	138,400	-
Keith Cochrane		41,666	321,956	9,823	223,679
Michael Dearden		10,000	-	10,000	-
Stephen King		50,050	-	50,050	
Richard Menell	2	-	-	-	-
Alan Mitchelson		144,092	284,884	121,557	197,285
John Mogford		7,981	-	4,531	-
Professor Ian Percy		-	-	-	-
Lord Robertson		10,000	-	2,637	-

Notes

1. 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.
2. In the case of Richard Menell, the comparative figure is as at his date of appointment to the Board.
3. There have been no changes to the directors interests between 1 January 2010 and 9 March 2010.

Directors remuneration#

	Notes	Salary & Fees £	Bonus (note 8) £	Benefits (note 9) £	Total 2009 £	Total 2008 £
Chairman and non-executive directors:						
Lord Smith		175,000	-	4,195	179,195	180,838
Michael Dearden	1	47,917	-	3,963	51,880	52,738
Stephen King	2	47,500	-	-	47,500	47,500
Richard Menell	3	30,000	-	4,198	34,198	-
John Mogford	4	40,000	-	4,561	44,561	28,343
Professor Ian Percy	5	50,000	-	3,241	53,241	54,862
Lord Robertson		40,000	-	-	40,000	40,000
2008 retiree		-	-	-	-	45,238
		430,417	-	20,158	450,575	449,519
Executive directors:						
Keith Cochrane	6	422,918	377,182	22,303	822,403	769,467
Alan Mitchelson		317,000	265,391	19,307	601,698	645,292
Mark Selway	7	538,507	600,688	123,570	1,262,765	1,306,040
		1,708,842	1,243,261	185,338	3,137,441	3,170,318
Previous year comparatives		1,667,799	1,409,500	93,019		

Audited

Notes

1. The fees for Michael Dearden include £7,500 for services as chairman of the Remuneration Committee (2008: £7,500) and £417 for his role as senior independent director since 1 November 2009 (£2,500 pro-rated).
2. The fees for Stephen King include £7,500 for services as chairman of the Audit Committee (2008: £7,500).
3. Richard Menell was appointed on 1 April 2009.
4. John Mogford was appointed on 1 June 2008.
5. The fees for Professor Ian Percy include £10,000 for services as deputy chairman and for his role as senior independent director (2008: £10,000).
6. Keith Cochrane's salary was increased to £550,000 on 2nd November 2009 from £403,125.
7. Mark Selway's salary figure has been adjusted to cover only the period he was a director of the Company.
8. The bonus figures for Keith Cochrane and Alan Mitchelson include £94,295 (2008: £75,000) and £53,078 (2008: £63,400) respectively, which will be compulsorily deducted from their bonus in exchange for which they will be awarded investment shares which, subject to certain conditions, will be receivable on the third anniversary of the 2010 award.
9. Benefits include, as appropriate, car allowance, participation in the Group health care scheme, travel allowance, death in service insurance and, in the case of Mark Selway, property related costs.

Long term incentive awards#

	Notes	Date of award	Number of shares under award as at 26 Dec 2008	**Shares granted during period**	**Shares lapsed/ did not vest during the period**	**Shares vested during the period**	**Number of shares under award as at 1 Jan 2010**	Market price at date of award	Market price at date of vesting	Normal exercise period (note 4)
Keith Cochrane										
LTIP - Performance & matching shares	1	24 Aug 06	76,695	**-**	**23,684**	**53,011**	**-**	445p	658.5p	
		29 Jun 07	38,677	**-**	**-**	**-**	**38,677**	730p	-	29.06.10 - 29.09.10
		25 Mar 08	86,101	**-**	**-**	**-**	**86,101**	730p	-	25.03.11 - 25.06.11
		08 May 08	8,699	**-**	**-**	**-**	**8,699**	900.5p	-	08.05.11 - 08.08.11
		16 Mar 09	-	**155,257**	**-**	**-**	**155,257**	400p	-	16.03.12 - 16.06.12
LTIP - Compulsory investment shares		29 Jun 07	3,611	**-**	**-**	**-**	**3,611**	730p	-	29.06.10 - 29.09.10
		25 Mar 08	9,896	**-**	**-**	**-**	**9,896**	730p	-	25.03.11 - 25.06.11
		16 Mar 09	-	**19,715**	**-**	**-**	**19,715**	400p	-	16.03.12 - 16.06.12
			223,679	**174,972**	**23,684**	**53,011**	**321,956**			
Alan Mitchelson										
LTIP - Performance & matching shares	1	04 Apr 06	48,123	**-**	**14,844**	**33,279**	**-**	445p	464.75p	
		29 Jun 07	56,009	**-**	**-**	**-**	**56,009**	730p	-	29.06.10 - 29.09.10
		25 Mar 08	66,611	**-**	**-**	**-**	**66,611**	730p	-	25.03.11 - 25.06.11
		08 May 08	7,354	**-**	**-**	**-**	**7,354**	900.5p	-	08.05.11 - 08.08.11
		16 Mar 09	-	**124,995**	**-**	**-**	**124,995**	400p	-	16.03.12 - 16.06.12
LTIP - Compulsory investment shares		04 Apr 06	5,939	**-**	**-**	**5,939**	**-**	445p	464.75p	
		29 Jun 07	5,590	**-**	**-**	**-**	**5,590**	730p	-	29.06.10 - 29.09.10
		25 Mar 08	7,659	**-**	**-**	**-**	**7,659**	730p	-	25.03.11 - 25.06.11
		16 Mar 09	-	**16,666**	**-**	**-**	**16,666**	400p	-	16.03.12 - 16.06.12
			197,285	**141,661**	**14,844**	**39,218**	**284,884**			
Mark Selway	2									
LTIP - Performance & matching shares	1	04 Apr 06	127,430	**-**	**39,316**	**88,114**	**-**	445p	464.75p	
		29 Jun 07	92,539	**-**	**-**	**-**	**92,539**	730p	-	29.06.10 - 29.09.10
		25 Mar 08	122,790	**-**	**122,790**	**-**	**-**	730p	-	
		08 May 08	13,315	**-**	**13,315**	**-**	**-**	900.5p	-	
		16 Mar 09	-	**268,768**	**268,768**	**-**	**-**	400p	-	
LTIP - Compulsory investment shares		04 Apr 06	17,334	**-**	**-**	**17,334**	**-**	445p	464.75p	
		29 Jun 07	15,659	**-**	**-**	**-**	**15,659**	730p	-	29.06.10 - 29.09.10
		25 Mar 08	23,664	**-**	**-**	**23,664**	**-**	730p	-	
		16 Mar 09	-	**47,152**	**-**	**47,152**	**-**	400p	-	
Conditional share award		08 May 08	405,953	**-**	**405,953**	**-**	**-**	900.5p	-	
			818,684	**315,920**	**850,142**	**176,264**	**108,198**			

Audited

Notes
1. The figures shown 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 pages 41 and 42.
2. At the discretion of the Remuneration Committee, Mark Selway's 2007 compulsory investment share awards, performance share awards and matching share awards under the LTIP will be eligible for exercise during their normal exercise period subject to the performance condition having been met. All other awards held by him have lapsed including the conditional share award.
3. Awards under the LTIP take the form of nil cost options and have no performance retesting facility.
4. Awards under the LTIP can be exercised up to three months after the third anniversary of the award date, subject to the performance conditions. No expiry date is shown if the award was exercised or lapsed in the 53 weeks to 1 January 2010.
5. On 4 April 2009 and 24 August 2009, the 2006 awards under the LTIP vested in part. As a result Keith Cochrane, Alan Mitchelson and Mark Selway exercised their awards as set out above, selling 21,168, 16,683 and 44,856 shares respectively to pay the relevant tax and national insurance and retaining the balance. The aggregate gains made on all award exercises by directors during the year totalled £1,506,154 (2008: £1,078,518).
6. The closing market price of the Company's shares at 1 January 2010 was 717.5p and the range for the year was 310p to 761p.

Remuneration report (continued)

Directors pension benefits#

Alan Mitchelson was a member of a defined benefit scheme provided by the Group during the year 2009. Keith Cochrane and Mark Selway were responsible for their own pension provisions. Pension entitlement and the corresponding transfer values were as follows during the year:

	Notes	Accrued pension as at 26 December 2008 £	Increase in accrued pension during the period £	Increase in accrued pension during the period (net of inflation) (note 6) £	Accrued pension as at 1 January 2010 (note 1) £	Transfer value of accrued pension as at 26 December 2008 £	Change in transfer value of accrued pension during the period net of directors ordinary contributions (note 3) £	Directors ordinary contributions £	Transfer value of accrued pension as at 1 January 2010 (note 2) £	Transfer value of increase in accrued pension (net of inflation) (notes 2 & 6) £
Alan Mitchelson	4,5	30,543	**4,561**	**4,561**	**35,104**	689,404	**89,539**	**9,528**	**788,471**	92,917

Audited

Notes
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. With effect from 1 October 2008, Government legislation requires the trustees (having taken actuarial advice) to take responsibility for setting the assumptions underlying the calculation of voluntary transfer values to be paid from the plan. Prior to this date the scheme actuary had this responsibility. Consequently, the transfer value of the accrued pension at the year end has been calculated in accordance with this revised requirement.
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;
   b. increase in the transfer value of accrued pension at year start due to ageing;
   c. impact of any change in the economic or mortality assumptions underlying the transfer value basis – as referred to in 2. above;
   d. 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 c. above. The inflation measure for leavers during 2009 with at least one year to their normal retirement date was 0%, despite actual inflation being negative. Consequently, the rate of inflation assumed in the above figures is 0%.
4. 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.
5. Payment of actual transfer values (from the defined benefit scheme of which Alan Mitchelson is a member) are not currently reduced below 100% of their full value.
6. The figures allow for the impact of inflation in accordance with the Listing Rules of the Financial Services Authority.

Michael Dearden
Chairman of the Remuneration Committee
Signed and approved for and on behalf of the Board
9 March 2010

Corporate responsibility report

The Weir Group's sustainability approach involves applying our core values – integrity, valuing people, innovation and collaboration – to the way we run our business. This means continuous progress in achieving the highest standards of safety; treating our employees, suppliers and the communities in which we work as long-term partners and considering the environmental impact of every aspect of what we do.

The areas highlighted in this report namely policy, the community in which we operate, our people, the environment and our supply chain reflect the priorities of the Group in 2009. In 2010, the Group is undertaking a review of our corporate responsibility and sustainability activities, the results of which will be reported through our website and in the 2010 annual report.

Group policies

The Group maintains a number of corporate responsibility policies which are reviewed regularly by the Board and are published on the Company's website.

Corporate ethics policy

The aim of this policy is to communicate to our customers, suppliers, investors, employees and the communities in which we operate, the ethical and social values we respect and our commitment to uphold human rights. By promoting sound ethical values and human rights principles, we aim to be an aspiring business for people to join.

Human rights principles

The Group is dedicated to the adoption of internationally recognised human rights standards in its global operations. The international sources of law upon which our human rights standards are based aim to ensure a consistent world-wide adoption of the principles throughout the Group. Each operating entity may retain its own human rights policy or statement, provided such a document incorporates the principles of the Group's policy and has received the prior approval of the chief executive.

Anti discriminative attitudes and respect for ethical values

All Weir employees should conduct themselves in accordance with the highest ethical standards. Our aim is to ensure that no discrimination is practiced within the Weir Group. We have adopted an "equality for all" policy to prevent discrimination in hiring, compensation, promotion, training, termination or retirement based on race, caste, colour, national origin, sex, age, religion, disability, veterans status (United States), marital status, actual or perceived sexual orientation, employment status or political affiliation. In some countries this policy may be modified by national legal requirements on affirmative action. Our aim is to ensure that Weir employees are able to work in an environment free of physical, psychological or verbal abuse, the threat of abuse and sexual or other harassment and, accordingly, these are prohibited.

***Weir Oil & Gas UK** helped raise money for charity through various activities including sponsoring a climb of Mount Kilimanjaro.*

Corporate responsibility report (continued)

Community

Community initiatives

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

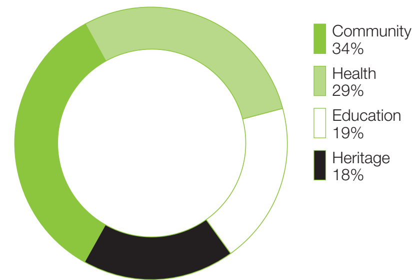
In 2009, ***Weir Minerals Floway*** *sponsored six students on a week long engineering camp run by the Lyles College of Engineering at California State University, Fresno, USA. The programme aims to educate girls aged 15 to 18 on the benefits and varied aspects of a profession in engineering. A presentation was also given to students at the Floway facility.*

Weir Minerals Peru, *through its corporate responsibility programme, helped build a dining hall for local children aged between three and five years at Manchay. The company also donated office furniture and helped organise a Christmas party in Granja Villa where the children received donated toys.*

In response to the devastating floods that hit North Karnataka in October 2009, ***Weir Minerals India****, under its community support project, contributed towards the construction of pre-fabricated houses in Bagalkote, one of the worst hit districts. This was facilitated through the Government's partnership programme with local companies and helped in the rehabilitation of around 975 families.*

Charitable contributions

The total charitable contributions of Group companies made during the year was £252,000 (2008: £234,000), as shown below:



The Group's code of conduct prohibits political contributions and therefore no political donations were made during the period.

People

Managing safety

Maintaining a consistently safe and healthy workplace for our people requires effective, proactive management. We operate a global network of Environmental, Health and Safety Forums that share knowledge and experience between plants with the aim of ensuring consistently high standards of safety across the Group and eliminating work-related injuries, preventing pollution, conserving resources, complying with regulatory requirements and improving performance.

The core elements of our approach to safety are:

- emphasis on the importance of behaviour by encouraging a culture of safety at all locations
- improving communications and sharing best practice throughout the Group
- the active involvement of senior executives in promoting safety
- the auditing of safety and loss control programmes

All our operations have over the past year been working toward achieving OHSAS 18001 (Occupational Health Safety Assessment Series) accreditation. To date, all our major sites have achieved this with the exception that our most recent acquisitions and some smaller businesses will not complete the process until 2010. OHSAS 18001 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 processes. OHSAS 18001 offers a proactive approach to reducing accidents, near misses and other incidents year on year.

The Group is committed to an accident free health and safety environment based on the belief that all accidents are preventable. The Group 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 local 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 on this important issue includes full investigations of all accidents being carried out and reported at the Group Executive Committee meetings on a monthly basis.

Projects and activities

The driving force behind our performance continues to be our emphasis on behaviour, networking and sharing best practice and the active involvement of senior management to promote and audit safety programmes.

Our network safety committees focused on a number of activities this year, including:

- Group-wide training and behavioural auditing
- continued development of policies and procedures
- recognising and rewarding outstanding safety performance through award schemes

Corporate responsibility report (continued)

People (continued)

Employee development

We recognise that people are vital to the success of our business. Training and development play a major part in improving businesses and retaining employees by developing the skills required for career advancement and business process improvements. Training and development is managed either on a Group or company basis. Group programmes include induction, high potential leadership and managing director development.

The induction training provides awareness training on the Group standard procedures and processes and senior managers attend one of these courses within a short period of joining the Group. The leadership courses are run for the Group's current and future leaders.

The principal aims of these courses are to provide:

- personal development
- exposure to different disciplines
- cultural integration
- networking across all disciplines and operations

The courses are aimed at developing existing and future managing directors and senior managers from across the Group to help them achieve their maximum potential.

To ensure the development and advancement of our employees, the Weir Personal Development Profile analyses employee performance and enables employees to receive the most relevant and tailored training to match their specific skills and needs.

Weir Minerals India, *partnered with healthcare and micro-health insurance providers, conducted health camps for children rescued from child labour and their families. In October and November 2009, around 500 families benefited from such camps.*

Weir Minerals Brasil *is involved with a project which supports 190 children and teenagers who live in the local community. The focus of the project's activities in 2009 was recycling and reuse. Throughout the year, talks were given to the children with the focus being on the importance of protecting the environment and recycling products.*

Environment

Overview

All our locations fully integrate environmental management into their operational systems and procedures. The Group's proactive approach ensures that these processes reduce our environmental impact year on year. Our three most significant environmental impacts are, in order of magnitude, energy use, water use and hazardous and non-hazardous solid waste production.

Each company in the Group is required to continuously improve its environmental performance and management practices. During 2009, the Group has been making improvements to its data collection and has been working towards establishing targets for improvements in all areas of our environmental impact with a view to having these published in 2011.

The Group is committed to the protection of the environment in all the countries in which its companies operate.

Each Weir company will comply with the relevant regulatory requirements applicable to its business.

Each Weir company will ensure that it acts as a good citizen in the community in which it operates and adopt practices aimed at minimising the environmental impact of its operations.

Environmental policy

Maintenance of the Group's environmental policy is the responsibility of the Group Executive Committee, while its implementation is the responsibility of the divisional managing directors.

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 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 2009, Weir SPM, Weir Warman Africa and Weir Multiflo achieved ISO 14001 accreditation. It is expected that Weir SOS and Weir Mesa will achieve full compliance in 2010.

Environmental improvements

As part of the Group's commitment to continual improvement, during 2009 the Minerals Division established an Environmental Improvement Team whose objective is to share best practice in environmental management. The global team aims to implement and maintain three active environmental improvement projects at each participating site, adding new projects as each is completed. The regions represented by the team are Europe, North America, South America, Australia, Africa and China.

Initiatives to improve the environmental performance of our operations include energy and water efficiency, raw material efficiency, waste minimisation and resource recovery projects.

In addition, many Weir companies collaborate with suppliers to address environmental considerations throughout the supply chain to our mutual benefit, particularly in areas such as raw materials, packaging and recycling.

We focus our improvement efforts on the areas that have the most environmental and financial impact.

Corporate responsibility report (continued)

Environment (continued)

In the area of recycling, examples of improvements that our operations have been working on in 2009 include:

Peru

Weir Minerals extended its existing wood recycling programme to include used plastics, which are donated to a charity (Fundades), who in turn sell it to pay for scholarships for local children.

Chile

The foundry at Weir Minerals uses only scrap metal recovered from local manufacturers and metal shops and metal from scrap components bought back from local mines after their usage is complete.

US

Weir Lewis introduced a Single Stream Recycling programme throughout the facility.

Weir Minerals North America installed a 10,000 gallon reserve tank in the test lab to recycle water instead of having to use fresh water.

UK

Improvements at Power & Industrial UK have focused on:

- The installation of a mechanical reclamation unit introduced to recycle blast grit.
- The general improvement on segregation of waste for recycling across the division.
- The recycling of aluminium drinks cans, paper and plastic at several sites.
- Encouraging all centres to use second hand pallets.

At Oil & Gas UK, packaging within their facility is monitored on a monthly basis and recorded as part of their environmental improvement plan. The business is targeting a 5% reduction in waste going to landfill by the end of 2010. They have also introduced initiatives including use of a third party recycling company and installing metal scrap collecting hoppers and waste bins to maximise metal scrap coming out of the machine shop for onward recycling. In addition, a waste oil recycling system was built within the facility, equipment wash-down and hydro test water is recycled and colour coded bins and skips are used for recycling.

Australia

In 2009, Weir Minerals has more than doubled the percentage of waste recycled on site. Improvements include recycling of timber waste for landscape mulch, capture of swarf from the machine shop and recovery of metal waste for re-use in the foundry. A major project is underway to improve the recycling of used foundry sand in construction products.

Weir Minerals Australia *worked together with the local Community Environment Network in 2009 to gain a grant from the National Parks and Wildlife Service for the regeneration of the creek area surrounding its facility in Somersby. The grant was to preserve the creek's wildlife corridor which contains both endangered flora and fauna. In addition, educational programmes were provided for employees and the local community.*

Environment (continued)

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

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

2010 will see ongoing investment in design, research and development in which our corporate responsibility and business objectives are closely aligned.

The sulphur pumps produced by **Weir Minerals Lewis Pumps** in Missouri, USA, are used in various industrial and manufacturing processes to reduce pollution. For instance, Lewis molten sulphur and sulphuric acid pumps are part of two types of acid production. Both of these reduce pollution: sulphur burning specifically to make acid, which does not involve burning carbon and therefore no carbon dioxide is produced and acid made from sulphur dioxide produced as a byproduct of smelting sulfide ores. Sulphur pumps are also used in removing sulphur from petroleum in refineries, which helps reduce atmospheric sulphur dioxide.

Supply chain

The Weir Group sources components, materials and services on a world-wide basis. Our suppliers are an integral part of the Group's business. Relationships with all suppliers are built on total quality practices and principles to achieve best performance, product, delivery, service and total cost.

We recognise that our supply chain activities have a broad impact and that our responsibilities extend beyond our own operations and into those of our suppliers. The Group has, therefore, adopted a Supply Chain Policy to ensure that suppliers to the Group comply with or exceed certain standards in connection with their workforce, legal compliance, health and safety, business ethics and environmental standards. Our key supplier partners are expected to either have accreditation to OHSAS 18001 and ISO 14001 or be able to demonstrate a plan to achieve it within a reasonable amount of time.

We recognise that our corporate 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 1 January 2010, the Group had an average of 71 days purchases outstanding in trade creditors.

Weir Minerals Hazleton in Pennsylvania, USA, participates in the Voluntary Protection Program (VPP) run by the Occupational Safety and Health Administration (OSHA) of the United States Department of Labor. VPP sites are audited on a regular basis on specific safety and health criteria above and beyond standard regulation. Employees from Weir Minerals Hazleton are certified to this standard.

The OSHA also runs a mentoring programme in which current VPP sites can mentor potential VPP sites to improve their safety and health management systems. Weir Minerals Hazleton is involved in this process and is currently mentoring a local supplier to prepare them for their first audit. This has involved site visits and sharing best practice.

Other statutory information

Results and dividend

A review of the results for the 53 weeks to 1 January 2010 is set out on pages 24 to 27.

The directors recommend a final ordinary dividend of 16.2p per share to be paid on 3 June 2010 to ordinary shareholders whose names are on the Company's register of members at close of business on 7 May 2010. Together with the interim ordinary dividend of 4.8p per share paid on 6 November 2009, this makes the total dividend for the year 21.0p.

Business review

A review of the Group's business, its activities and performance, use of financial instruments, post balance sheet events and likely future developments is on pages 2 to 56 inclusive. The information on these pages fulfills the current business review requirements.

Principal activities

The Group's principal activity is the provision of specialised mechanical engineering solutions for a diversified range of industrial and geographic markets.

Directors

Details of the current directors of the Company are set out on pages 28 and 29.

Jon Stanton is expected to be appointed a director in April 2010. The directors who retire this year by rotation are Lord Smith, Keith Cochrane and Alan Mitchelson. Professor Ian Percy has announced he is to retire from the Board prior to the 2010 annual general meeting.

In accordance with article 97 of the existing articles of association of the Company, Jon Stanton will retire at the forthcoming annual general meeting and, being eligible, offers himself for election. Lord Smith, Keith Cochrane and Alan Mitchelson also offer themselves for re-election.

Details of the directors service agreements, remuneration and interests in share awards are set out in the Remuneration report on pages 40 to 46.

Directors 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 2006 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.

2010 annual general meeting

The annual general meeting will be held at 11am on Wednesday 12 May 2010 at the Burrell Collection, Glasgow. The notice of meeting along with an explanation of the proposed resolutions, including the proposed amendments to the articles of association and the LTIP, are set out in a separate circular to shareholders which accompanies this annual report or can be downloaded from the Company's website.

Substantial shareholders

At 9 March 2010, the Company had been notified in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules that the following held, or were beneficially interested in, 3% or more of the Company's issued share capital:

Shareholder	Number of shares	Date of disclosure to Company	Percentage of issued share capital
Prudential plc	16,938,987	10/11/09	8.05%
Baillie Gifford & Co.	12,173,278	17/12/07	5.82%
Aberdeen Asset Management plc	11,486,034	11/06/09	5.46%
AXA S.A.	10,812,658	13/10/08	5.14%
Ameriprise Financial, Inc.	10,802,934	17/02/09	5.14%
Legal & General Assurance (Pensions Management) Ltd	8,421,246	14/04/09	4.00%
Barclays Global Investors	8,014,955	25/03/08	3.83%
FMR Corp	6,425,000	23/03/07	3.09%

Since the date of disclosure to the Company, the interest of any shareholder 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 the LTIP).

Material contracts

There are no persons with whom the Company has contractual or other arrangements which are essential to the business of the Company.

Research and development

During the year, the Group spent £9.7m (2008: £9.8m) on research and development. The expenditure reflects the Group's continued commitment to investment in research and development, applied to both the development of new leading edge materials technologies and existing product innovation. The Group's worldwide pump technology centres focus on developing engineering process improvements through the use of a variety of analytical tools to design products with optimal wear life and improved safety and efficiency. This maintains the Group's competitive advantage in the market and controls costs whilst improving quality.

Employment policy and involvement

The average number of employees in the Group during the year is given in note 4 to the Group financial statements on page 73.

Group companies operate within a framework of HR policies, practices and regulations appropriate to their market sector and country of operation. Policies and procedures for recruitment, training and career development promote equality of opportunity regardless of gender, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin.

The aim is to encourage a culture in which all employees have the opportunity to develop fully according to their individual abilities and the needs of the Group. The Group remains committed to the fair treatment of people with disabilities regarding applications, training, promotion and career development.

Employee involvement and feedback is actively encouraged. A variety of ways are used to consult and inform employees including a Group-wide bulletin, e-mail, intranet and local briefings. These are designed to facilitate dialogue while enabling the development of a common awareness among employees of what affects business performance.

Financial instruments

The information required in respect of financial instruments as required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 is given in note 2 to the Group financial statements on page 67.

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. In forming this view, the directors have reviewed the Group's budgets, plans and cash flow forecasts, including market downturn sensitivities. In addition, the directors have considered the potential impact of credit risk and liquidity risk detailed in the review of the principal risks and uncertainties on pages 30 to 32 and in note 30 to the Group financial statements on pages 100 to 108. Each of these items has been considered in relation to the Group's banking facilities described on page 26 of the Financial review.

Audit and auditors

So far as each of the directors is aware, there is no relevant audit information (as defined by section 481 of the Companies Act 2006) 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.

Share capital and rights attaching to the Company's shares

Details of the issued share capital of the Company, which comprises a single class of shares, ordinary shares of 12.5p each, are set out in note 25 to the Group financial statements on page 95. The rights attaching to the shares are set out in the articles of association. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

During the year, the 2006 LTIP award vested and the trustees of the Company's employees benefit trust (EBT), Kleinwort Benson (Guernsey) Trustees Limited, transferred 347,828 ordinary shares to employees to satisfy the LTIP awards using ordinary shares purchased by the EBT in the market. A further 2,047 ordinary shares were transferred out of treasury to satisfy an award under the LTIP. In addition, a total of 126,902 ordinary shares, with an aggregate value of £18,204 were allotted during the period in connection with the Company's sharesave scheme and the LTIP. The sharesave scheme is now closed.

The EBT has agreed to waive any right to all dividend payments on shares held by it. Details of the shares held by Kleinwort Benson are set out in note 25 to the Group financial statements on page 95. The EBT holds, through its designated ESOP account nominee K.B (CI) Nominees Limited, 0.07% of the issued share capital of the Company, as at 1 January 2010, 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 EBT 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.

Repurchase of shares

At the 2009 annual general meeting, shareholders renewed the Company's authority to make market purchases of up to 20.9m ordinary shares (representing 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the 53 weeks to 1 January 2010 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.

Voting rights

The Company's articles of association 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. The Company conducts the vote at the annual general meeting by electronic poll. 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.

The articles of association may only be amended by a Special Resolution passed at a general meeting of shareholders.

Other statutory information (continued)

Transfer of shares

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

- 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, in relation to the transfer of shares.

Appointment and replacement of directors

The provisions about the appointment and re-election of directors of the Company are contained in the articles of association.

Powers of directors

The business of the Company is managed by the Board who may exercise all the powers of the Company, subject to the provisions of the Company's articles of association, any ordinary resolution of the Company and any relevant legislation.

Change of control – significant agreements

The following significant agreements contain provisions entitling the counterparties to require prior approval, exercise termination, alteration or similar rights in the event of a change of control of the Company.

The Company is party to nine bilateral credit agreements for a total of £625m with various financial institutions expiring between 30 July 2011 and 1 September 2011. Under the terms of these agreements, if there is a change of control of the Company any lender may request, by not less than 30 days' notice to the Company, that its commitment be cancelled and all outstanding amounts be repaid to that lender at the expiry of such notice period.

On 11 January 2010, the Company entered into various note purchase agreements to issue an equivalent of US$250m five year and eight year fixed rate notes in a combination of US dollar and sterling at an average US dollar equivalent interest rate of 4.8% due 11 January 2015 and 11 January 2018. Under the terms of the agreements, if there is a change of control of the Company, the notes must be offered for prepayment by the Company within seven days of the change of control. The prepayment date would be no later than 60 days after the offer of prepayment by the Company.

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.

Directors statement of responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Company financial statements in accordance with UK Accounting Standards and applicable law.

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;
- state that the Group financial statements have complied with IFRS as adopted by the European Union, subject to any material departures being disclosed and explained; and
- state for the Company financial statements whether the applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Each of the directors, as at the date of this report, confirms to the best of his knowledge that:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Directors report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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 2006 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.

Alan Mitchelson
Secretary
Signed and approved for and on behalf of the Board
9 March 2010

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 53 weeks ended 1 January 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

As explained more fully in the Directors statement of responsibilities set out on page 56, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 1 January 2010 and of its profit for the 53 weeks then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors statement, set out on page 55, in relation to going concern; and
- the part of the Corporate governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the Company financial statements of The Weir Group PLC for the 53 weeks ended 1 January 2010 and on the information in the Remuneration report that is described as having been audited.

Hywel Ball (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
9 March 2010

Consolidated
Income Statement
for the 53 weeks ended 1 January 2010

		53 weeks ended 1 January 2010			52 weeks ended 26 December 2008		
	Notes	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m
Continuing operations							
Revenue	3	**1,390.2**	**-**	**1,390.2**	1,353.6	-	1,353.6
Continuing operations							
Operating profit		**200.1**	**(16.6)**	**183.5**	180.6	(16.7)	163.9
Share of results of joint ventures	15	**4.6**	**-**	**4.6**	4.4	-	4.4
Operating profit		**204.7**	**(16.6)**	**188.1**	185.0	(16.7)	168.3
Finance costs	6	**(18.7)**	**-**	**(18.7)**	(17.2)	-	(17.2)
Finance income	6	**2.5**	**-**	**2.5**	6.6	-	6.6
Other finance (costs) income - retirement benefits	24	**(1.5)**	**-**	**(1.5)**	1.8	-	1.8
Profit before tax from continuing operations		**187.0**	**(16.6)**	**170.4**	176.2	(16.7)	159.5
Tax expense	7	**(52.2)**	**5.4**	**(46.8)**	(51.8)	5.3	(46.5)
Profit for the period from continuing operations		**134.8**	**(11.2)**	**123.6**	124.4	(11.4)	113.0
Profit for the period from discontinued operations	8	**5.2**	**-**	**5.2**	2.8	55.0	57.8
Profit for the period		**140.0**	**(11.2)**	**128.8**	127.2	43.6	170.8
Attributable to							
Equity holders of the Company		**140.0**	**(11.2)**	**128.8**	127.2	43.6	170.8
Earnings per share	9						
Basic - total operations				**61.2p**			81.4p
Basic - continuing operations		**64.1p**		**58.8p**	59.3p		53.8p
Diluted - total operations				**60.8p**			80.9p
Diluted - continuing operations		**63.6p**		**58.3p**	59.0p		53.6p

Consolidated
Statement of Comprehensive Income

for the 53 weeks ended 1 January 2010

	Note	**53 weeks ended 1 January 2010 £m**	52 weeks ended 26 December 2008 (as restated - note 2) £m
Profit for the period		**128.8**	170.8
Other comprehensive income			
Losses taken to equity on cash flow hedges		**(0.5)**	(11.1)
Exchange (losses) gains on translation of foreign operations		**(51.2)**	204.3
Exchange gains (losses) on net investment hedges		**38.3**	(127.2)
Actuarial losses on defined benefit plans		**(57.7)**	(62.0)
Reclassification adjustments taken to the income statement			
- on cash flow hedges		**12.9**	(5.5)
- exchange differences on disposal of foreign operations - discontinued operations		**-**	(0.4)
Tax relating to other comprehensive income	7	**12.7**	22.4
Net other comprehensive income		**(45.5)**	20.5
Total net comprehensive income for the period		**83.3**	191.3
Attributable to			
Equity holders of the Company		**83.3**	191.3

Consolidated Balance Sheet

at 1 January 2010

	Notes	1 January 2010 £m	26 December 2008 (as restated - note 2) £m	28 December 2007 (as restated - note 2) £m
ASSETS				
Non-current assets				
Property, plant & equipment	11	**199.4**	189.6	136.3
Investment property	11	**4.2**	4.5	4.8
Intangible assets	12	**739.9**	791.8	503.2
Investments in joint ventures	15	**9.7**	10.3	7.2
Deferred tax assets	23	**28.7**	20.8	3.1
Retirement benefit plan surpluses	24	**-**	-	37.4
Derivative financial instruments	30	**0.3**	8.1	1.2
Total non-current assets		**982.2**	1,025.1	693.2
Current assets				
Inventories	16	**235.3**	269.6	173.5
Trade & other receivables	17	**240.5**	309.2	255.2
Construction contracts	18	**25.9**	30.6	32.8
Derivative financial instruments	30	**7.2**	47.5	10.6
Income tax receivable		**3.4**	1.3	1.8
Cash & short-term deposits	19	**57.0**	74.1	54.2
Total current assets		**569.3**	732.3	528.1
Total assets		**1,551.5**	1,757.4	1,221.3
LIABILITIES				
Current liabilities				
Interest-bearing loans & borrowings	20	**2.0**	71.4	8.5
Trade & other payables	21	**336.3**	353.6	257.8
Construction contracts	18	**23.2**	46.7	55.9
Derivative financial instruments	30	**16.8**	90.6	11.8
Income tax payable		**23.7**	25.7	20.8
Provisions	22	**33.8**	30.5	22.8
Total current liabilities		**435.8**	618.5	377.6
Non-current liabilities				
Interest-bearing loans & borrowings	20	**174.2**	242.6	217.0
Derivative financial instruments	30	**31.0**	70.1	5.1
Provisions	22	**36.7**	36.4	22.6
Deferred tax liabilities	23	**60.4**	63.0	51.0
Retirement benefit plan deficits	24	**71.0**	29.9	8.6
Total non-current liabilities		**373.3**	442.0	304.3
Total liabilities		**809.1**	1,060.5	681.9
NET ASSETS		**742.4**	696.9	539.4
CAPITAL & RESERVES				
Share capital		**26.6**	26.6	26.5
Share premium		**38.0**	38.0	37.7
Treasury shares		**(7.9)**	(7.9)	(9.3)
Capital redemption reserve		**0.5**	0.5	0.5
Foreign currency translation reserve		**64.0**	76.9	0.2
Hedge accounting reserve		**0.6**	(8.3)	3.5
Retained earnings		**620.4**	570.9	479.8
Shareholders equity		**742.2**	696.7	538.9
Non-controlling interest		**0.2**	0.2	0.5
TOTAL EQUITY		**742.4**	696.9	539.4

Approved by the Board of Directors on 9 March 2010 **Keith Cochrane,** Director **Alan Mitchelson,** Director

Consolidated
Cash Flow Statement

for the 53 weeks ended 1 January 2010

	Notes	53 weeks ended 1 January 2010 £m	52 weeks ended 26 December 2008 £m
Continuing operations			
Cash flows from operating activities	26		
Cash generated from operations		**302.3**	214.4
Additional pension contributions paid		**(11.1)**	(6.5)
Income tax paid		**(43.6)**	(49.0)
Net cash generated from operating activities		**247.6**	158.9
Continuing operations			
Cash flows from investing activities			
Acquisitions of subsidiaries	26	**(0.1)**	(140.9)
Disposals of subsidiaries	26	**(1.4)**	80.6
Purchases of property, plant & equipment & intangible assets		**(40.6)**	(53.3)
Other proceeds from sale of property, plant & equipment & intangible assets		**1.5**	1.2
Interest received		**2.5**	6.2
Dividends received from joint ventures		**5.9**	3.5
Net cash used in investing activities		**(32.2)**	(102.7)
Continuing operations			
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	0.4
Purchase of shares for LTIP awards		**(1.4)**	-
Proceeds from borrowings		**50.5**	244.9
Repayments of borrowings		**(187.3)**	(238.7)
Settlement of derivative financial instruments		**(16.5)**	(4.2)
Interest paid		**(18.7)**	(16.3)
Dividends paid to equity holders of the Company		**(39.2)**	(35.7)
Net cash used in financing activities		**(212.6)**	(49.6)
Net increase in cash & cash equivalents from continuing operations		**2.8**	6.6
Net decrease in cash & cash equivalents from discontinued operations - operating activities		**-**	(2.2)
Net decrease in cash & cash equivalents from discontinued operations - investing activities		**-**	(0.3)
Cash & cash equivalents at the beginning of the period		**53.6**	46.1
Foreign currency translation differences		**(0.7)**	3.4
Cash & cash equivalents at the end of the period	19	**55.7**	53.6

Consolidated
Statement of Changes in Equity
for the 53 weeks ended 1 January 2010

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Attributable to equity holders of the Company £m	Non-controlling interest £m	Total equity £m
At 28 December 2007 (as previously reported - note 2)	26.5	37.7	(9.3)	0.5	0.2	3.5	485.6	544.7	0.5	545.2
Impact of restatement (note 2)	-	-	-	-	-	-	(5.8)	(5.8)	-	(5.8)
At 28 December 2007 (as restated - note 2)	26.5	37.7	(9.3)	0.5	0.2	3.5	479.8	538.9	0.5	539.4
Profit for the period	-	-	-	-	-	-	170.8	170.8	-	170.8
Losses taken to equity on cash flow hedges	-	-	-	-	-	(11.1)	-	(11.1)	-	(11.1)
Exchange gains on translation of foreign operations	-	-	-	-	204.3	-	-	204.3	-	204.3
Exchange losses on net investment hedges	-	-	-	-	(127.2)	-	-	(127.2)	-	(127.2)
Actuarial losses on defined benefit plans	-	-	-	-	-	-	(62.0)	(62.0)	-	(62.0)
Reclassification adjustments taken to the income statement										
- on cash flow hedges	-	-	-	-	-	(5.5)	-	(5.5)	-	(5.5)
- exchange differences on disposal of foreign operations - discontinued operations	-	-	-	-	(0.4)	-	-	(0.4)	-	(0.4)
Tax relating to other comprehensive income	-	-	-	-	-	4.8	17.6	22.4	-	22.4
Total net comprehensive income for the period	-	-	-	-	76.7	(11.8)	126.4	191.3	-	191.3
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(0.3)	(0.3)
Cost of share-based payments net of tax	-	-	-	-	-	-	1.8	1.8	-	1.8
Dividends	-	-	-	-	-	-	(35.7)	(35.7)	-	(35.7)
Exercise of options & LTIP awards	0.1	0.3	1.4	-	-	-	(1.4)	0.4	-	0.4
At 26 December 2008 (as restated - note 2)	26.6	38.0	(7.9)	0.5	76.9	(8.3)	570.9	696.7	0.2	696.9
At 26 December 2008 (as previously reported - note 2)	**26.6**	**38.0**	**(7.9)**	**0.5**	**76.9**	**(8.3)**	**581.8**	**707.6**	**0.2**	**707.8**
Impact of restatement (note 2)	**-**	**-**	**-**	**-**	**-**	**-**	**(10.9)**	**(10.9)**	**-**	**(10.9)**
At 26 December 2008 (as restated - note 2)	**26.6**	**38.0**	**(7.9)**	**0.5**	**76.9**	**(8.3)**	**570.9**	**696.7**	**0.2**	**696.9**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**128.8**	**128.8**	**-**	**128.8**
Losses taken to equity on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**(0.5)**	**-**	**(0.5)**	**-**	**(0.5)**
Exchange losses on translation of foreign operations	**-**	**-**	**-**	**-**	**(51.2)**	**-**	**-**	**(51.2)**	**-**	**(51.2)**
Exchange gains on net investment hedges	**-**	**-**	**-**	**-**	**38.3**	**-**	**-**	**38.3**	**-**	**38.3**
Actuarial losses on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**(57.7)**	**(57.7)**	**-**	**(57.7)**
Reclassification adjustments taken to the income statement on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**12.9**	**-**	**12.9**	**-**	**12.9**
Tax relating to other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(3.5)**	**16.2**	**12.7**	**-**	**12.7**
Total net comprehensive income for the period	**-**	**-**	**-**	**-**	**(12.9)**	**8.9**	**87.3**	**83.3**	**-**	**83.3**
Cost of share-based payments net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**2.8**	**2.8**	**-**	**2.8**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(39.2)**	**(39.2)**	**-**	**(39.2)**
Exercise of LTIP awards	**-**	**-**	**-**	**-**	**-**	**-**	**(1.4)**	**(1.4)**	**-**	**(1.4)**
At 1 January 2010	**26.6**	**38.0**	**(7.9)**	**0.5**	**64.0**	**0.6**	**620.4**	**742.2**	**0.2**	**742.4**

Notes to the Group Financial Statements

1. Authorisation of financial statements & statement of compliance

The consolidated financial statements of The Weir Group PLC (the "Company") and its subsidiaries (together, the "Group") for the 53 weeks ended 1 January 2010 ("2009") were approved and authorised for issue in accordance with a resolution of the directors on 9 March 2010. The comparative information is presented for the 52 weeks ended 26 December 2008 ("2008"). In addition, certain comparative information is presented for the 52 weeks ended 28 December 2007 ("2007") as detailed below. 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 2006.

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

2. Accounting policies

Basis of preparation

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

In order to provide the users of the financial statements with a more relevant presentation of the Group's underlying performance, profit for each financial year has been analysed between:

i) profit before exceptional items and intangibles amortisation; and
ii) the effect of exceptional items and intangibles amortisation.

  a) Exceptional items are 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 and are presented on the face of the income statement to facilitate comparisons with prior periods and assessment of trends in financial performance.
  b) Intangibles amortisation, including impairment, has been shown separately to provide increased visibility over the impact of increased acquisition activity on intangible assets.

Further analysis of the items included in the column "Exceptional items & intangibles amortisation" is provided in note 5 to the financial statements.

While updating the valuation of the Group's retirement benefit plans for the purposes of the Group's 2009 interim condensed financial statements, the qualified actuary who advises the Company identified an error in their model used to calculate the actuarial valuation of the Group's UK retirement benefit plans for the periods ended 28 December 2007 and 26 December 2008.

The impact of this was to understate the retirement benefit plan deficits on a cumulative basis by £8.1m at 28 December 2007 and £15.2m at 26 December 2008. There was also a corresponding overstatement of net deferred tax liabilities of £2.3m and £4.3m at those respective period ends.

The impact on the Consolidated Statement of Comprehensive Income was to increase actuarial losses on defined benefit plans by £7.1m and to decrease tax on items taken directly to equity by £2.0m in the 52 weeks ended 26 December 2008.

There was no material impact on the Consolidated Income Statement. The net impact was to overstate Group net assets by £5.8m and £10.9m at 28 December 2007 and 26 December 2008 respectively. All affected balances and amounts have been restated in these financial statements. To this effect, the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and affected notes present restated comparative information for the 52 weeks ended 26 December 2008. In addition, as required by IAS1, the Consolidated Balance Sheet and affected notes also present restated comparative information for the 52 weeks ended 28 December 2007.

The accounting policies which follow are consistent with those of the previous periods except as described below.

IFRS7 (Amendment) Financial Instruments: Disclosures: Improving Disclosure about Financial Instruments: The amended standard requires additional disclosures about fair value measurement in the form of a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. As permitted by the amended standard, comparative information for the disclosures required by the amendments has not been provided in this first year of implementation. The amended disclosures are presented in note 30.

IFRS8 Operating Segments: In adopting IFRS8 the Group concluded that the operating segments were the same as the business segments determined under IAS14 "Segment Reporting". Details of these operating segments are disclosed in note 3, including the new disclosure requirements of IFRS8 and the related revised comparative information.

IAS1 (revised) Presentation of Financial Statements: The adoption of IAS1 (revised) has required the reconciliation of movements in equity, previously disclosed in note 25 to the Group's 2008 annual report, to be presented as a primary statement entitled, "Consolidated Statement of Changes in Equity". In addition the Consolidated Statement of Recognised Income & Expense has been replaced with the Consolidated Statement of Comprehensive Income. In addition to some presentational changes this has resulted in a tax charge of £1.0m in relation to the cost of share-based payments for the 52 weeks ended 26 December 2008 being reclassified from the former Consolidated Statement of Recognised Income & Expense to the Consolidated Statement of Changes in Equity.

IAS23 (revised) Borrowing Costs: In adopting IAS23 (revised) the Group has amended its accounting policy and, from 1 January 2009, now capitalises borrowing costs on qualifying assets. The implementation of this policy has had no material impact on the Group's financial statements.

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

In addition to the above, the following standards and interpretations have been adopted in these financial statements and have not had a material impact on the Group's financial statements in the period of initial application.

IFRS2 (Amendment) Share-based Payment: Vesting Conditions and Cancellations

IAS32 (Amendment) Financial Instruments: Presentation: Puttable Financial Instruments and Obligations Arising on Liquidation

IFRIC13 Customer Loyalty Programmes

IFRIC14 IAS19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Improvements to IFRS

In May 2008, the International Accounting Standards Board issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and to clarify wording. There are separate transitional provisions for each standard. The adoption of the amendments did not have any impact on the financial position or performance of the Group. Some of the key amendments and their impact are detailed below.

IFRS8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. On the basis that the chief operating decision maker reviews segment assets and liabilities the Group discloses this information in note 3.

IAS7 Statement of Cash Flows: explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the cash flow statement of the contingent consideration upon cash settlement in relation to the acquisition of Weir SOS which was completed in 2008 (note 13).

IAS36 Impairment of Assets: when discounted cash flows are used to estimate "fair value less costs to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". This amendment has no impact on the Group because the recoverable amount of its cash generating units is estimated using "value in use". The amendment also clarified that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS8 before aggregation for reporting purposes. This amendment has no impact on the Group as the annual impairment test is performed before aggregation.

The Group has also adopted the following standards which have been issued with an effective date after the date of these financial statements.

IAS27 (Amendment) Consolidated and Separate Financial Statements: The adoption of this standard has resulted in the separate disclosure of each item of other comprehensive income in the Consolidated Statement of Changes in Equity. In addition, minority interests are now referred to as "non-controlling interests".

IFRS3 (revised) Business Combinations: IFRS3 (revised) is applied to business combinations arising from 27 December 2008. This requires recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs are required to be recognised immediately in the income statement. As there have been no business combinations in the 53 weeks ended 1 January 2010 the adoption of this standard has had no impact on the Group's financial statements in the period of initial application.

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 in the Financial review on page 27.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of The Weir Group PLC and its subsidiaries, and the Group's share of its joint ventures results. The financial statements of subsidiaries and joint ventures 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.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented within equity in the Consolidated Balance Sheet, separately from the Company shareholders equity.

2. Accounting policies (continued)

Joint ventures

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.

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 Consolidated Statement of Comprehensive Income.

Any goodwill arising on the acquisition of a joint venture, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the joint venture and is not amortised. To the extent that the net fair value of the joint venture'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'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 and joint ventures 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 recognised in other comprehensive income 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 Consolidated 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 Consolidated 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 measured at the fair value of the consideration received or receivable. 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 is shown net of sales taxes, discounts and after eliminating sales within the Group.

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 where the outcome can be estimated reliably, otherwise it is recognised to the extent costs are incurred. 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. Losses on contracts are recognised in the period when such losses become probable.

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. Cost includes borrowing costs for qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Prior to this date, the Group recognised all borrowing costs as an expense immediately. 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

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

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.

Goodwill

Business combinations are accounted for using the acquisition 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. Acquisition costs are expensed in the period in which they are incurred. Goodwill in respect of an acquired subsidiary is recognised as an intangible asset. Goodwill is tested at least annually for impairment and carried at cost less any recognised impairment losses.

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

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

Other intangible assets

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

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, not exceeding eight years.

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

Brand names	-	indefinite life
Customer relationships	-	7 - 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.

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.

2. Accounting policies (continued)

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.

Financial assets & liabilities

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

A financial asset 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.

Trade & other receivables

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

Cash & cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts 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.

Trade payables

Trade payables are recognised and carried at original invoice amount.

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. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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.

Derivative financial instruments & hedge accounting

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 also uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Additionally, the Group uses interest rate swaps to manage its exposure to interest rate risk. 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 as the present value of the estimated future cash flows based on spot and forward foreign exchange rates. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. 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 that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in other comprehensive income rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in other comprehensive income will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

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

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.

Share-based payments

Equity settled share-based incentives are provided to employees under the Group's Long Term Incentive Plan ("LTIP"). The Group recognises a compensation cost in respect of this plan that is based on the fair value of the awards. The fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or 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.

Treasury shares

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

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 comprehensive income 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 costs represent the Group's contributions to the plans and these are charged to the income statement in the period in which they fall due.

Leases

Leases which transfer to the Group substantially all of 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.

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:

i) 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;

ii) Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, 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;

iii) 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.

2. Accounting policies (continued)

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.

New standards & interpretations

The International Accounting Standards Board and International Financial Reporting Interpretations Committee have issued the following standards and interpretations, which are considered relevant to the Group, with an effective date after the date of these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
	Improvements to IFRS (issued 16 April 2009)*	1 July 2009
IAS24	Related Party Disclosures (Revised)*	1 January 2011
IAS32	Classification of Rights Issues (Amendment to IAS32 Financial Instruments: Presentation)	1 February 2010
IAS39	Eligible Hedged Items (Amendment to IAS39 Financial Instruments: Recognition and Measurement)	1 July 2009
IFRS2	Group Cash-settled Share-based Payment Transactions (Amendments to IFRS2 Share-based Payment)*	1 January 2010
IFRS9	Financial Instruments*	1 January 2013
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC14	Amendment to IFRIC14 Prepayments of a Minimum Funding Requirement*	1 January 2011
IFRIC16	Hedges of a Net Investment in a Foreign Operation	30 June 2009
IFRIC18	Transfers of Assets from Customers*	1 July 2009
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010

*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.

3. Segment information

For management purposes the Group is organised into three operating divisions: Minerals, Oil & Gas and Power & Industrial. These three divisions are organised and managed separately based on the key markets served and each is treated as an operating segment and a reportable segment in accordance with IFRS8. The operating and reportable segments were determined based on the reports reviewed by the Group Executive which are used to make operational decisions.

The Minerals segment designs and manufactures pumps, hydrocyclones, valves and other complementary equipment for the mining, flue gas desulphurisation and oil sands markets. The Oil & Gas segment manufactures pumps and ancillary equipment and provides aftermarket support for the global upstream and downstream oil and gas markets. The Power & Industrial segment designs, manufactures and provides aftermarket support for rotating and flow control equipment to the global power generation and industrial sectors.

All other segments, which are disclosed as Group companies, include the results of Liquid Gas Equipment which supplies equipment to the liquefied petroleum gas marine and onshore markets. In 2008, it also included the results of the Canadian distribution business and the Materials and Foundries businesses up to the dates of disposal on 29 August, 2 and 3 October 2008 respectively. None of the businesses disposed of were of a sufficient size to meet the definition of a discontinued operation under IFRS5.

The Group Executive assesses the performance of the operating segments based on operating profit from continuing operations before exceptional items and intangibles amortisation, including impairment ("segment result"). Finance income and expenditure and associated interest-bearing liabilities and derivative financial instruments are not allocated to segments as all treasury activity is managed centrally by the Group treasury function. The amounts provided to the Group Executive with respect to assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

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

Notes to the Group Financial Statements (continued)

3. Segment information (continued)

The segment information provided to the Group Executive for the reportable segments for the 53 weeks ended 1 January 2010 and the 52 weeks ended 26 December 2008 is disclosed below.

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Revenue								
Sales to external customers								
- existing operations	734.5	697.2	287.1	271.7	242.0	222.8	1,263.6	1,191.7
- acquisitions*	78.8	45.2	11.9	8.2	-	-	90.7	53.4
Sales to external customers	813.3	742.4	299.0	279.9	242.0	222.8	1,354.3	1,245.1
Inter-segment sales	2.3	2.5	5.6	0.7	2.8	7.4	10.7	10.6
Segment revenue	815.6	744.9	304.6	280.6	244.8	230.2	1,365.0	1,255.7
Group companies sales to external customers								
- ongoing operations							35.9	74.4
- other disposals*							-	34.1
Group companies inter-segment sales							-	2.6
Eliminations							(10.7)	(13.2)
							1,390.2	1,353.6
Sales to external customers - at 2009 average exchange rates								
- existing operations	734.5	772.8	287.1	313.1	242.0	240.1	1,263.6	1,326.0
- acquisitions*	78.8	52.6	11.9	9.7	-	-	90.7	62.3
Sales to external customers	813.3	825.4	299.0	322.8	242.0	240.1	1,354.3	1,388.3
Group companies sales to external customers								
- ongoing operations							35.9	74.4
- other disposals*							-	36.0
							1,390.2	1,498.7
Result								
Segment result								
- existing operations	118.6	107.1	44.8	55.1	23.0	18.0	186.4	180.2
- acquisitions*	15.0	7.4	2.6	1.5	-	-	17.6	8.9
	133.6	114.5	47.4	56.6	23.0	18.0	204.0	189.1
Share of results of joint ventures	-	-	4.6	4.4	-	-	4.6	4.4
Segment result	133.6	114.5	52.0	61.0	23.0	18.0	208.6	193.5
Group companies								
- ongoing operations							4.9	4.6
- other disposals*							1.9	(2.6)
Unallocated expenses							(10.7)	(10.5)
Operating profit before exceptional items & intangibles amortisation							204.7	185.0
Exceptional items & intangibles amortisation							(16.6)	(16.7)
Net finance costs							(16.2)	(10.6)
Other finance (costs) income - retirement benefits							(1.5)	1.8
Profit before tax from continuing operations							170.4	159.5
Segment result - at 2009 average exchange rates								
- existing operations	118.6	121.0	44.8	65.6	23.0	19.9	186.4	206.5
- acquisitions*	15.0	9.4	2.6	2.0	-	-	17.6	11.4
	133.6	130.4	47.4	67.6	23.0	19.9	204.0	217.9
Share of results of joint ventures	-	-	4.6	5.2	-	-	4.6	5.2
Segment result	133.6	130.4	52.0	72.8	23.0	19.9	208.6	223.1
Group companies								
- ongoing operations							4.9	4.6
- other disposals*							1.9	(2.6)
Unallocated expenses							(10.7)	(10.7)
							204.7	214.4

* Acquisitions include Weir Warman, Weir Mesa and Weir SOS. The results of Weir SPM are no longer included within "acquisitions" as Weir SPM was part of the Group for the whole of 2008. Other disposals include the Materials and Foundries businesses and the Canadian distribution business for 2008.

There are no material revenues derived from a single external customer.

3. Segment information (continued)

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Assets & liabilities								
Property, plant & equipment	**129.5**	111.9	**33.9**	37.3	**35.7**	40.0	**199.1**	189.2
Working capital assets	**276.6**	313.9	**146.7**	170.1	**74.1**	117.3	**497.4**	601.3
	406.1	425.8	**180.6**	207.4	**109.8**	157.3	**696.5**	790.5
Investments in joint ventures	**-**	-	**9.7**	10.3	**-**	-	**9.7**	10.3
Segment assets	**406.1**	425.8	**190.3**	217.7	**109.8**	157.3	**706.2**	800.8
Group companies assets							**4.3**	11.2
Unallocated assets							**841.0**	945.4
Total assets							**1,551.5**	1,757.4
Working capital liabilities	**174.1**	192.5	**80.4**	79.9	**53.1**	62.4	**307.6**	334.8
Group companies liabilities							**22.5**	38.4
Unallocated liabilities							**479.0**	687.3
Total liabilities							**809.1**	1,060.5
Other segment information								
Segment additions to non-current assets	**29.7**	32.2	**7.1**	10.1	**3.7**	10.2	**40.5**	52.5
Group companies additions to non-current assets							**-**	0.7
Unallocated additions to non-current assets							**0.1**	0.1
Total additions to non-current assets							**40.6**	53.3
Segment depreciation & amortisation	**19.2**	15.0	**18.8**	15.9	**6.3**	5.5	**44.3**	36.4
Group companies depreciation & amortisation							**-**	0.3
Unallocated depreciation & amortisation							**0.5**	0.5
Total depreciation & amortisation							**44.8**	37.2
Segment impairment	**1.0**	5.1	**-**	-	**-**	-	**1.0**	5.1
Total impairment							**1.0**	5.1
Segment warranty expense (income) (net)	**5.8**	6.4	**0.7**	(0.1)	**1.5**	0.8	**8.0**	7.1
Group companies warranty expense (net)							**1.0**	1.2
Total warranty expense (net)							**9.0**	8.3

Unallocated assets primarily comprise intangible assets, cash and short-term deposits, derivative financial instruments, income tax receivable and deferred tax assets as well as those assets which are used for general head office purposes. Unallocated liabilities primarily comprise interest-bearing loans and borrowings, derivative financial instruments, income tax payable, provisions, deferred tax liabilities and retirement benefit deficits as well as liabilities relating to general head office activities. Segment additions to non-current assets do not include those additions which have arisen from business combinations (note 13).

Notes to the Group Financial Statements (continued)

3. Segment information (continued)

Geographical information

The geographical information in respect of revenue and non-current assets for the 53 weeks ended 1 January 2010 and the 52 weeks ended 26 December 2008 is disclosed below. Revenues are allocated based on the location to which the product is shipped. Assets are allocated based on the location of the assets and operations. Non-current assets consist of property, plant and equipment, investment property, intangible assets and investments in joint ventures. There are no material revenues from external customers or non-current assets attributable to an individual foreign country included within the categories shown below.

53 weeks ended 1 January 2010

	UK £m	North America £m	Canada £m	Europe & FSU £m	Asia £m	Australasia £m	South America £m	Middle East & Africa £m	Total £m
Revenue									
Sales to external customers	98.3	283.7	119.8	163.4	206.7	126.2	172.3	219.8	1,390.2
Revenue from continuing operations	98.3	283.7	119.8	163.4	206.7	126.2	172.3	219.8	1,390.2
Non-current assets	99.3	433.8	13.9	133.0	6.0	132.4	37.3	97.5	953.2

52 weeks ended 26 December 2008

	UK £m	North America £m	Canada £m	Europe & FSU £m	Asia £m	Australasia £m	South America £m	Middle East & Africa £m	Total £m
Revenue									
Sales to external customers	120.8	299.8	136.1	141.3	201.8	126.5	155.1	189.0	1,370.4
Less sales attributable to discontinued operations	(10.5)	(2.2)	-	(2.5)	-	(1.6)	-	-	(16.8)
Revenue from continuing operations	110.3	297.6	136.1	138.8	201.8	124.9	155.1	189.0	1,353.6
Non-current assets	100.9	490.1	13.5	145.6	6.6	113.4	27.6	98.5	996.2

4. Revenues & expenses

The following disclosures are given in relation to continuing operations.

	2009 £m	2008 £m
An analysis of the Group's revenue is as follows		
Original equipment	588.3	583.7
Aftermarket parts	489.5	450.5
Sales of goods	1,077.8	1,034.2
Aftermarket services	256.1	229.7
Revenue from construction contracts	56.3	89.7
Revenue	1,390.2	1,353.6
Finance income	2.5	6.6
Total revenue	1,392.7	1,360.2

No revenue was derived from exchanges of goods or services (2008: £nil).

	2009 £m	2008 £m
A reconciliation of revenue to operating profit is as follows		
Revenue	1,390.2	1,353.6
Cost of sales	(935.0)	(930.1)
Gross profit	455.2	423.5
Other operating income	3.4	2.5
Selling & distribution costs	(145.8)	(136.1)
Administrative expenses	(129.3)	(126.0)
Share of results of joint ventures	4.6	4.4
Operating profit	188.1	168.3

4. Revenues & expenses (continued)

	2009 £m	2008 £m
Operating profit is stated after charging		
Cost of inventories recognised as an expense	**935.0**	930.1
Depreciation of property, plant & equipment & investment property	**28.2**	22.8
Amortisation of intangible assets	**16.6**	14.4
Impairment of intangible assets (note 12)	**-**	2.3
Impairment of plant & equipment (note 11)	**1.0**	2.8
Net foreign exchange losses	**1.8**	0.3
Net impairment of trade receivables (note 17) (included within administrative expenses)	**4.6**	5.4
Net loss on other current period disposals	**2.6**	2.6

The following disclosures are given in relation to total operations.

	2009 £m	2008 £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 & Group financial statements	**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**	0.9
Transaction support services	**-**	0.2
Fees payable in respect of the Group's pension schemes		
Audit	**0.1**	0.1

Research & development costs

Research & development costs consist of £9.7m (2008: £9.8m) charged directly to cost of sales in the income statement.

Operating leases

Minimum lease payments under operating leases recognised as an expense in the period were £16.8m (2008: £13.3m).

	2009 £m	2008 £m
Employee benefits expense		
Wages & salaries	**285.3**	270.8
Social security costs	**32.3**	31.4
Pension costs		
Defined benefit plans	**1.3**	2.5
Defined benefit plans curtailment (gain) loss	**(1.5)**	2.4
Defined benefit plans settlement gains	**(2.2)**	-
Defined contribution plans	**10.3**	8.1
Share-based payments - equity settled transactions	**1.6**	2.8
	327.1	318.0

	2009 Number	2008 Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows		
Minerals	**5,230**	5,320
Oil & Gas	**1,601**	1,561
Power & Industrial	**1,870**	1,973
Group companies	**104**	344
Discontinued operations	**-**	172
	8,805	9,370

Notes to the Group Financial Statements (continued)

5. Exceptional items & intangibles amortisation

	2009 £m	2008 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	(16.6)	(14.4)
Impairment of intangibles (note 12)	-	(2.3)
	(16.6)	(16.7)
Recognised in arriving at profit for the period from discontinued operations		
Exceptional items (note 8)	-	55.1
Intangibles amortisation (note 8)	-	(0.1)
	-	55.0

6. Finance (costs) income

Finance costs

	2009 £m	2008 £m
Interest payable on bank loans & overdrafts	(4.2)	(14.6)
Losses transferred from equity in respect of interest rate swaps	(4.3)	(0.5)
Ineffective portion of interest rate swaps transferred from equity	(3.7)	-
Losses on financial assets & liabilities at fair value through profit & loss	(5.1)	(1.1)
Finance charges payable under finance leases	(0.1)	(0.1)
Finance charges related to committed loan facilities	(1.3)	(0.9)
	(18.7)	(17.2)

Finance income

	2009 £m	2008 £m
Interest receivable on financial assets	0.9	1.4
Gains on financial assets & liabilities at fair value through profit & loss	1.6	5.2
	2.5	6.6

7. Tax expense

Income tax expense

	2009 £m	2008 £m	2007 £m
Consolidated Income Statement			
Current income tax			
UK corporation tax - continuing operations	(10.3)	(8.4)	(8.3)
- discontinued operations	-	(0.4)	(0.8)
Adjustments in respect of current income tax of previous years	0.7	0.2	4.6
UK corporation tax	(9.6)	(8.6)	(4.5)
Foreign tax - continuing operations	(38.1)	(47.2)	(21.5)
- discontinued operations	-	(0.4)	(0.4)
Adjustments in respect of current income tax of previous years	5.0	1.2	(1.0)
Total current income tax	(42.7)	(55.0)	(27.4)
Deferred income tax			
Origination & reversal of temporary differences			
- continuing operations	(6.9)	3.4	(7.9)
- discontinued operations	-	(2.0)	(0.4)
Adjustment to estimated recoverable deferred tax assets	2.8	4.3	2.8
Effect of changes in tax rates	-	-	0.6
Total deferred tax*	(4.1)	5.7	(4.9)
Total income tax expense in the Consolidated Income Statement	(46.8)	(49.3)	(32.3)

* Includes £4.2m of deferred tax charge relating to foreign tax (2008: a credit of £10.0m; 2007: a charge of £2.6m)

The total income tax expense is disclosed in the Consolidated Income Statement as follows.

	2009 £m	2008 £m	2007 £m
Tax expense - continuing operations before exceptional items & intangibles amortisation	(52.2)	(51.8)	(32.1)
- intangibles amortisation	5.4	5.3	2.0
- within profit from discontinued operations	-	(2.8)	(2.2)
Total income tax expense in the Consolidated Income Statement	(46.8)	(49.3)	(32.3)

Current tax for 2009 has been reduced by £2.8m (2008: £4.3m; 2007: £2.8m) 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.

Notes to the Group Financial Statements (continued)

7. Tax expense (continued)

Tax relating to items charged or credited to equity

	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Consolidated Statement of Comprehensive Income			
Current tax on contributions in excess of costs through the income statement	**3.8**	2.6	-
Deferred tax - origination & reversal of temporary differences	**12.4**	15.0	(5.7)
Tax credit (charge) on actuarial losses / gains on retirement benefits	**16.2**	17.6	(5.7)
Deferred tax (charge) credit on hedge gains / losses	**(3.5)**	4.8	-
Effect of changes in tax rates	**-**	-	0.1
Tax credit (charge) in the Consolidated Statement of Comprehensive Income	**12.7**	22.4	(5.6)

	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Consolidated Statement of Changes in Equity			
Deferred tax on share-based payments	**0.7**	(1.2)	0.4
Current tax on share-based payments	**0.5**	0.2	0.5
Tax credit (charge) in the Consolidated Statement of Changes in Equity	**1.2**	(1.0)	0.9

Reconciliation of the total tax charge

The tax expense in the Consolidated Income Statement for the period is less than the weighted average of standard rates of corporation tax across the Group of 29.3% (2008: 31.2%; 2007: 31.3%). The differences are reconciled below.

	2009 £m	2008 £m	2007 £m
Profit from continuing operations before tax	**170.4**	159.5	109.0
Profit from discontinued operations before tax	**5.2**	60.6	98.3
Accounting profit before tax	**175.6**	220.1	207.3
At the weighted average of standard rates of corporation tax across the Group of 29.3% (2008: 31.2%; 2007: 31.3%)	**51.5**	68.7	64.8
Adjustments in respect of previous years - current tax	**(5.7)**	(1.4)	(3.6)
- deferred tax	**7.8**	0.3	(0.5)
Effect of changes in tax rates	**-**	-	(0.6)
Joint ventures & associate	**(0.7)**	(1.4)	(2.0)
Unrecognised deferred tax assets	**(2.8)**	(4.3)	(2.8)
Overseas tax on unremitted earnings	**4.2**	3.2	1.1
Industrial buildings allowance	**-**	1.5	-
Permanent differences	**(6.0)**	(3.8)	0.2
Gains exempt from tax	**(1.5)**	(13.5)	(24.3)
At effective tax rate of 26.7% (2008: 22.4%; 2007: 15.6%)	**46.8**	49.3	32.3

8. Discontinued operations

During the 53 weeks ended 1 January 2010 there were no disposals of businesses which were of a sufficient size to meet the definition of a discontinued operation under IFRS5.

On 21 April 2008, the Group disposed of Weir Strachan & Henshaw for a net cash consideration of £63.7m resulting in a gain on disposal of £55.1m after a tax charge of £2.4m. The net liabilities disposed of amounted to £1.9m and direct disposal costs and provisions amounted to £8.5m. Foreign exchange gains suspended in equity on the retranslation of the overseas operations disposed of, amounting to £0.4m, were recycled to the income statement as part of the gain on sale in accordance with IAS21. In 2009, following the expiry of certain warranty periods, an unutilised amount of £5.2m has been released to the income statement.

In 2008, profits recognised in respect of prior periods disposals related to the negotiated settlement of claims.

The revenue, results and cash flows relating to discontinued operations are shown below.

	2009 £m	2008 £m
Sale of goods	-	1.4
Aftermarket services	-	9.7
Revenue from construction contracts	-	5.7
Revenue	-	16.8
Cost of sales	-	(12.9)
Selling & distribution costs	-	(0.6)
Administrative expenses	-	(1.8)
Operating profit	-	1.5
Income tax	-	(0.4)
Profit after tax	-	1.1
Profits recognised in respect of prior periods disposals (after tax)	**5.2**	1.6
Profit for the period from discontinued operations*	**5.2**	2.7
Net gain on current period disposals - exceptional items (before tax)	-	57.5
Taxation	-	(2.4)
Net gain on current period disposals - exceptional items (after tax)	-	55.1
Profit for the period from discontinued operations	**5.2**	57.8

* Including intangibles amortisation net of tax of £nil (2008: £0.1m)

	2009 £m	2008 £m
Operating profit is stated after charging (crediting)		
Cost of inventories recognised as an expense	-	12.9
Depreciation & amortisation	-	0.4
Net foreign exchange gains	-	(0.4)
The income tax is analysed as follows		
On profit on ordinary activities	-	(0.4)
In respect of prior periods disposals	-	(2.4)
The cash inflow from current period disposals was as follows		
Consideration	-	63.7
Costs associated with the disposals	-	(3.1)
Net cash inflow	-	60.6
Capital expenditure	-	0.3

Notes to the Group Financial Statements (continued)

8. Discontinued operations (continued)

Earnings per share from discontinued operations were as follows.

	2009 pence	2008 pence
Basic	2.5p	27.6p
Diluted	2.5p	27.3p

These earnings per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations of £5.2m (2008: £57.8m) 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.

	2009 £m	2008 £m
Property, plant & equipment	-	5.1
Intangible assets	-	0.9
Inventories	-	0.2
Trade & other receivables	-	13.3
Construction contracts assets	-	1.8
Trade & other payables	-	(12.0)
Construction contracts liabilities	-	(9.6)
Derivative financial instruments	-	(0.1)
Provisions	-	(1.3)
Current tax	-	(0.3)
Deferred tax	-	0.1
	-	(1.9)

9. Earnings per share

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

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

	2009	2008
Basic earnings per share		
Profit attributable to equity holders of the Company		
Total operations (£m)	128.8	170.8
Continuing operations (£m)	123.6	113.0
Continuing operations before exceptional items & intangibles amortisation (£m)	134.8	124.4
Weighted average share capital (number of shares, million)	210.3	209.9
Diluted earnings per share		
Profit attributable to equity holders of the Company		
Total operations (£m)	128.8	170.8
Continuing operations (£m)	123.6	113.0
Continuing operations before exceptional items & intangibles amortisation (£m)	134.8	124.4
Weighted average share capital (number of shares, million)	212.0	211.0

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.

	2009 Shares Million	2008 Shares Million
Weighted average number of ordinary shares for basic earnings per share	**210.3**	209.9
Effect of dilution: share options	**-**	0.1
LTIP awards	**1.7**	0.6
conditional share award	**-**	0.4
Adjusted weighted average number of ordinary shares for diluted earnings per share	**212.0**	211.0

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.

	2009 £m	2008 £m
Net profit attributable to equity holders from continuing operations	**123.6**	113.0
Exceptional items & intangibles amortisation net of tax	**11.2**	11.4
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation	**134.8**	124.4

There have been no share options (2008: nil) exercised between the reporting date and the date of signing of these financial statements.

10. Dividends paid & proposed

	2009 £m	2008 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2008: 13.85p (2007: 12.35p)	**29.1**	25.9
Interim dividend for 2009: 4.80p (2008: 4.65p)	**10.1**	9.8
	39.2	35.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2009: 16.20p (2008: 13.85p)	**34.1**	29.1

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 28 December 2007	65.5	185.2	250.7	11.8
Additions	9.5	42.0	51.5	-
Acquisitions	3.7	5.7	9.4	-
Disposals	(2.1)	(16.3)	(18.4)	-
Discontinued operations	(4.8)	(9.6)	(14.4)	-
Exchange adjustment	14.6	33.1	47.7	-
At 26 December 2008	**86.4**	**240.1**	**326.5**	**11.8**
Additions	**2.8**	**35.2**	**38.0**	**-**
Disposals	**(0.7)**	**(9.7)**	**(10.4)**	**-**
Reclassifications to intangible assets	**(1.1)**	**(2.2)**	**(3.3)**	**-**
Exchange adjustment	**(0.2)**	**4.9**	**4.7**	**-**
At 1 January 2010	**87.2**	**268.3**	**355.5**	**11.8**
Accumulated depreciation & impairment				
At 28 December 2007	17.8	96.6	114.4	7.0
Depreciation charge for the period	3.0	19.8	22.8	0.3
Impairment	-	2.8	2.8	-
Disposals	(1.1)	(12.5)	(13.6)	-
Discontinued operations	(1.5)	(7.8)	(9.3)	-
Exchange adjustment	4.6	15.2	19.8	-
At 26 December 2008	**22.8**	**114.1**	**136.9**	**7.3**
Depreciation charge for the period	**2.5**	**25.4**	**27.9**	**0.3**
Impairment	**-**	**1.0**	**1.0**	**-**
Disposals	**(0.1)**	**(8.2)**	**(8.3)**	**-**
Reclassifications to intangible assets	**(0.1)**	**(2.2)**	**(2.3)**	**-**
Exchange adjustment	**(0.6)**	**1.5**	**0.9**	**-**
At 1 January 2010	**24.5**	**131.6**	**156.1**	**7.6**
Net book value at 28 December 2007	47.7	88.6	136.3	4.8
Net book value at 26 December 2008	63.6	126.0	189.6	4.5
Net book value at 1 January 2010	**62.7**	**136.7**	**199.4**	**4.2**

The carrying value of buildings held under finance leases is £1.7m (2008: £2.0m). The carrying value of plant and equipment held under finance leases is £0.3m (2008: £0.4m). Leased assets are pledged as security for the related finance lease liabilities.

The carrying amount of assets under construction included in plant and equipment is £6.3m (2008: £6.9m).

Following the disposal of the Glasgow-based pump manufacturing operation Weir Pumps in 2007, a property held by the Company meets the definition of investment property and rental income is generated from Clyde Union Ltd. The rental income included in the income statement amounts to £1.8m (2008: £1.0m). A three year lease was entered with Clyde Union Ltd effective from 1 April 2009. This lease provides £2.25m rental income per annum and includes an option for Clyde Union Ltd to purchase the property for £28.5m.

The impairment charge of £1.0m (2008: £2.8m) relates to specific assets in a number of locations across the Group where associated product lines have been changed or updated to reflect changing market conditions.

12. Intangible assets

	Goodwill £m	Brand names £m	Customer relationships £m	Purchased software £m	Intellectual property & trade marks £m	Other £m	Total £m
Cost							
At 28 December 2007	348.6	30.8	103.4	15.4	14.3	5.2	517.7
Additions	-	-	-	2.4	0.2	-	2.6
Acquisitions	54.6	42.1	18.3	0.5	3.1	5.0	123.6
Disposals	-	-	-	(0.3)	-	-	(0.3)
Discontinued operations	-	-	-	(3.6)	-	-	(3.6)
Exchange adjustment	109.0	25.4	41.6	2.3	5.5	3.0	186.8
At 26 December 2008	**512.2**	**98.3**	**163.3**	**16.7**	**23.1**	**13.2**	**826.8**
Additions	**-**	**-**	**-**	**2.0**	**1.1**	**-**	**3.1**
Disposals	**(2.9)**	**-**	**-**	**(0.9)**	**-**	**-**	**(3.8)**
Reclassifications from property, plant & equipment	**-**	**-**	**-**	**3.3**	**-**	**-**	**3.3**
Exchange adjustment	**(15.2)**	**(8.1)**	**(12.8)**	**1.2**	**(1.7)**	**(0.5)**	**(37.1)**
At 1 January 2010	**494.1**	**90.2**	**150.5**	**22.3**	**22.5**	**12.7**	**792.3**
Accumulated amortisation & impairment							
At 28 December 2007	-	-	3.1	8.6	1.1	1.7	14.5
Amortisation charge for the period	-	-	6.0	2.1	1.6	4.8	14.5
Impairment	-	-	-	-	2.3	-	2.3
Disposals	-	-	-	(0.3)	-	-	(0.3)
Discontinued operations	-	-	-	(2.7)	-	-	(2.7)
Exchange adjustment	-	-	2.3	1.6	0.9	1.9	6.7
At 26 December 2008	**-**	**-**	**11.4**	**9.3**	**5.9**	**8.4**	**35.0**
Amortisation charge for the period	**-**	**-**	**9.9**	**2.8**	**2.2**	**1.7**	**16.6**
Disposals	**-**	**-**	**-**	**(0.6)**	**-**	**-**	**(0.6)**
Reclassifications from property, plant & equipment	**-**	**-**	**-**	**2.3**	**-**	**-**	**2.3**
Exchange adjustment	**-**	**-**	**(0.8)**	**1.0**	**(0.4)**	**(0.7)**	**(0.9)**
At 1 January 2010	**-**	**-**	**20.5**	**14.8**	**7.7**	**9.4**	**52.4**
Net book value at 28 December 2007	348.6	30.8	100.3	6.8	13.2	3.5	503.2
Net book value at 26 December 2008	512.2	98.3	151.9	7.4	17.2	4.8	791.8
Net book value at 1 January 2010	**494.1**	**90.2**	**130.0**	**7.5**	**14.8**	**3.3**	**739.9**

The impairment charge in 2008 of £2.3m relates to previously recognised development costs and reflects changing market outlook in respect of those specific products.

Brand names have been assigned an indefinite useful life and as such are not amortised. The carrying value of £90.2m is tested annually for impairment (note 14). The brand name value comprises the brands of Weir Warman, Weir SPM, Weir Gabbioneta, Weir Mesa and Weir Multiflo, all of which were recognised at fair value at their respective dates of acquisition. Weir Warman has a long history in the minerals and mining market and is considered to be a market leader. Weir SPM and Weir Gabbioneta brands both have long histories in the oil and gas markets where they are both considered to be market leaders.

Notes to the Group Financial Statements (continued)

12. Intangible assets (continued)

The allocation of customer relationships and the remaining amortisation period of these assets is as follows.

	Remaining amortisation period		Customer relationships	
	2009 Years	2008 Years	**2009 £m**	2008 £m
Weir SPM	**22**	23	**96.4**	111.6
Weir Gabbioneta	**21**	22	**16.4**	18.6
Weir Warman	**8**	9	**10.3**	10.7
Other	**Up to 6**	Up to 9	**6.9**	11.0
			130.0	151.9

The amortisation and impairment charge for the period is included in the income statement as follows.

	2009 £m	2008 £m
Cost of sales	**1.9**	0.7
Selling & distribution costs	**0.3**	0.2
Administrative expenses	**14.4**	13.5
Profit for the period from discontinued operations	**-**	0.1
Amortisation charge for the period	**16.6**	14.5
Impairment of intangibles (included within administrative expenses)	**-**	2.3
Intangibles amortisation & impairment charge for the period	**16.6**	16.8

13. Business combinations

There were no business combinations during the 53 weeks ended 1 January 2010.

On 18 March 2008, following receipt of regulatory clearance from the South African competition authorities, the Group acquired 100% of the CH Warman Pump Group ("Weir Warman"), a specialist pump business primarily focused on serving the mining and minerals processing industry throughout Africa. The total cash consideration was £113.8m. On 24 June 2008, the Group acquired 100% of Mesa Manufacturing Inc. ("Weir Mesa"), a family owned business based in Texas specialising in the manufacture of cementing pumps and other products for the oil and gas drilling and well service industries. The total cash consideration was £23.1m. On 4 July 2008, the Group acquired 75% of the share capital of Standard Oilfield Services Limited ("Weir SOS"), a privately owned oil equipment services business registered in the Bahamas, based in Baku, Azerbaijan, with an obligation to acquire the remaining 25% within the next three years. The total cash consideration payable was £10.9m, including deferred consideration of £2.7m in relation to the remaining 25%. In accordance with IFRS3, the acquisition has been accounted for on the basis that a 100% interest has been acquired with no non-controlling interest.

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

	2008 Carrying values Weir SOS £m	2008 Recognised on acquisition Weir SOS £m	2008 Carrying values Weir Mesa £m	2008 Recognised on acquisition Weir Mesa £m	2008 Carrying values Weir Warman £m	2008 Recognised on acquisition Weir Warman £m	2008 Recognised on acquisition Total £m
Property, plant & equipment	1.3	0.9	3.4	2.8	2.0	5.7	9.4
Intangible assets	-	6.0	-	8.2	-	54.8	69.0
Inventories	0.8	0.4	2.6	3.4	13.2	14.1	17.9
Trade & other receivables	1.4	1.4	1.5	1.2	9.4	8.4	11.0
Cash & cash equivalents	0.6	0.6	1.9	1.9	2.3	2.3	4.8
Interest-bearing loans & borrowings	-	-	-	-	(3.0)	(3.0)	(3.0)
Trade & other payables	(0.5)	(0.6)	(0.6)	(0.5)	(4.1)	(5.1)	(6.2)
Provisions	-	-	-	(0.2)	(2.3)	(3.2)	(3.4)
Income tax	-	-	(0.3)	(0.1)	(0.1)	0.2	0.1
Deferred tax	-	(0.6)	-	(3.1)	0.5	(2.7)	(6.4)
Fair value of net assets	3.6	8.1	8.5	13.6	17.9	71.5	93.2
Goodwill arising on acquisition		2.8		9.5		42.3	54.6
Total consideration		10.9		23.1		113.8	147.8
Cash consideration		8.1		22.9		113.4	144.4
Costs associated with the acquisitions		0.1		0.2		0.4	0.7
Deferred consideration		2.7		-		-	2.7
Total consideration		10.9		23.1		113.8	147.8
The cash outflow on acquisition was as follows							
Cash & cash equivalents acquired		0.6		1.9		2.3	4.8
Cash paid		(8.2)		(23.1)		(113.8)	(145.1)
Net cash outflow		(7.6)		(21.2)		(111.5)	(140.3)

On 13 February 2008, the Group acquired the remaining 26% of Weir Engineering Services (India) Limited for a cash consideration of £0.6m.

From the date of acquisition Weir Warman, Weir Mesa and Weir SOS contributed £4.8m, £0.6m and £1.4m respectively to the 2008 profit for the period from continuing operations of the Group. The combined continuing operations revenue and profit of the Group, assuming that Weir Warman, Weir Mesa and Weir SOS had been acquired at the start of 2008, would have been £1,371.7m and £116.2m respectively.

Included in the £54.6m 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.

Notes to the Group Financial Statements (continued)

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 and intangible assets with indefinite lives has been allocated as per the table below. The amounts allocated as "Other" are not considered significant in comparison to their respective total carrying amounts.

	Year acquired	2009 Goodwill £m	2009 Intangibles* £m	2008 Goodwill £m	2008 Intangibles* £m
Weir SPM	2007	**220.0**	**28.5**	242.5	31.5
Warman companies	1999	**116.5**	**-**	102.9	-
Weir Gabbioneta	2005	**63.9**	**6.0**	69.1	6.6
Weir Warman	2008	**55.8**	**51.4**	55.7	56.7
Other	various	**37.9**	**4.3**	42.0	3.5
		494.1	**90.2**	512.2	98.3

* Intangible assets with indefinite lives (brand names)

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 basis of these impairment tests including key assumptions are set out in the table below.

CGU	Basis of valuation	Period of forecast	Discount rate[1]	Real growth[2]	Key assumptions	Source
Weir SPM	Value in use	5 years	14.2% (2008: 13.4%)	1.2% (2008: 1.2%)	Revenue growth[4]	External forecast
					EBIT margins[3]	Historic experience
Warman companies	Value in use	5 Years	15.2% (2008: 14.6%)	1.2% (2008: 1.2%)	Revenue growth[5]	External forecast
					EBIT margins[3]	Historic experience
Weir Gabbioneta	Value in use	5 Years	12.9% (2008: 14.6%)	1.2% (2008: 1.2%)	Revenue growth[6]	External forecast
					EBIT margins[3]	Historic experience
Weir Warman	Value in use	5 years	19.3% (2008: 17.8%)	4.0% (2008: 4.0%)	Revenue growth[7]	External forecast
					EBIT margins[3]	Historic experience

[1] Discount rate

The discount rates presented above reflect the pre-tax nominal weighted average cost of capital (WACC) in the most appropriate geographic region. The WACC is the weighted average of the pre-tax cost of debt financing and the pre-tax cost of equity finance. In the main there has been an increase in the WACC relative to 2008 largely due to an increase in government bond yields partially offset by a reduction in lending margins that banks place on borrowing costs. The WACC in relation to Weir Gabbioneta has decreased relative to 2008 as Italian government bond yields have remained broadly in line with 2008 while bank lending margins have reduced.

[2] Real growth

Real growth beyond the five year forecast period of 1.2% to 4.0% reflects the increasingly global nature of these businesses and the fact that they sell a significant proportion of their products to emerging markets which have long-term stronger growth prospects than their home markets.

[3] EBIT margins

EBIT margins have been forecast based on historic levels taking cognisance of the likely impact of changing economic environments and competitive landscapes on volumes and revenues and the impact of associated management actions on costs.

[4] Weir SPM

Weir SPM is a supplier of gas well service pumps, associated flow control equipment and services to the oil and gas production industry. A large proportion of the business's revenues are generated in North America with demand being closely related to the number of gas well drilling rigs in operation which is in turn dependent upon natural gas prices and gas storage levels. Independent forecasts of North American gas well drilling activity, which take into account forecast natural gas prices and gas storage levels, have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2009.

[5] Warman companies

The Warman companies supply pumps and associated equipment and services to all global markets outside Africa. The key drivers for revenues are (i) levels of mining capital expenditure which drives demand for original equipment and (ii) levels of actual mining activity which drives demand for spare parts and service. Independent forecasts of mining activity have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2009.

14. Impairment testing of goodwill & intangible assets with indefinite lives (continued)

[6] Weir Gabbioneta

Weir Gabbioneta is a supplier of heavy duty process applications to oil and gas refinery, petro-chemical and power generation industries. The key drivers for revenues are capital expenditure within oil refinery and petro-chemical industries. Independent forecasts of expenditure in these sectors have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2009.

[7] Weir Warman

Weir Warman is a supplier of pumps and associated equipment and services to the African mining industry. The key drivers for revenues are (i) levels of mining capital expenditure across Africa which drives demand for original equipment and (ii) levels of actual mining activity which drives demand for spare parts and service. Independent forecasts of mining activity have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2009.

Sensitivity analysis

Base case forecasts show significant headroom above carrying value for each of the CGUs. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

15. Investments in joint ventures

The significant investments in joint ventures are as follows.

	Total £m
At 28 December 2007	7.2
Share of results	4.4
Share of dividends	(3.5)
Exchange adjustment	2.2
At 26 December 2008	**10.3**
Share of results	**4.6**
Share of dividends	**(5.9)**
Exchange adjustment	**0.7**
At 1 January 2010	**9.7**

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

	2009 £m	2008 £m
Share of joint ventures balance sheets		
Goodwill	**3.3**	3.6
Current assets	**8.0**	11.0
Non-current assets	**3.1**	2.9
Current liabilities	**(3.8)**	(5.2)
Non-current liabilities	**(0.9)**	(2.0)
Net assets	**9.7**	10.3
Share of joint ventures revenue & profits		
Revenue	**17.0**	17.5
Cost of sales	**(9.5)**	(10.5)
Selling & distribution costs	**(0.5)**	(0.4)
Administrative expenses	**(1.6)**	(1.4)
Income tax expense	**(0.8)**	(0.8)
Profit after tax	**4.6**	4.4
Carrying value of investments in joint ventures	**9.7**	10.3

The Group's significant investments in joint ventures are listed on page 123.

Notes to the Group Financial Statements (continued)

16. Inventories

	2009 £m	2008 £m
Raw materials	57.4	87.3
Work in progress	76.4	69.6
Finished goods	101.5	112.7
	235.3	269.6

The carrying amount of inventory at fair value less costs to sell is £18.8m (2008: £17.8m). During the period, £5.2m (2008: £8.6m) was recognised as an expense within cost of sales resulting from the write down of inventory.

17. Trade & other receivables

	2009 £m	2008 £m
Trade receivables	221.5	274.2
Allowance for doubtful debts	(13.1)	(11.7)
	208.4	262.5
Other debtors	14.1	20.4
Sales tax receivable	7.9	10.6
Accrued income	2.2	6.6
Prepayments	7.9	9.1
	240.5	309.2

The average credit period on sales of goods is 47 days (2008: 52 days).

Analysis of trade receivables

	2009 £m	2008 £m
Neither impaired nor past due	166.7	217.5
Past due but not impaired	41.7	45.0
Impaired	13.1	11.7
	221.5	274.2

Ageing of past due but not impaired trade receivables

	2009 £m	2008 £m
Up to 3 months	32.7	32.1
Between 3 & 6 months	4.9	9.0
More than 6 months	4.1	3.9
	41.7	45.0

Movement in the allowance for doubtful debts

	2009 £m	2008 £m
Balance at the beginning of the period	(11.7)	(4.2)
Impairment losses recognised on receivables	(6.3)	(5.6)
Amounts written off as uncollectable	2.0	0.1
Amounts recovered during the period	0.9	0.1
Impairment losses reversed	1.7	0.2
Exchange adjustment	0.3	(2.3)
Balance at the end of the period	(13.1)	(11.7)

17. Trade & other receivables (continued)

Ageing of impaired trade receivables

	2009 £m	2008 £m
Up to 3 months	**1.3**	0.4
Between 3 & 6 months	**1.8**	0.8
More than 6 months	**10.0**	10.5
	13.1	11.7

18. Construction contracts

	2009 £m	2008 £m
Gross amount due from customers for contract work (included in current assets)	**25.9**	30.6
Gross amount due to customers for contract work (included in current liabilities)	**(23.2)**	(46.7)
	2.7	(16.1)
Contract costs incurred plus recognised profits less recognised losses to date	**183.3**	185.8
Less: progress billings	**(180.6)**	(201.9)
	2.7	(16.1)

The amount of retentions held by customers for contract work amounted to £0.2m (2008: £0.6m) and the amount of advances received from customers for contract work amounted to £nil (2008: £nil).

19. Cash & short-term deposits

	2009 £m	2008 £m
Cash at bank & in hand	**54.5**	72.9
Short-term deposits	**2.5**	1.2
	57.0	74.1
For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following		
Cash & short-term deposits	**57.0**	74.1
Bank overdrafts & short-term borrowings (note 20)	**(1.3)**	(20.5)
	55.7	53.6

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.

Notes to the Group Financial Statements (continued)

20. Interest-bearing loans & borrowings

	2009 £m	2008 £m
Current		
Bank overdrafts	1.3	18.1
Short-term borrowings	-	2.4
	1.3	20.5
Bank loans	0.3	50.4
Obligations under finance leases (note 27)	0.4	0.5
	2.0	71.4
Non-current		
Bank loans	173.7	241.8
Obligations under finance leases (note 27)	0.5	0.8
	174.2	242.6

	Maturity	Interest basis	Weighted average interest rate 2009 %	Weighted average interest rate 2008 %	2009 £m	2008 £m
Bank loans comprise the following						
Bilateral						
Canadian dollar variable rate loans	2009	CAD$ LIBOR	-	2.93	-	50.3
Canadian dollar variable rate loans	2011	CAD$ LIBOR	0.90	3.13	65.0	20.7
United States dollar variable rate loans	2011	US$ LIBOR	0.89	2.18	108.1	206.1
Sterling variable rate loans	2011	LIBOR	-	2.81	-	15.0
Other						
Euro fixed rate loans	2009	FIXED	-	5.40	-	0.1
Indian rupee term loan	2013	FIXED	13.75	-	0.9	-
					174.0	292.2
Less current instalments due on bank loans						
Canadian dollar variable rate loans					-	(50.3)
Euro fixed rate loans					-	(0.1)
Indian rupee term loan					(0.3)	-
Non-current bank loans					173.7	241.8

CAD$ LIBOR is the Canadian dollar London Inter Bank Offer Rate. US$ LIBOR is the United States dollar London Inter Bank Offer Rate. LIBOR is the sterling London Inter Bank Offer Rate. The weighted average interest rates include an applicable margin over and above the interest basis.

The disclosures above represent the interest profile and currency profile of financial liabilities before the impact of derivative financial instruments.

During 2008, the Group entered into a series of bilateral facilities with nine banks totalling £625.0m. As at 1 January 2010, £173.1m (2008: £241.8m) was drawn under these bilateral facilities. In 2008, the Group also had a CAD$90.0m facility and a £20.0m multi-currency facility both of which matured in 2009. In 2009, the Group entered into a new Indian rupee 79.0m (£1.0m) term loan. As at 1 January 2010, £0.9m was outstanding on the term loan.

In 2008, the Group entered into a series of interest rate swaps to fix the rate of interest that it would pay on US$200.0m variable rate borrowings. During 2009, this was reduced to US$50.0m. The interest rate swaps fixed the whole term of interest at a weighted average of 3.26% (2008: 3.43%) plus the applicable margin for this element of the Group's debt.

Events after the balance sheet date

On 11 January 2010, the Group issued the equivalent of US$250.0m of five year (US$110.0m) and eight year (US$140.0m) fixed rate notes. Resulting from this, the Group repaid US$145.0m and CAD$110.0m of its variable rate borrowings.

21. Trade & other payables

	2009 £m	2008 £m
Trade payables	171.8	194.1
Other creditors	18.3	30.5
Other taxes & social security costs	12.1	14.0
Accruals	60.1	63.0
Deferred consideration (note 13)	2.7	2.7
Deferred income	71.3	49.3
	336.3	353.6

22. Provisions

	Warranties £m	Employee related £m	Discontinued operations warranty & indemnity £m	Onerous sales contracts £m	Other £m	Total £m
At 26 December 2008	24.5	19.9	11.9	4.6	6.0	66.9
Additions	12.5	7.3	-	0.3	4.0	24.1
Utilised	(5.3)	(3.7)	-	(0.6)	(1.8)	(11.4)
Unutilised	(3.5)	(0.1)	(5.2)	(0.1)	(0.1)	(9.0)
Exchange adjustment	(0.8)	0.6	-	(0.2)	0.3	(0.1)
At 1 January 2010	27.4	24.0	6.7	4.0	8.4	70.5
Current 2009	18.9	4.2	1.5	3.9	5.3	33.8
Non-current 2009	8.5	19.8	5.2	0.1	3.1	36.7
	27.4	24.0	6.7	4.0	8.4	70.5
Current 2008	17.2	4.1	1.6	4.6	3.0	30.5
Non-current 2008	7.3	15.8	10.3	-	3.0	36.4
	24.5	19.9	11.9	4.6	6.0	66.9

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 asbestosis claims and are based on management's best estimate of the likely costs. It is expected that the costs will be incurred in the period up to 2021.

Discontinued operations warranty & indemnity

Provisions in respect of discontinued operations include provision for warranty and indemnity exposures under asset and share sale agreements. Following the expiry of certain warranty periods, an unutilised amount of £5.2m has been released to the income statement. The provision as at 1 January 2010 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.

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 exceed 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 to an environmental clean up programme in the United States for a company acquired in 1992 and various other legal claims and exposures across the Group. 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.

Notes to the Group Financial Statements (continued)

23. Deferred tax

	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Deferred income tax assets			
Post-employment benefits	21.1	9.3	3.2
Decelerated depreciation for tax purposes	2.8	1.3	0.2
United States deferred interest deductions	-	-	0.4
Untaxed reserves	37.8	29.3	20.1
Offset against liabilities	(33.0)	(19.1)	(20.8)
Gross deferred income tax assets	28.7	20.8	3.1
Deferred income tax liabilities			
Post-employment benefits	-	-	(10.5)
Accelerated depreciation for tax purposes	(10.0)	(3.8)	(3.0)
Overseas tax on unremitted earnings	(18.9)	(8.6)	(9.1)
Intangible assets	(60.9)	(68.5)	(47.8)
Other temporary differences	(3.6)	(1.2)	(1.4)
Offset against assets	33.0	19.1	20.8
Gross deferred income tax liabilities	(60.4)	(63.0)	(51.0)
Net deferred income tax liability	(31.7)	(42.2)	(47.9)

The movement in deferred income tax assets and liabilities during the period was as follows.

	Post employment benefits £m	Accelerated depreciation for tax purposes £m	United States deferred interest deductions £m	Overseas tax on unremitted earnings £m	Intangible assets £m	Untaxed reserves £m	Total £m
At 28 December 2007 (as restated - note 2)	(7.3)	(2.8)	0.4	(9.1)	(47.8)	18.7	(47.9)
Credited (charged) to the income statement	0.3	0.9	(0.4)	0.9	3.3	0.7	5.7
Credited to equity	15.0	-	-	-	-	3.6	18.6
Acquisitions	-	(0.2)	-	-	(6.2)	-	(6.4)
Disposals	-	0.1	-	-	-	-	0.1
Exchange adjustment	1.3	(0.5)	-	(0.4)	(17.8)	5.1	(12.3)
At 26 December 2008 (as restated - note 2)	9.3	(2.5)	-	(8.6)	(68.5)	28.1	(42.2)
(Charged) credited to the income statement	-	(5.4)	-	(10.4)	1.6	10.1	(4.1)
Credited (charged) to equity	12.4	-	-	-	-	(2.8)	9.6
Exchange adjustment	(0.6)	0.7	-	0.1	6.0	(1.2)	5.0
At 1 January 2010	21.1	(7.2)	-	(18.9)	(60.9)	34.2	(31.7)

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 £4.8m (2008: £5.1m; 2007: £8.2m) and deductible temporary differences of £3.6m (2008: £4.7m; 2007: 4.0m) 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 £12.0m (2008: £10.9m; 2007: £16.1m) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

Temporary differences associated with Group investments

A deferred tax liability of £18.9m (2008: £8.6m; 2007: £9.1m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries. As at 1 January 2010, 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 £762.1m (2008: £758.4m; 2007: £465.8m).

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 five defined benefit pension plans in the UK and North America. All defined benefit plans are closed to new members. The most significant of the defined benefit plans are the two UK plans. Contribution salary in respect of the Group's main UK plan is capped and will increase in line with RPI up to a maximum of 5% per annum. The wind up of the Canadian plan was completed in 2009 and the United States plans are frozen. 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.

	UK pensions			North American pensions & post-retirement healthcare			Total		
	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m	**2009 £m**	2008 £m	2007 £m	**2009 £m**	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Plans in surplus	**-**	-	35.9	**-**	-	1.5	**-**	-	37.4
Plans in deficit	**(60.5)**	(13.6)	(1.1)	**(10.5)**	(16.3)	(7.5)	**(71.0)**	(29.9)	(8.6)
	(60.5)	(13.6)	34.8	**(10.5)**	(16.3)	(6.0)	**(71.0)**	(29.9)	28.8
Plan assets at fair value									
Equities	**137.2**	118.6	208.5	**5.5**	4.4	4.6	**142.7**	123.0	213.1
Bonds	**101.0**	91.8	159.2	**5.3**	23.8	33.9	**106.3**	115.6	193.1
Insurance policy	**301.6**	277.3	218.5	**-**	17.9	18.3	**301.6**	295.2	236.8
Other	**-**	-	-	**1.6**	15.1	0.7	**1.6**	15.1	0.7
Fair value of plan assets	**539.8**	487.7	586.2	**12.4**	61.2	57.5	**552.2**	548.9	643.7
Present value of plan liabilities	**(600.3)**	(501.3)	(551.4)	**(22.9)**	(77.5)	(63.5)	**(623.2)**	(578.8)	(614.9)
Net pension (liability) asset	**(60.5)**	(13.6)	34.8	**(10.5)**	(16.3)	(6.0)	**(71.0)**	(29.9)	28.8

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.

The amounts recognised in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income for the period are analysed as follows.

	UK pensions			North American pensions & post-retirement healthcare			Total		
	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m	**2009 £m**	2008 £m	2007 £m	**2009 £m**	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Recognised in the income statement									
Current service cost	**1.0**	1.6	2.9	**0.3**	0.9	1.1	**1.3**	2.5	4.0
Expected return on plan assets	**(29.0)**	(34.5)	(33.1)	**(1.6)**	(2.6)	(3.0)	**(30.6)**	(37.1)	(36.1)
Interest cost on plan liabilities	**29.5**	31.4	29.8	**2.6**	3.9	3.1	**32.1**	35.3	32.9
Other finance costs (income)	**0.5**	(3.1)	(3.3)	**1.0**	1.3	0.1	**1.5**	(1.8)	(3.2)
Curtailment (gain) loss recognised*	**-**	-	-	**(1.5)**	2.4	-	**(1.5)**	2.4	-
Settlement gain recognised*	**(1.5)**	-	-	**(0.7)**	-	-	**(2.2)**	-	-
Taken to the statement of comprehensive income									
Actual return on plan assets	**93.4**	(84.7)	13.5	**1.4**	(1.0)	2.9	**94.8**	(85.7)	16.4
Less: expected return on plan assets	**(29.0)**	(34.5)	(33.1)	**(1.6)**	(2.6)	(3.0)	**(30.6)**	(37.1)	(36.1)
	64.4	(119.2)	(19.6)	**(0.2)**	(3.6)	(0.1)	**64.2**	(122.8)	(19.7)
Other actuarial (losses) gains	**(122.2)**	60.7	42.1	**0.3**	0.1	(1.0)	**(121.9)**	60.8	41.1
Actuarial (losses) gains recognised in the statement of comprehensive income	**(57.8)**	(58.5)	22.5	**0.1**	(3.5)	(1.1)	**(57.7)**	(62.0)	21.4

*The curtailment gain of £1.5m in respect of the North American pensions & post-retirement healthcare relates to the freezing of benefits in the Atwood & Morrill Salaried Employee plan. The settlement gain of £0.7m relates to the wind up of the Canadian plan (2008: £2.5m curtailment loss was recognised in relation to the wind up of the Canadian plan and £0.1m curtailment gain was recognised in relation to post-retirement healthcare). The £1.5m settlement gain in respect of UK pensions relates to an enhanced transfer exercise completed in 2009 for deferred members of the main UK plan.

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 £11.1m in 2009 (2008: £6.5m; 2007: £6.5m) in addition to the employers regular contributions, of which £1.8m related to the wind up of the Canadian plan. The total contributions to the defined benefit plans in 2010 are expected to be £12.1m. 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.

Notes to the Group Financial Statements (continued)

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

	UK pensions			North American pensions			Post-retirement healthcare		
	2009 %	2008 %	2007 %	**2009 %**	2008 %	2007 %	**2009 %**	2008 %	2007 %
Main assumptions									
Rate of salary increase	**3.6**	2.7	3.3	**3.8**	3.6	3.1	**n/a**	n/a	n/a
Rate of increase in pensions in payment									
Pre 6 April 2006 service	**3.3**	2.7	3.3	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Post 6 April 2006 service	**2.1**	2.4	2.5	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Discount rate	**5.7**	6.2	5.9	**5.9**	4.7	5.7	**5.9**	6.3	6.4
Expected rates of return on plan assets									
Equities	**8.0**	7.2	7.7	**6.8**	6.3	8.0	**n/a**	n/a	n/a
Bonds	**4.7**	4.2	4.3	**5.3**	5.0	4.2	**n/a**	n/a	n/a
Insurance policy	**5.7**	6.2	5.9	**n/a**	5.0	5.5	**n/a**	n/a	n/a
Other	**n/a**	n/a	n/a	**3.8**	1.2	2.5	**n/a**	n/a	n/a
Inflation assumption	**3.6**	2.7	3.3	**2.5**	2.1	2.3	**2.1**	2.1	2.5
Rate of increase in healthcare costs	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**	*	*

* 9.65% per annum decreasing to 5% per annum and remaining static at that level from 2013 onwards
** 9.67% per annum decreasing to 5% per annum and remaining static at that level from 2014 onwards

	UK pensions			North American pensions			Post-retirement healthcare		
	2009 Years	2008 Years	2007 Years	**2009 Years**	2008 Years	2007 Years	**2009 Years**	2008 Years	2007 Years
Post-retirement mortality									
Current pensioners at 65 - male	**20.9**	18.1	18.1	**18.5**	19.2	19.2	**18.1**	18.1	18.1
Current pensioners at 65 - female	**23.7**	20.9	20.9	**20.7**	21.7	21.7	**20.5**	20.5	20.5
Future pensioners at 65 - male	**23.8**	19.6	19.6	**18.7**	22.4	22.4	**18.1**	18.1	18.1
Future pensioners at 65 - female	**26.6**	22.3	22.3	**20.8**	22.5	22.5	**20.5**	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 2039 (in 30 years time).

The assumed investment return and discount rate have a significant effect on the reported retirement benefit obligation and the income statement expense for 2010. The effect of a one percentage point change in those assumptions is set out in the table below.

	One percentage point	
	Increase £m	**Decrease £m**
Expected investment return		
Effect on income statement in 2010	**5.4**	**(5.4)**
Discount rate		
Effect on income statement in 2010	**1.9**	**(1.4)**
Effect on retirement benefit obligation at 1 January 2010	**56.1**	**(68.9)**

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

	Increase 2009 £m	**Decrease 2009 £m**	Increase 2008 £m	Decrease 2008 £m
Effect on defined benefit obligation	**0.6**	**(0.4)**	0.5	(0.4)

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

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

	UK pensions			North American pensions & post-retirement healthcare			Total		
	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m	2009 £m	2008 £m	2007 £m	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Opening defined benefit obligations	**501.3**	551.4	582.2	**77.5**	63.5	54.9	**578.8**	614.9	637.1
Current service cost	**1.0**	1.6	2.9	**0.3**	0.9	1.1	**1.3**	2.5	4.0
Interest cost	**29.5**	31.4	29.8	**2.6**	3.9	3.1	**32.1**	35.3	32.9
Benefits paid	**(26.8)**	(23.6)	(23.3)	**(1.3)**	(4.4)	(3.3)	**(28.1)**	(28.0)	(26.6)
Contributions by employees	**0.9**	1.2	1.9	**-**	0.5	0.5	**0.9**	1.7	2.4
Curtailment (gain) loss	**-**	-	-	**(1.5)**	2.4	-	**(1.5)**	2.4	-
Settlements	**(27.8)**	-	-	**(52.7)**	-	-	**(80.5)**	-	-
Actuarial losses (gains)	**122.2**	(60.7)	(42.1)	**(0.3)**	(0.1)	1.0	**121.9**	(60.8)	(41.1)
Exchange adjustment	**-**	-	-	**(1.7)**	10.8	6.2	**(1.7)**	10.8	6.2
Closing defined benefit obligations	**600.3**	501.3	551.4	**22.9**	77.5	63.5	**623.2**	578.8	614.9

The defined benefit obligations comprise £7.2m (2008: £7.4m; 2007: £5.5m) arising from unfunded plans and £616.0m (2008: £571.4m; 2007: £609.4m) from plans that are wholly or partially funded.

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

	UK pensions			North American pensions & post-retirement healthcare			Total		
	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m	2009 £m	2008 £m	2007 £m	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Opening plan assets	**487.7**	586.2	584.7	**61.2**	57.5	48.5	**548.9**	643.7	633.2
Expected return on plan assets	**29.0**	34.5	33.1	**1.6**	2.6	3.0	**30.6**	37.1	36.1
Employer contributions	**10.9**	8.6	9.4	**3.6**	1.5	2.3	**14.5**	10.1	11.7
Contributions by employees	**0.9**	1.2	1.9	**-**	0.5	0.5	**0.9**	1.7	2.4
Benefits paid	**(26.8)**	(23.6)	(23.3)	**(1.3)**	(4.4)	(3.3)	**(28.1)**	(28.0)	(26.6)
Settlements	**(26.3)**	-	-	**(52.0)**	-	-	**(78.3)**	-	-
Actuarial gains (losses)	**64.4**	(119.2)	(19.6)	**(0.2)**	(3.6)	(0.1)	**64.2**	(122.8)	(19.7)
Exchange adjustment	**-**	-	-	**(0.5)**	7.1	6.6	**(0.5)**	7.1	6.6
Closing plan assets	**539.8**	487.7	586.2	**12.4**	61.2	57.5	**552.2**	548.9	643.7

Notes to the Group Financial Statements (continued)

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

History of experience gains & losses

	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m	2006 £m	2005 £m
UK pensions					
Fair value of plan assets	**539.8**	487.7	586.2	584.7	548.0
Present value of defined benefit obligations	**(600.3)**	(501.3)	(551.4)	(582.2)	(596.5)
(Deficit) surplus in the plans	**(60.5)**	(13.6)	34.8	2.5	(48.5)
Experience adjustments arising on plan liabilities	**(10.6)**	(10.0)	(7.2)	(0.4)	1.1
Changes in assumptions underlying plan liabilities	**(111.6)**	70.7	49.3	17.3	(37.1)
Experience adjustments arising on plan assets	**64.4**	(119.2)	(19.6)	12.1	60.2
North American pensions & post-retirement healthcare					
Fair value of plan assets	**12.4**	61.2	57.5	48.5	50.1
Present value of defined benefit obligations	**(22.9)**	(77.5)	(63.5)	(54.9)	(63.2)
Deficit in the plans	**(10.5)**	(16.3)	(6.0)	(6.4)	(13.1)
Experience adjustments arising on plan liabilities	**1.5**	-	(2.0)	(0.1)	(0.3)
Changes in assumptions underlying plan liabilities	**(1.2)**	0.1	1.0	2.2	(4.7)
Experience adjustments arising on plan assets	**(0.2)**	(3.6)	(0.1)	1.9	2.9

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since 28 December 2003 is a loss of £46.6m (2008: a gain of £11.1m; 2007: a gain of £73.1m).

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 other comprehensive income before 27 December 2003.

25. Share capital & reserves

	2009 Number Million	2008 Number Million
Authorised share capital		
Ordinary shares of 12.5p each	**288.0**	288.0
The Company has one class of ordinary share which carries no rights to fixed income.		
Issued & fully paid share capital		
At the beginning of the period	**212.6**	212.1
Issued during the period for cash on exercise of share options	**-**	0.2
Issued during the period in respect of LTIP awards	**0.1**	0.3
At the end of the period	**212.7**	212.6

	2009 £m	2008 £m
Shares allotted		
Aggregate nominal value of share options exercised	**-**	0.1
Share premium	**-**	0.3
Consideration received on exercise of share options	**-**	0.4

	2009 Number Million	2008 Number Million
Treasury shares		
At the beginning of the period	**2.5**	2.9
Issued during the period in respect of LTIP awards	**-**	(0.4)
At the end of the period	**2.5**	2.5

As at 1 January 2010, 148,075 shares (2008: 98,600 shares) were held in trust with a market value of £1.1m (2008: £0.3m).

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 and 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. Net (losses) gains transferred from equity into profit or loss during the period are included in the following line items in the Consolidated Income Statement.

	2009 £m	2008 £m
Revenue	**(0.4)**	0.2
Cost of sales	**(4.5)**	5.8
Finance costs	**(8.0)**	(0.5)
	(12.9)	5.5

Notes to the Group Financial Statements (continued)

26. Additional cash flow information

	2009 £m	2008 £m
Continuing operations		
Net cash generated from operations		
Operating profit	**188.1**	168.3
Share of results of joint ventures	**(4.6)**	(4.4)
Depreciation & amortisation of property, plant & equipment & intangible assets	**44.8**	37.2
Impairment of plant & equipment & intangible assets	**1.0**	5.1
Gains on disposal of property, plant & equipment	**(0.1)**	(0.1)
Defined benefit plans curtailments & settlements	**(3.7)**	2.4
Funding of pension & post-retirement costs	**(2.1)**	(1.1)
Employee share schemes	**1.6**	2.8
Net foreign exchange including derivative financial instruments	**1.8**	0.3
Increase in provisions	**9.3**	12.9
Decrease (increase) in inventories	**30.8**	(42.8)
Decrease (increase) in trade & other receivables & construction contracts	**68.2**	(10.1)
(Decrease) increase in trade & other payables & construction contracts	**(32.8)**	43.9
Cash generated from operations	**302.3**	214.4
Additional pension contributions paid	**(11.1)**	(6.5)
Income tax paid	**(43.6)**	(49.0)
Net cash generated from operating activities	**247.6**	158.9
Acquisitions of subsidiaries		
Current period acquisitions (note 13)	**-**	(140.9)
Previous periods acquisitions deferred consideration paid	**(0.1)**	-
	(0.1)	(140.9)
Disposals of subsidiaries		
Discontinued operations disposals (note 8)	**-**	60.6
Other current period disposals	**1.2**	20.4
Previous periods disposals	**(2.6)**	(0.4)
	(1.4)	80.6
Reconciliation of net increase in cash & cash equivalents to movement in net debt		
Net increase in cash & cash equivalents from continuing operations	**2.8**	6.6
Net decrease in cash & cash equivalents from discontinued operations	**-**	(2.5)
Net decrease (increase) in debt	**136.8**	(6.2)
Change in net debt resulting from cash flows	**139.6**	(2.1)
Leases acquired	**-**	(0.6)
Loans acquired	**-**	(2.4)
Foreign currency translation differences	**(18.9)**	(63.5)
Change in net debt during the period	**120.7**	(68.6)
Net debt at the beginning of the period	**(239.9)**	(171.3)
Net debt at the end of the period	**(119.2)**	(239.9)
Net debt comprises the following		
Cash & short-term deposits (note 19)	**57.0**	74.1
Current interest-bearing loans & borrowings (note 20)	**(2.0)**	(71.4)
Non-current interest-bearing loans & borrowings (note 20)	**(174.2)**	(242.6)
	(119.2)	(239.9)

26. Additional cash flow information (continued)

Other current period disposals had the following effect on the Group's assets and liabilities.

	2009 £m	2008 £m
Goodwill	2.9	-
Property, plant & equipment	0.6	2.8
Inventories	-	9.2
Trade & other receivables	-	9.7
Trade & other payables	0.3	(3.6)
Net assets disposed	3.8	18.1

27. Commitments & legal claims

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 two and ten years, motor vehicles leases have an average term of between two and four years and plant and equipment leases have an average term of between three and five 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 shown in the table below.

	2009 £m	2008 £m
Less than one year	12.5	8.2
After one year but not more than five years	32.3	22.0
More than five years	8.7	8.5
	53.5	38.7

Finance lease commitments

The Group has finance leases for buildings and items of plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are shown in the table below.

	2009 Minimum payments £m	2009 Present value of payments £m	2008 Minimum payments £m	2008 Present value of payments £m
Less than one year	0.4	0.4	0.5	0.5
After one year but not more than five years	0.6	0.5	0.9	0.8
Total minimum lease payments	1.0		1.4	
Less amounts representing finance charges	(0.1)		(0.1)	
Present value of minimum lease payments	0.9	0.9	1.3	1.3

The weighted average outstanding lease term is 1.92 years (2008: 2.78 years). For the 53 weeks ended 1 January 2010, the weighted average effective borrowing rate was 9.70% (2008: 9.40%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital commitments

	2009 £m	2008 £m
Outstanding capital commitments contracted but not provided for - property, plant & equipment	3.0	4.0

The Group's share of the capital commitments of its joint ventures amounted to £0.1m (2008: £0.2m).

Notes to the Group Financial Statements (continued)

27. Commitments & legal claims (continued)

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.

In 2004, an announcement was made to the London Stock Exchange in connection with the Group's involvement in the UN sanctioned Oil for Food Programme. The Group continues to co-operate fully with the on-going investigations by UK authorities in this connection. In addition, the Company is subject to a claim relating to an action for damages arising from the UN Oil for Food Programme which has been raised in the United States against just under 100 companies. This action will be robustly defended.

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

There are three types of award which may be made under the LTIP to senior executives: performance shares, matching shares and investment shares. Details of each award are outlined in the Remuneration report on pages 40 to 46.

The following table illustrates the number and weighted average share prices (WASP) of shares awarded under the LTIP.

	2009 Number Million	2009 WASP	2008 Number Million	2008 WASP
Outstanding at the beginning of the period	1.9	£6.41	1.9	£4.75
Awarded during the period	1.6	£4.00	0.8	£7.47
Exercised during the period	(0.4)	£4.46	(0.7)	£7.86
Forfeited during the period	(0.7)	£5.55	(0.1)	£6.77
Outstanding at the end of the period	2.4	£5.54	1.9	£6.41

An amount of £2.4m (2008: £2.0m) has been charged to the Consolidated 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 £1.4m (2008: £1.4m) in respect of parent company employees and £1.0m (2008: £0.6m) in respect of employees of subsidiaries. Subsidiary companies made a cash contribution to the parent company of £1.1m (2008: £0.9m) in the period 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	2009 Number Million	2009 Remaining contractual life	2008 Number Million	2008 Remaining contractual life
2006	-	-	0.6	3 months
2007	0.5	6 months	0.5	18 months
2008	0.6	16 months	0.8	27 months
2009	1.3	27 months	-	-

Conditional share award

In 2008, the shareholders approved a one-off conditional award of 405,953 shares at a market price of 900.5p to Mark Selway, the previous chief executive, which would have vested on 8 May 2011 subject to specified performance conditions being achieved. In 2009, the conditional share award was forfeited as the vesting conditions of the award were not satisfied. As a result, a credit of £0.8m (2008: a charge of £0.8m) has been recorded in the Consolidated Income Statement in respect of the forfeited conditional share award. The number of shares outstanding at 1 January 2010 is nil (2008: 405,953).

28. Equity settled share-based payments (continued)

Share option scheme

The Company operated a savings related share option scheme in the UK which was not subject to performance criteria. This scheme was closed to new entrants in 2004 and the last date for exercising options under the scheme was 1 January 2009.

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

	2009 Number Million	2009 WAEP	2008 Number Million	2008 WAEP
Outstanding at the beginning of the period	-	£2.01	0.2	£2.03
Lapsed during the period	-	£2.01	-	-
Exercised during the period	-	-	(0.2)	£2.01
Outstanding at the end of the period	-	-	-	£2.01
Exercisable at the end of the period	-	-	-	£2.01

The weighted average share price during the period was 543.2p (2008: 708.4p). There were no share options outstanding at 1 January 2010.

Fair value of equity settled share-based payments

The fair value of the conditional awards under the LTIP and the conditional share award have been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the 53 weeks ended 1 January 2010 and the 52 weeks ended 26 December 2008.

	Conditional share award		LTIP	
	2009	2008	2009	2008
Weighted average dividend yield (%)	-	1.83	4.62	2.22
Weighted average expected volatility (%)	-	29.00	30.00	29.00
Weighted average expected life (years)	-	3.00	3.00	3.00
Weighted average risk free rate (%)	-	4.25	1.90	4.02
Weighted average share price (pence)	-	901p	400p	747p
Weighted average fair value (pence)	-	901p	244p	378p

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		Sales to related parties - goods £m	Purchases from related parties - goods £m	Amounts owed to related parties £m
Joint ventures	2009	1.3	0.4	-
	2008	0.2	0.2	-
Group pension plans	2009	-	-	0.2
	2008	-	-	0.2

Contributions to the Group pension plans are disclosed in note 24.

Notes to the Group Financial Statements (continued)

29. Related party disclosures (continued)

Terms & conditions of transactions with related parties

Sales to and from related parties are made at normal market prices. Outstanding balances at the period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party balances. For the 53 weeks ended 1 January 2010, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2008: £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

	2009 £m	2008 £m
Short-term employee benefits	**5.0**	5.0
Share-based payments	**0.8**	2.2
Post-employment benefits	**0.1**	0.1
	5.9	7.3

Key management comprises the Board and the Group Executive. Further details of the Board remuneration can be found in the Remuneration report on pages 40 to 46.

30. Financial assets & liabilities

Financial risk management objectives & policies

The principal financial risks to which the Group is exposed are those relating to foreign currency, liquidity and credit risk. Details of these risks are set out in the Directors report. In addition, the Group is subject to a degree of interest rate risk on its borrowings. The Group uses financial assets and liabilities, including derivative financial instruments, to hedge certain foreign exchange and interest rate risks as set out below.

Foreign exchange risk policy

In respect of transactional foreign exchange risk the Group maintains a policy that all operating units eliminate exposures on material committed transactions, usually by undertaking forward foreign currency contracts through the Group treasury function. In addition, it is Group policy that those companies where the most significant concentration of foreign exchange risk has been identified also apply hedge accounting. 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. It is Group policy not to engage in any speculative transaction of any kind.

In respect of translational risk the Group has a policy to partially hedge United States dollar ("US$") net assets exposure. This is achieved through designating an element of US dollar borrowings, forward foreign currency contracts and cross currency swaps as net investment hedges against the Group's US dollar investments. The Group does not hedge the translational exposure arising from profit and loss items.

Liquidity risk policy

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and fixed rate notes. Further details of the Group's borrowing facilities are disclosed in note 20.

Credit risk policy

The Group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments. The Group's credit risk is primarily attributable to its trade receivables with risk spread over a large number of countries and customers with 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. As shown in note 17, the trade receivables presented in the balance sheet are net of allowance for doubtful debts. 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. The Group's exposure to the credit risk of financial institutions is limited by the adherence to counterparty limits and by only trading with counterparties that have a strong credit standing based upon ratings provided by the major agencies.

Interest rate risk policy

The Group's borrowings are in a combination of fixed and 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 swaps are utilised that have the economic effect of converting borrowings from floating to fixed rates. At 1 January 2010, 18% (2008: 47%) of the Group's debt was at fixed rates of interest through the use of floating to fixed interest rate swaps. On 11 January 2010, the Group issued the equivalent of US$250.0m of five year (US$110.0m) and eight year (US$140.0m) fixed rate notes. This will increase the proportion of fixed rate borrowings from the level as at 1 January 2010.

30. Financial assets & liabilities (continued)

Net investment in foreign operations

As at 1 January 2010, US dollar variable rate loans included in interest-bearing loans and borrowings, amounting to US$175.0m (2008: US$190.0m), cross currency swaps of US$324.0m (2008: US$404.0m) and net forward foreign currency liability contracts of US$90.0m (2008: assets of US$6.0m) have been designated as a hedge of the Group's exposure to translational foreign exchange risk on its net investments in Weir SPM and Weir Warman. Gains or losses on the retranslation of the borrowings 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 investments in these subsidiaries.

Carrying amounts & 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 2009 £m	Fair value 2009 £m	Carrying amount 2008 £m	Fair value 2008 £m
Financial assets				
Derivative financial instruments recognised at fair value through profit or loss	4.7	4.7	47.1	47.1
Derivative financial instruments in designated hedge accounting relationships	2.8	2.8	8.5	8.5
Trade & other receivables excluding statutory assets & prepayments	224.7	224.7	289.5	289.5
Cash & short-term deposits	57.0	57.0	74.1	74.1
	289.2	289.2	419.2	419.2
Financial liabilities				
Derivative financial instruments recognised at fair value through profit or loss	(4.4)	(4.4)	(62.9)	(62.9)
Derivative financial instruments in designated hedge accounting relationships	(43.4)	(44.2)	(97.8)	(97.8)
Amortised cost				
Bank overdrafts & short-term borrowings	(1.3)	(1.3)	(20.5)	(20.5)
Trade & other payables excluding statutory liabilities & deferred income	(252.9)	(252.9)	(290.3)	(290.3)
Obligations under finance leases	(0.9)	(0.9)	(1.3)	(1.3)
Floating rate borrowings	(173.1)	(173.1)	(292.1)	(292.1)
Fixed rate borrowings	(0.9)	(0.9)	(0.1)	(0.1)
	(476.9)	(477.7)	(765.0)	(765.0)

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The derivative financial instruments are valued using valuation techniques with market observable inputs including spot and forward foreign exchange rates and interest rate curves. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates.

Effective 1 January 2009, the Group adopted the amendment to IFRS7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements in the form of a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 1 January 2010, the Group held all financial instruments at level 2 fair value measurement. During the 53 weeks ended 1 January 2010, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

The fair value of cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amount due to the short-term maturities of these instruments. The fair value of borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

Derivative financial instruments

Set out in the table below is a summary of the types of derivative financial instruments included within each balance sheet category.

	2009 £m	2008 £m
Included in non-current assets		
Forward foreign currency contracts designated as cash flow hedges	0.1	2.3
Other forward foreign currency contracts	0.2	5.8
	0.3	8.1
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	2.3	5.4
Forward foreign currency contracts designated as net investment hedges	0.4	0.8
Other forward foreign currency contracts	4.5	41.3
	7.2	47.5
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	1.6	10.9
Forward foreign currency contracts designated as net investment hedges	-	1.4
Interest rate swaps designated as cash flow hedges	0.6	2.2
Cross currency swaps designated as net investment hedges	10.4	15.5
Other forward foreign currency contracts	4.2	60.6
	16.8	90.6
Included in non-current liabilities		
Forward foreign currency contracts designated as cash flow hedges	0.1	3.0
Interest rate swaps designated as cash flow hedges	-	3.5
Cross currency swaps designated as net investment hedges	30.7	61.3
Other forward foreign currency contracts	0.2	2.3
	31.0	70.1
Net derivative financial liabilities	40.3	105.1

Liquidity & credit risk

The maximum exposure to credit risk at the balance sheet date is represented by the carrying value of each financial asset, including derivative financial instruments. The liabilities which could impact liquidity risk are best represented by the carrying value and maturity profile of each financial liability, including derivative financial instruments. The following tables include the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to receive or pay these financial assets or liabilities and include both interest and principal cash flows. In respect of derivative financial instruments, the net credit/ liquidity risk is best represented by the net inflows (outflows) shown below together with the Group's headroom under the borrowing facilities as disclosed in note 20. On 11 January 2010, the Group issued US$250.0m fixed rate notes with maturities of five and eight years significantly increasing the maturity profile of borrowings.

30. Financial assets & liabilities (continued)

53 weeks ended 1 January 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	224.7	-	-	224.7
Cash & short-term deposits	57.0	-	-	57.0
Non-derivative financial assets	281.7	-	-	281.7
Trade & other payables excluding statutory liabilities & deferred income	(252.9)	-	-	(252.9)
Obligations under finance leases	(0.4)	(0.3)	(0.3)	(1.0)
Bank overdrafts & short-term borrowings	(1.3)	-	-	(1.3)
Bank loans	(1.9)	(175.9)	(0.7)	(178.5)
Non-derivative financial liabilities	(256.5)	(176.2)	(1.0)	(433.7)
Net non-derivative financial assets (liabilities)	25.2	(176.2)	(1.0)	(152.0)

52 weeks ended 26 December 2008

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	289.5	-	-	289.5
Cash & short-term deposits	74.1	-	-	74.1
Non-derivative financial assets	363.6	-	-	363.6
Trade & other payables excluding statutory liabilities & deferred income	(290.3)	-	-	(290.3)
Obligations under finance leases	(0.5)	(0.2)	(0.7)	(1.4)
Bank overdrafts & short-term borrowings	(20.5)	-	-	(20.5)
Bank loans	(57.0)	(2.5)	(245.6)	(305.1)
Non-derivative financial liabilities	(368.3)	(2.7)	(246.3)	(617.3)
Net non-derivative financial liabilities	(4.7)	(2.7)	(246.3)	(253.7)

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

53 weeks ended 1 January 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	Total £m
Interest rate swaps - outflow	(0.7)	-	-	-	(0.7)
Interest rate swaps - inflow	0.1	-	-	-	0.1
Interest rate swaps - net outflow	(0.6)	-	-	-	(0.6)
Cross currency swaps - outflow	(108.3)	(55.1)	(113.3)	(62.7)	(339.4)
Cross currency swaps - inflow	98.9	44.8	93.0	62.1	298.8
Cross currency swaps - net outflow	(9.4)	(10.3)	(20.3)	(0.6)	(40.6)
Forward foreign currency contracts - outflow	(558.3)	(15.4)	(14.8)	-	(588.5)
Forward foreign currency contracts - inflow	559.6	15.4	15.1	-	590.1
Forward foreign currency contracts - net inflow	1.3	-	0.3	-	1.6
Derivative financial instruments - outflow	(667.3)	(70.5)	(128.1)	(62.7)	(928.6)
Derivative financial instruments - inflow	658.6	60.2	108.1	62.1	889.0
Derivative financial instruments - net outflow	(8.7)	(10.3)	(20.0)	(0.6)	(39.6)
Effect of discounting					(0.7)
Net derivative financial liabilities					(40.3)

52 weeks ended 26 December 2008

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	Total £m
Interest rate swaps - outflow	(5.3)	(4.0)	(1.5)	-	(10.8)
Interest rate swaps - inflow	3.1	1.2	1.0	-	5.3
Interest rate swaps - net outflow	(2.2)	(2.8)	(0.5)	-	(5.5)
Cross currency swaps - outflow	(60.5)	(56.1)	(172.3)	-	(288.9)
Cross currency swaps - inflow	45.0	42.4	127.0	-	214.4
Cross currency swaps - net outflow	(15.5)	(13.7)	(45.3)	-	(74.5)
Forward foreign currency contracts - outflow	(779.9)	(44.0)	(2.1)	-	(826.0)
Forward foreign currency contracts - inflow	752.7	47.1	2.0	-	801.8
Forward foreign currency contracts - net (outflow) inflow	(27.2)	3.1	(0.1)	-	(24.2)
Derivative financial instruments - outflow	(845.7)	(104.1)	(175.9)	-	(1,125.7)
Derivative financial instruments - inflow	800.8	90.7	130.0	-	1,021.5
Derivative financial instruments - net outflow	(44.9)	(13.4)	(45.9)	-	(104.2)
Effect of discounting					(0.9)
Net derivative financial liabilities					(105.1)

30. Financial assets & liabilities (continued)

Interest rate risk & maturity profile

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

53 weeks ended 1 January 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Fixed rate net debt					
Bank loans	-	-	(0.9)	-	(0.9)
Obligations under finance leases	(0.4)	(0.3)	(0.2)	-	(0.9)
Notional interest rate swaps	(31.0)	-	-	-	(31.0)
	(31.4)	(0.3)	(1.1)	-	(32.8)
Fixed rate derivative financial instruments					
Notional cross currency swaps US dollar leg	55.4	-	-	(55.4)	-
Notional cross currency swaps sterling leg	(55.0)	-	-	55.0	-
	0.4	-	-	(0.4)	-
Net fixed rate financial instruments	(31.0)	(0.3)	(1.1)	(0.4)	(32.8)
Floating rate net debt					
Cash & short-term deposits	57.0	-	-	-	57.0
Bank overdrafts & short-term borrowings	(1.3)	-	-	-	(1.3)
Bank loans	-	(173.1)	-	-	(173.1)
Notional interest rate swaps	31.0	-	-	-	31.0
	86.7	(173.1)	-	-	(86.4)
Floating rate derivative financial instruments					
Notional cross currency swaps US dollar leg	(49.5)	(49.5)	(101.9)	-	(200.9)
Notional cross currency swaps sterling leg	39.1	39.1	81.6	-	159.8
	(10.4)	(10.4)	(20.3)	-	(41.1)
Net floating rate financial instruments	76.3	(183.5)	(20.3)	-	(127.5)

52 weeks ended 26 December 2008

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Fixed rate net debt					
Bank loans	(0.1)	-	-	-	(0.1)
Obligations under finance leases	(0.5)	(0.2)	(0.6)	-	(1.3)
Notional interest rate swaps	-	(68.3)	(68.3)	-	(136.6)
Net fixed rate financial instruments	(0.6)	(68.5)	(68.9)	-	(138.0)
Floating rate net debt					
Cash & short-term deposits	74.1	-	-	-	74.1
Bank overdrafts & short-term borrowings	(20.5)	-	-	-	(20.5)
Bank loans	(50.3)	-	(241.8)	-	(292.1)
Notional interest rate swaps	-	68.3	68.3	-	136.6
	3.3	68.3	(173.5)	-	(101.9)
Floating rate derivative financial instruments					
Notional cross currency swaps US dollar leg	(54.6)	(54.6)	(166.5)	-	(275.7)
Notional cross currency swaps sterling leg	39.1	39.1	120.7	-	198.9
	(15.5)	(15.5)	(45.8)	-	(76.8)
Net floating rate financial instruments	(12.2)	52.8	(219.3)	-	(178.7)

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.

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity through the impact on floating rate borrowings, cross currency swaps and interest rate swaps. There is no impact on the Group's equity, with the exception of the Group's interest rate swaps.

	Increase in basis points	Effect on profit before tax gain (loss) £m	Effect on equity gain (loss) £m
2009			
Australian dollar	**+ 100**	**-**	**-**
Canadian dollar	**+ 100**	**(0.6)**	**-**
US dollar	**+ 100**	**(2.1)**	**0.2**
UK sterling	**+ 100**	**1.1**	**-**
2008			
Australian dollar	+ 100	-	-
Canadian dollar	+ 100	(0.7)	-
US dollar	+ 100	(3.4)	2.8
UK sterling	+ 100	2.0	-

A decrease of 100 basis points would have an equal and opposite effect.

Effect of hedging & derivative financial instruments included in the income statement & equity

The Group uses forward foreign currency contracts to hedge currency risk associated with expected future sales or purchases for which the Group has firm commitments. The terms of the forward foreign currency contracts are negotiated to match the terms of the commitments. Within the Group, two subsidiaries apply cash flow hedge accounting to these transactions. Any gains and losses on ineffective hedges were taken to the income statement in the period. In addition, as noted above, the Group utilises interest rate swaps to convert borrowings from floating to fixed rates of interest. These interest rate swaps are subject to cash flow hedge accounting. All other forward foreign currency contracts, while representing commercial hedges, are not subject to cash flow hedge accounting with all fair value movements being recognised in the income statement.

30. Financial assets & liabilities (continued)

The net carrying amount, maturity dates and the amounts recognised for the period in profit or loss and equity for each derivative financial instrument are set out below.

53 weeks ended 1 January 2010

	Net carrying amount £m	Maturity dates	Recognised in profit or loss gain (loss) £m	Recognised in equity gain (loss) £m
Forward foreign currency contracts designated as cash flow hedges	0.7	2010 to 2013	(4.9)	2.6
Interest rate swaps designated as cash flow hedges	(0.6)	2010	(8.0)	(2.8)
Forward foreign currency contracts designated as net investment hedges	0.4	2010	-	2.9
Cross currency swaps designated as net investment hedges	(41.1)	2010 to 2018	0.9	25.9
Other forward foreign currency contracts at fair value through profit or loss	0.3	2010 to 2015	6.0	-
	(40.3)		(6.0)	28.6

52 weeks ended 26 December 2008

	Net carrying amount £m	Maturity dates	Recognised in profit or loss gain (loss) £m	Recognised in equity gain (loss) £m
Forward foreign currency contracts designated as cash flow hedges	(6.2)	2009 to 2011	6.0	(5.0)
Interest rate swaps designated as cash flow hedges	(5.7)	2010 to 2011	(0.5)	(6.1)
Forward foreign currency contracts designated as net investment hedges	(0.6)	2009	-	(28.0)
Cross currency swaps designated as net investment hedges	(76.8)	2009 to 2013	5.4	(73.8)
Other forward foreign currency contracts at fair value through profit or loss	(15.8)	2009 to 2012	(8.4)	-
	(105.1)		2.5	(112.9)

The £0.9m gain (2008: £5.4m) recognised in profit or loss in respect of cross currency swaps designated as net investment hedges reflects the benefit of US dollar / sterling interest rate differential. The Group's forward foreign currency contracts subject to cash flow hedge accounting which were deemed to be ineffective during the period resulted in a net charge to the income statement of £nil (2008: £1.2m). A portion of the Group's interest rate swaps subject to cash flow hedge accounting were deemed to be ineffective during the period as a result of a forecast repayment of variable rate debt. This resulted in a net charge to the income statement of £3.7m (2008: £nil).

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

Foreign exchange risk

The Group considers the most significant foreign exchange risks relate to the Australian dollar, Canadian dollar, Euro and United States dollar. The following table demonstrates the sensitivity 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 financial assets and liabilities denominated in foreign currency, including payables, receivables, borrowings and forward foreign currency contracts but excluding all financial assets and liabilities qualified as either cash flow or net investment hedges. The sensitivity analysis also shows the effect on equity in respect of financial assets and liabilities denominated in foreign currency qualified as either cash flow or net investment hedges including forward foreign currency contracts, borrowings and cross currency swaps. The sensitivity analysis adjusts the translation of each respective financial asset or liability at the year end for a 25% strengthening of sterling against the relevant exchange rates.

	Increase in currency rate	Effect on profit gain (loss) £m	Effect on equity gain (loss) £m
2009			
Australian dollar	**+25%**	**(0.1)**	**-**
Canadian dollar	**+25%**	**0.2**	**-**
Euro	**+25%**	**3.4**	**1.0**
US dollar	**+25%**	**0.8**	**76.1**
2008			
Australian dollar	+25%	0.1	-
Canadian dollar	+25%	0.1	-
Euro	+25%	1.3	(0.5)
US dollar	+25%	5.2	91.5

As noted above, the Group does not hedge translational exposure arising from profit and loss items. The Group's operating profit from continuing operations before exceptional items and intangibles amortisation was denominated in the following currencies.

	2009 £m	2008 £m
US dollar	**88.7**	90.9
Australian dollar	**20.5**	22.3
Euro	**51.7**	38.0
Canadian dollar	**8.6**	14.7
Other	**35.2**	19.1
Operating profit from continuing operations before exceptional items & intangibles amortisation	**204.7**	185.0

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains robust 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 (note 26).

	2009	2008 (as restated - note 2)
Net debt (£m)	119.2	239.9
Total equity (£m)	742.4	696.9
Gearing ratio (%)	16	34

Net debt to EBITDA cover

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

	2009	2008
Net debt (£m)	119.2	239.9
Operating profit (£m)	188.1	168.3
Depreciation, intangibles amortisation & impairment (£m)	45.8	42.3
EBITDA (£m)	233.9	210.6
Net debt to EBITDA cover (ratio)	0.5	1.1

Interest cover

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

	2009	2008
Operating profit before exceptional items & intangibles amortisation (£m)	204.7	185.0
Net finance costs (excluding other finance costs / income) (£m)	16.2	10.6
Interest cover (ratio)	12.6	17.5

32. Exchange rates

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

	2009	2008
Average rate (per £)		
US dollar	1.57	1.85
Australian dollar	1.99	2.17
Euro	1.12	1.25
Canadian dollar	1.78	1.96
Closing rate (per £)		
US dollar	1.61	1.46
Australian dollar	1.80	2.14
Euro	1.13	1.04
Canadian dollar	1.69	1.79

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 53 weeks ended 1 January 2010 which comprise the Company Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

As explained more fully in the Directors statement of responsibilities set out on page 56, the directors are responsible for the preparation of the Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 January 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the Group financial statements of The Weir Group PLC for the 53 weeks ended 1 January 2010.

Hywel Ball (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
9 March 2010

Company
Balance Sheet
at 1 January 2010

	Notes	1 January 2010 £m	26 December 2008 £m
Fixed assets			
Tangible assets	3	**0.3**	0.4
Investments	4	**1,038.9**	899.0
Total fixed assets		**1,039.2**	899.4
Current assets			
Debtors	5	**31.2**	27.8
Derivative financial instruments	10	**10.2**	39.1
Cash at bank & in hand		**3.1**	1.9
Total current assets		**44.5**	68.8
Creditors falling due within one year			
Bank overdrafts & short-term borrowings		**76.6**	38.7
Creditors	6	**28.0**	39.7
Derivative financial instruments	10	**21.1**	52.0
Total current liabilities		**125.7**	130.4
Net current liabilities		**81.2**	61.6
Total assets less current liabilities		**958.0**	837.8
Creditors falling due after more than one year			
Loans	7	**549.6**	384.4
Derivative financial instruments	10	**31.2**	64.7
Provisions	8	**10.3**	6.1
Net assets excluding retirement benefits		**366.9**	382.6
Retirement benefits	9	**0.8**	0.8
Net assets including retirement benefits		**366.1**	381.8
Capital & reserves			
Share capital	11	**26.6**	26.6
Share premium	12	**38.0**	38.0
Treasury shares	12	**(7.9)**	(7.9)
Capital redemption reserve	12	**0.5**	0.5
Hedge accounting reserve	12	**-**	(1.4)
Special reserve	12	**1.8**	1.8
Profit & loss account	12	**307.1**	324.2
Total equity		**366.1**	381.8

Approved by the Board of Directors on 9 March 2010

Keith Cochrane, Director

Alan Mitchelson, 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 except when hedge accounting is applied.

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 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 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 costs. 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 Long Term Incentive Plan ("LTIP"). The Company recognises a compensation cost in respect of this plan that is based on the fair value of the awards. The fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or 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.

Financial assets & liabilities

The Company's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short-term borrowings, loans, cash and short-term deposits.

A financial asset 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.

1. Accounting policies (continued)

Derivative financial instruments

The Company uses derivative financial instruments, principally forward foreign currency contracts, to reduce its exposure to exchange rate movements. Additionally, the Company uses interest rate swaps to manage its exposure to interest rate risk. 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 as the present value of the estimated future cash flows based on spot and forward foreign exchange rates. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. Changes in their fair values have been recognised in the profit and loss account, except where hedge accounting is used, provided the conditions specified by FRS26 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under FRS26 and practical to do so. When hedge accounting is used, the relevant hedging relationships will be classified as a cash flow hedge.

To the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in equity rather than in the profit and loss account. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the profit and loss account 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.

The Company has taken advantage of the exemption in FRS29 and has not disclosed information required by that standard in relation to derivative financial instruments as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS7.

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 £20.7m (2008: £24.4m). In accordance with the concession granted under section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

Dividends paid & proposed

	2009 £m	2008 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2008: 13.85p (2007: 12.35p)	**29.1**	25.9
Interim dividend for 2009: 4.80p (2008: 4.65p)	**10.1**	9.8
	39.2	35.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2009: 16.20p (2008: 13.85p)	**34.1**	29.1

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, benefits and LTIP awards are included in the Remuneration report on pages 40 to 46.

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 £13,000 (2008: £13,000). Fees paid to Ernst & Young LLP for non-audit services to the Company itself are not disclosed in these accounts as the Group's consolidated financial statements, in which the Company is included, disclose such fees on a consolidated basis.

Notes to the Company Financial Statements (continued)

3. Tangible assets

	Office & computer equipment £m
Cost	
At 26 December 2008	**1.1**
Additions	**0.1**
At 1 January 2010	**1.2**
Aggregate depreciation	
At 26 December 2008	**0.7**
Charge for period	**0.2**
At 1 January 2010	**0.9**
Net book value at 26 December 2008	0.4
Net book value at 1 January 2010	**0.3**

4. Fixed asset investments

	Subsidiaries		
	Shares £m	Loans £m	Total £m
Cost			
At 26 December 2008	**468.4**	**551.1**	**1,019.5**
Additions	**78.2**	**94.5**	**172.7**
Repayments	**-**	**(32.7)**	**(32.7)**
At 1 January 2010	**546.6**	**612.9**	**1,159.5**
Impairment			
At 26 December 2008	**99.4**	**21.1**	**120.5**
Charge for period	**0.1**	**-**	**0.1**
At 1 January 2010	**99.5**	**21.1**	**120.6**
Net book value at 26 December 2008	369.0	530.0	899.0
Net book value at 1 January 2010	**447.1**	**591.8**	**1,038.9**

The principal subsidiaries and joint ventures of the Company are listed on page 123.

5. Debtors

	2009 £m	2008 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	**26.2**	21.9
Tax recoverable	**0.3**	0.2
Deferred tax recoverable	**2.1**	1.6
Other debtors	**1.3**	2.8
Prepayments & accrued income	**1.3**	1.3
	31.2	27.8

6. Creditors

	2009 £m	2008 £m
Amounts owed to subsidiaries	13.0	23.2
Other taxes & social security costs	0.9	1.0
Tax payable	4.4	4.1
Other creditors	2.3	5.2
Accruals & deferred income	7.4	6.2
	28.0	39.7

7. Loans

	2009 £m	2008 £m
Amounts due are repayable as follows		
Less than one year		
- loans from subsidiaries	200.4	52.0
More than one year but not more than two years		
- bank loan	107.9	144.0
- loans from subsidiaries	-	13.1
More than two years but not more than five years		
- loans from subsidiaries	241.3	175.3
	549.6	384.4

8. Provisions

	Subsidiaries £m	Discontinued operations warranty & indemnity £m	Total £m
At 26 December 2008	2.0	4.1	6.1
Additions	4.2	-	4.2
At 1 January 2010	6.2	4.1	10.3

Subsidiaries

As at 1 January 2010, a provision of £6.2m (2008: £2.0m) has been made against the deficiency of underlying net assets in certain subsidiaries. It is expected that this amount will be settled within one year of the balance sheet date.

Discontinued operations warranty & indemnity

Provisions in respect of discontinued operations include provision for warranty and indemnity exposures under asset and share agreements. The provision as at 1 January 2010 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ, and in some cases, this will be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within two years of the balance sheet date with the remaining costs expected to be incurred within five years of the balance sheet date.

Notes to the Company Financial Statements (continued)

9. Retirement benefits

The net pension liability in respect of the Company unapproved plan is reflected on the Company's balance sheet. The liabilities of the Company unapproved plan are shown below.

	2009 £m	2008 £m
Present value of plan liabilities	(1.1)	(1.1)
Related deferred tax asset	0.3	0.3
Net pension liability	(0.8)	(0.8)

	2009 £m	2008 £m
Recognised in the profit & loss account		
Interest cost on plan liabilities	0.1	0.1
Other finance costs	0.1	0.1

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

	2009 %	2008 %
Rate of increase in pensions in payment	3.3	2.7
Discount rate	5.7	6.2
Inflation assumption	3.6	2.7

The mortality assumptions used were as follows.

	2009 Years	2008 Years
Post-retirement mortality		
Current pensioners at 65 - male	20.9	18.1
Current pensioners at 65 - female	23.7	20.9
Future pensioners at 65 - male	23.8	19.6
Future pensioners at 65 - female	26.6	22.3

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 2039 (in 30 years time).

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

	2009 £m	2008 £m
Opening defined benefit obligations	1.1	1.1
Interest cost	0.1	0.1
Benefits paid	(0.1)	(0.1)
Closing defined benefit obligations	1.1	1.1

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

	2009 £m	2008 £m
Opening plan assets	-	-
Employer contributions	0.1	0.1
Benefits paid	(0.1)	(0.1)
Closing plan assets	-	-

9. Retirement benefits (continued)

History of experience gains & losses

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	**(1.1)**	(1.1)	(1.1)	(1.1)	(1.1)
Deficit in the plans	**(1.1)**	(1.1)	(1.1)	(1.1)	(1.1)
Experience adjustments arising on plan liabilities	**-**	-	(0.1)	-	-
Changes in assumptions underlying plan liabilities	**-**	(0.1)	0.1	-	(0.1)

In addition, the Company also participates in the defined benefit plan arrangements within The Weir Group Pension & Retirement Savings Scheme and The Weir Group 1972 Pensions and Life Assurance Plan for Senior Executives. These defined benefits plans are funded 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. While assets and liabilities in respect of these plans are not reflected on the Company's balance sheet, details of these are set out below.

While updating the valuation of the Group's retirement benefit plans for the purposes of the Group's 2009 interim condensed financial statements, the qualified actuary who advises the Company identified an error in their model used to calculate the actuarial valuation of the above plans for the periods ended 28 December 2007 and 26 December 2008. The impact of this was to understate the retirement benefit plan deficits on a cumulative basis by £8.1m at 28 December 2007 and £15.2m at 26 December 2008. The impact on the Consolidated Statement of Comprehensive Income was to increase actuarial losses on defined benefit plans by £7.1m in the 52 weeks ended 26 December 2008. There was no material impact on the Consolidated Income Statement. All affected balances and amounts have been restated in the disclosures set out below.

Pension contributions are determined with the advice of an independent qualified actuary on the basis of annual valuations using the projected unit method. The total contributions to the defined benefit plans in 2010 are expected to be £11.6m.

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. The actual return on plan assets in the year was a gain of £93.4m (2008: a loss of £85.3m).

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

	2009 %	2009 £m	2008 %	2008 (as restated) £m
Equities	**8.0**	**137.2**	7.2	118.6
Bonds	**4.7**	**101.0**	4.2	91.8
Insurance policy	**5.7**	**301.6**	6.2	277.3
Fair value of plan assets		**539.8**		487.7
Present value of plan liabilities		**(599.2)**		(500.2)
Net deficit in the plans		**(59.4)**		(12.5)

	2009 £m	2008 (as restated) £m
Recognised in the profit & loss account		
Current service cost	**1.0**	1.6
Expected return on plan assets	**(29.0)**	(34.5)
Interest cost on plan liabilities	**29.4**	31.3
Other finance costs (income)	**0.4**	(3.2)
Settlement gain recognised	**(1.5)**	-
Taken to the statement of total recognised gains & losses		
Actual return on plan assets	**93.4**	(85.3)
Less: expected return on plan assets	**(29.0)**	(34.5)
	64.4	(119.8)
Other actuarial (losses) gains	**(122.2)**	60.7
Actuarial losses recognised in the statement of total recognised gains & losses	**(57.8)**	(59.1)

Notes to the Company Financial Statements (continued)

9. Retirement benefits (continued)

The major assumptions used by the actuary were as follows.

	2009 %	2008 %
Rate of increase in salaries	3.6	2.7
Rate of increase in pensions in payment		
Pre 6 April 2006 service	3.3	2.7
Post 6 April 2006 service	2.1	2.4
Discount rate	5.7	6.2
Inflation assumption	3.6	2.7

The mortality assumptions used were as follows.

	2009 Years	2008 Years
Post-retirement mortality		
Current pensioners at 65 - male	20.9	18.1
Current pensioners at 65 - female	23.7	20.9
Future pensioners at 65 - male	23.8	19.6
Future pensioners at 65 - female	26.6	22.3

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 2039 (in 30 years time).

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

	2009 £m	2008 (as restated) £m
Opening defined benefit obligations	500.2	550.3
Current service cost	1.0	1.6
Interest cost	29.4	31.3
Benefits paid	(26.7)	(23.5)
Contributions by employees	0.9	1.2
Settlements	(27.8)	-
Actuarial losses (gains)	122.2	(60.7)
Closing defined benefit obligations	599.2	500.2

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

	2009 £m	2008 (as restated) £m
Opening plan assets	487.7	586.8
Expected return on plan assets	29.0	34.5
Employer contributions	10.8	8.5
Contributions by employees	0.9	1.2
Benefits paid	(26.7)	(23.5)
Settlements	(26.3)	-
Actuarial gains (losses)	64.4	(119.8)
Closing plan assets	539.8	487.7

In 2008, following the adoption of the amendment to FRS17, the equity investments and bonds which are held in plan assets, previously valued at mid price, were valued based on the bid price. The effect of this change at 29 December 2007 was a reduction in the fair value of plan assets of £0.6m. The fair value of plan assets prior to 29 December 2007 have not been restated as the effect is immaterial.

9. Retirement benefits (continued)

History of experience gains & losses

	2009 £m	2008 (as restated) £m	2007 (as restated) £m	2006 £m	2005 £m
Fair value of plan assets	**539.8**	487.7	586.8	586.4	549.3
Present value of defined benefit obligations	**(599.2)**	(500.2)	(550.3)	(581.1)	(595.4)
(Deficit) surplus in the plans	**(59.4)**	(12.5)	36.5	5.3	(46.1)
Experience adjustments arising on plan liabilities	**(10.6)**	(10.0)	(7.0)	(0.4)	(0.8)
Changes in assumptions underlying plan liabilities	**(111.6)**	70.7	49.0	17.3	(35.0)
Experience adjustments arising on plan assets	**64.4**	(119.8)	(21.0)	12.5	60.2

The cumulative amount of actuarial gains and losses recognised in the statement of recognised gains and losses is £209.7m (2008: £151.9m).

10. Derivative financial instruments

	2009 £m	2008 £m
Current assets		
Derivative financial instruments due within one year		
Interest rate swaps	**0.6**	-
Forward foreign currency contracts	**9.0**	33.4
	9.6	33.4
Derivative financial instruments due after more than one year		
Forward foreign currency contracts	**0.6**	5.7
	10.2	39.1
Creditors falling due within one year		
Interest rate swaps	**0.6**	1.0
Cross currency swaps	**10.4**	15.5
Forward foreign currency contracts	**10.1**	35.5
	21.1	52.0
Creditors falling due after more than one year		
Interest rate swaps	**-**	1.1
Cross currency swaps	**30.7**	61.3
Forward foreign currency contracts	**0.5**	2.3
	31.2	64.7

Notes to the Company Financial Statements (continued)

11. Share capital

	2009 £m	2008 £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	**26.6**	26.6

Shares allotted

	2009 Number Million	2008 Number Million
Issued during the period for cash on exercise of share options	**-**	0.2
Issued during the period in respect of LTIP awards	**0.1**	0.3
	0.1	0.5

	2009 £m	2008 £m
Aggregate nominal value of share options exercised	**-**	0.1
Share premium	**-**	0.3
Consideration received on exercise of share options	**-**	0.4

Treasury shares

	2009 Number Million	2008 Number Million
At the beginning of the period	**2.5**	2.9
Issued during the period in respect of LTIP awards	**-**	(0.4)
At the end of the period	**2.5**	2.5

Equity settled share-based payments

	2009 Number Million	2008 Number Million
Conditional share award outstanding at the end of the period	**-**	0.4
LTIP awards outstanding at the end of the period	**2.4**	1.9

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

12. Reserves

	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Hedge accounting reserve £m	Special reserve £m	Profit & loss account £m	Total £m
At 28 December 2007	37.7	(9.3)	0.5	-	1.8	335.4	366.1
Profit for the period	-	-	-	-	-	24.4	24.4
Losses taken to equity on cash flow hedges	-	-	-	(1.4)	-	-	(1.4)
Dividends	-	-	-	-	-	(35.7)	(35.7)
Cost of share-based payment net of deferred tax	-	-	-	-	-	1.5	1.5
Exercise of options & LTIP awards	0.3	1.4	-	-	-	(1.4)	0.3
At 26 December 2008	**38.0**	**(7.9)**	**0.5**	**(1.4)**	**1.8**	**324.2**	**355.2**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**20.7**	**20.7**
Reclassification adjustments taken to the profit & loss account on cash flow hedges	**-**	**-**	**-**	**1.4**	**-**	**-**	**1.4**
Dividends	**-**	**-**	**-**	**-**	**-**	**(39.2)**	**(39.2)**
Cost of share-based payment net of deferred tax	**-**	**-**	**-**	**-**	**-**	**2.8**	**2.8**
Exercise of LTIP awards	**-**	**-**	**-**	**-**	**-**	**(1.4)**	**(1.4)**
At 1 January 2010	**38.0**	**(7.9)**	**0.5**	**-**	**1.8**	**307.1**	**339.5**

The profit and loss account above is stated after deducting an accumulated loss in respect of retirement benefits of £0.8m (2008: £0.8m).

13. Balance sheet - deferred tax

	Deferred tax asset £m
At 26 December 2008	**1.9**
Included in profit for the period	**(0.1)**
Credit for the period included in equity	**0.6**
At 1 January 2010	**2.4**

	2009 £m	2008 £m
Included in debtors (note 5)	**2.1**	1.6
Included in retirement benefits (note 9)	**0.3**	0.3
	2.4	1.9
Other timing differences	**2.1**	1.6
Retirement benefits	**0.3**	0.3
	2.4	1.9

14. Operating lease commitments

	2009 £000	2008 £000
As at 1 January 2010, annual commitments under non-cancellable operating leases amounted to		
Office equipment	**13**	14
of which payable in respect of operating leases ending in the second to fifth years inclusive	**13**	14

Notes to the Company Financial Statements (continued)

15. Contingent liabilities & legal claims

Guarantees

The Company has given guarantees in relation to the bank and other borrowings of certain subsidiary companies. The net funds of the companies party to these facilities as at 1 January 2010 amounted to £10.2m (2008: net debt of £108.4m).

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.

The Company is subject to a claim relating to an action for damages arising from the UN Oil for Food Programme which has been raised in the United States against just under 100 companies. This action will be robustly defended.

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 Company's financial position.

16. Related party disclosures

The Company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are wholly owned by a subsidiary of The Weir Group PLC. The following table provides the total amount of transactions which have been entered into with non wholly owned related parties for the relevant financial year and outstanding balances at the period end.

Related party		Management charge £m	Amounts due by £m
Weir Minerals (India) Private Ltd	**2009**	**-**	**0.3**
	2008	0.2	0.6

17. 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 2009
Subsidiaries		
EnviroTech Pumpsystems Inc	USA	100
Liquid Gas Equipment Ltd*	Scotland	100
Mesa Manufacturing Inc	USA	100
Multiflo Pumps Pty Ltd	Australia	100
PT Weir Minerals Multiflo	Indonesia	100
Specialised Petroleum Manufacturing Ltd	Scotland	100
SPM Flow Control Inc	USA	100
Vulco Peru SA	Peru	100
Vulco SA	Chile	100
Weir Canada Inc	Canada	100
Weir do Brasil Ltda	Brazil	100
Weir Engineering Services (India) Ltd	India	100
Weir Engineering Services Ltd	Scotland	100
Weir Floway Inc	USA	100
Weir Gabbioneta SrL	Italy	100
Weir Group Trading (Shanghai) Co Ltd	China	100
Weir Hazleton Inc	USA	100
Weir Minerals Africa (Pty) Ltd (formerly Warman 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 SAS	France	100
Weir Minerals (India) Private Ltd	India	97
Weir Minerals Netherlands BV	Netherlands	100
Weir Minerals RFW	Russia	100
Weir Minerals Services (Africa) (Pty) Ltd	South Africa	100
Weir Minerals South Africa (Pty) Ltd (formerly Weir Minerals Africa (Pty) Ltd)	South Africa	100
Weir Power & Industrial France SAS	France	100
Weir Services Australia Pty Ltd	Australia	100
Weir Slurry Group Inc	USA	100
Weir SOS Limited	The Bahamas	75
Weir Valves & Controls (Suzhou) Co Ltd	China	100
Weir Valves & Controls UK Ltd*	England	100
Weir Valves & Controls USA Inc	USA	100
Weir Vulco Venezuela SA	Venezuela	100
Joint ventures		
Weir Arabian Metals Company	Saudi Arabia	49
Wesco LLC	UAE	49

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

Shareholder information

Shareholder enquiries

The Company's registrars are:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ

Website: www.investorcentre.co.uk/contactus

Telephone: 0870 707 1402

Shareholder enquiries relating to shareholding, dividend payments, change of address, loss of share certificate, etc. should be addressed to Computershare.

Investor Centre

Investor Centre is a free, secure share management website provided by our registrars. This service allows you to view your share portfolio and see the latest market price of your shares, check your dividend payment and tax information, change your address, update payment instructions and receive your shareholder communications online. To take advantage of this service, please log in at www.investorcentre.co.uk and enter your Shareholder Reference Number (SRN) and Company Code. This information can be found on your share certificate or tax dividend voucher.

Dividends – payment direct to banks

Dividends can be paid direct to your bank or building society account using the Bankers Automated Clearing Service (BACSTEL-IP). 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 or, if you have elected to receive e-mail notifications, you will be sent an e-mail advising you that your tax voucher is available at www.investorcentre.co.uk. If you wish your dividends to be paid directly into your bank account, you should apply online at www.investorcentre.co.uk or contact our registrars for a Dividend Mandate Form. The Company encourages you to have your dividends paid direct to a bank or building society.

Capital gains tax

For the purpose of capital gains tax, the market value of an ordinary share of The Weir Group PLC as at 31 March 1982 was 29.75p. This market value has been adjusted to take account of the sub-division of the share capital whereby each ordinary share of 25p was sub-divided into two ordinary shares of 12.5p each on 28 June 1993. 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.

Shareholder communications

Following a change to company law, and subsequent shareholder approval at the 2007 annual general meeting, shareholder documents are only sent in paper format to shareholders who have elected to receive documents in this way. This approach enables the Company to reduce printing and distribution costs and its impact on the environment. Shareholders who have not elected to receive paper copies are sent a notification whenever shareholder documents are published to advise them how to access the documents via the Group website at www.weir.co.uk. Shareholders may also choose to receive this notification via email with a link to the relevant page on the website.

Shareholders who wish to receive email notification should register online at www.investorcentre.co.uk using your Shareholder Reference Number, which is given on your share certificate or tax dividend voucher. This service is provided in conjunction with our registrars, Computershare.

Website

The Company's website, www.weir.co.uk, provides information including:

- news, updates, press releases and regulatory announcements;
- investor information, including the full annual report, investor presentations and share price information;
- details of the 2010 annual general meeting, including the notice of the annual general meeting;
- biographies of the members of the Board and the Group Executive; and
- further information on the Company's corporate governance policies and corporate responsibility.

Share dealing services

Computershare provide Weir Group shareholders with a quick and easy way to buy or sell Weir Group shares on the London Stock Exchange.

Internet share dealing commission is 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-uk.computershare.com/Investor/ShareDealing.asp. 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 £25. In addition, stamp duty, currently 0.5%, is payable on purchases. You can contact Computershare on 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 707 1402. Please note this service is, at present, only available to shareholders resident in the UK and Ireland.

These services are offered on an execution only basis and subject to the applicable terms and conditions. Computershare Investor Services PLC is authorised and regulated by the Financial Services Authority.

This is not a recommendation to buy, sell or hold shares in The Weir Group PLC. 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.

Voting

Information on how you can vote electronically can be obtained through our registrars by visiting www.eproxyappointment.com.

Financial Calendar

Ex-dividend date for final dividend
5 May 2010

Record date for final dividend
7 May 2010
Shareholders on the register at this date will receive the dividend

Annual general meeting
12 May 2010

Final dividend paid
3 June 2010

Cautionary statement
This annual report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

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Company Number 2934

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