Excellent
Engineering
Solutions

The Weir Way
The drivers of growth

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Directors report

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The Group has a strong operating platform to drive growth both through organic development and value enhancing acquisitions. We also have a clear and focused strategy to build our functional capabilities and prioritise product innovation, collaboration and global capabilities as key enablers of growth in our chosen end markets, along with an increased commitment to research and development and investment in sales and engineering resources.

1 INNOVATIVE SOLUTIONS

Innovation is at the heart of our processes. Our global engineering teams work to ensure that products continually deliver longer plant life, extend maintenance cycles, reduce downtime and lower whole-life operating costs. As well as increasing our research and development spend, we strongly believe that innovation goes beyond technological aspects. Innovation is also about being proactive and creative in delivering operational improvement and increasing customer focus.

2 COLLABORATIVE MINDSET

We believe we can achieve much more when we work together across businesses, divisions, markets and regions to solve problems and exploit market opportunities. Weir people are willing and able to work in partnership with each other, as well as with our customers and partners and during 2010 we further optimised our ability to operate to best effect across divisions and regions.

3 GLOBAL CAPABILITY

We remain committed to going where our customers are, from the most challenging oil production environment, to the emerging power and energy markets and this commitment brings extensive opportunities for us to further internationalise our products and services. In 2010 we made considerable progress in leveraging our presence in some of the fastest growing emerging markets.

Financial highlights 2010

Group results
Continuing operations

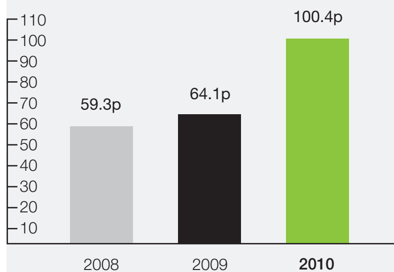
Revenue
£1,635m Up 18%

Operating profit[2]
£309.7m Up 51%

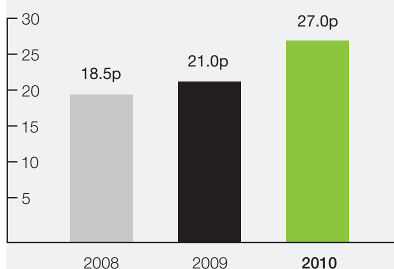
Profit before tax[2]
£294.7m Up 58%

Order input[1]
£1,904m Up 39%

Earnings per share[2]
100.4p Up 57%



Dividend per share
27.0p Up 29%



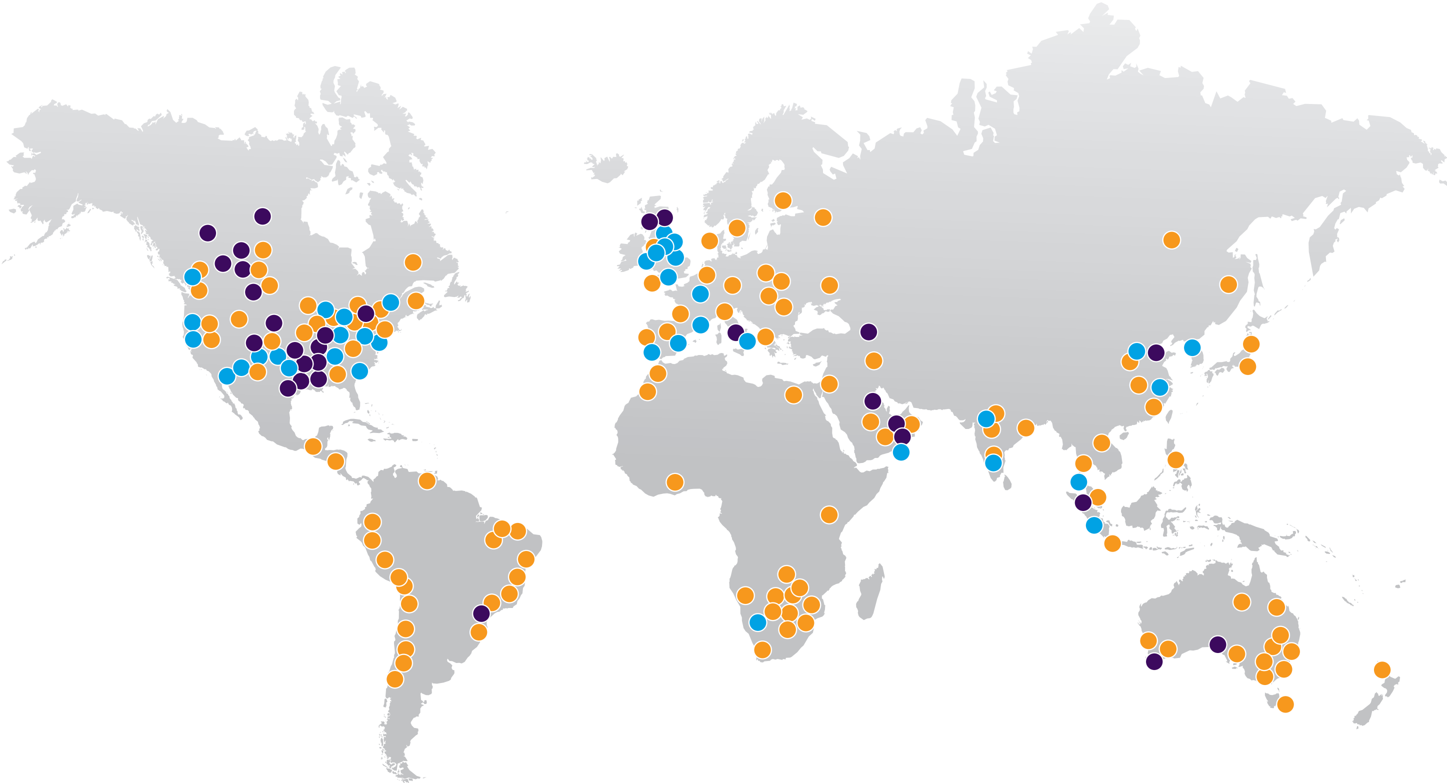
Net debt
£283.6m Up 138%

[1] 2009 restated at 2010 average exchange rates
[2] Continuing operations adjusted to exclude intangibles amortisation

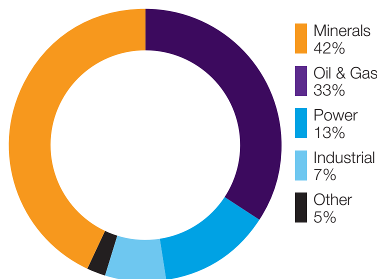
- Original equipment input up 54% on a like-for-like basis;
- Strong aftermarket contributed 58% of revenues;
- Operating profit up 51%;
- Record margins benefiting from aftermarket mix and operating leverage;
- Good progress made on strategic initiatives including five value enhancing acquisitions;
- Full year dividend increased 29% reflecting confidence in outlook;
- US$40m investment plan to expand upstream Oil & Gas capacity.

The Weir Group PLC
Operational excellence

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



2010 revenue by market



The Weir Group is well established in all three of our chosen markets: Minerals, Oil & Gas and Power & Industrial. Throughout 2010, we have used our superb manufacturing platform and resilient business model to deliver a performance that demonstrates our agility to respond quickly and benefit from changing market conditions.

Customer focus is a precondition for sustainable growth. Recognising this we will continue to extend our position in the minerals, oil and gas and power sectors, all of which are high growth, long cycle markets with positive fundamentals. This strategy is underpinned by our three principal drivers of growth - Innovation, Collaboration and Global Capability - and will be delivered through organic growth supplemented by skillfully integrated, targeted acquisitions with continued investment in technology, infrastructure and people to grow our market share and our installed base of original equipment.

Expanding our geographic footprint

2010 saw five value enhancing acquisitions join the Weir family. These five businesses will contribute positively to 2011, expand our emerging market presence and further the strategy of each division.

March 2010
Petroleum Certification Services, (PCS), in Adelaide, Australia is expanding our Oil & Gas presence in the newer oil and gas producing area of Australia and South East Asia.

September 2010
Linatex, based in Malaysia is the global leader in natural rubber products for use in high-wear mine applications which are highly complementary to our existing Minerals portfolio.

October 2010
BDK, an Indian valve manufacturer, extends our emerging market footprint and product portfolio and provides a substantial low cost manufacturing capability for Power & Industrial.

November 2010
American Hydro, in Pennsylvania USA, manufactures turbine components and with our existing service skills, will accelerate our development in established and new hydro power markets.

December 2010
Ynfiniti Engineering Services (YES), operating principally in Spain and Portugal, strengthens our position in the fast-growing wind and solar markets.

Market overview

Market conditions improved in 2010 underpinned by strong demand for commodities, particularly from emerging markets and a growing sector confidence. Most mothballed mines were re-started and increased activity was evident in the Canadian oil sands. Increases in capital expenditure were announced by some customers with a number of "mega-projects" likely to get underway in 2011/12 principally across South America and the Asia-Pacific region.

Weir Minerals 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 has aligned product sales into niche markets, including oil sands and flue gas desulphurisation equipment. Products include pumps, hydrocyclones, valves, dewatering equipment and wear resistant linings and following the Linatex acquisition – rubber products and screening machines. The partnership with KHD Humboldt extends the reach into high pressure grinding rollers, a new breakthrough in milling technology.

Facts and figures

No. of people	c6,750
No. of businesses	20
2010 order input	£984m
2010 revenue	£901m
Addressable market	£3.2bn

Major customers

Alcoa
AMEC
Anglo American
Barrick Gold Corporation
BHP Billiton
Chinalco
Freeport McMoran Copper & Gold
Rio Tinto
Vale Inco
Xstrata

Market overview

The North American upstream market experienced a substantial rebound in on-shore horizontal drilling with significant investment in existing and new shale fields, requiring more intensive fracturing techniques. Average horizontal rig counts increased 81% on 2009. International shale opportunities started to gain momentum in China, Europe and Australia. Downstream customer activity remained low while Middle East services market rebounded off 2009 lows in the second half.

Weir Oil & Gas designs and manufactures pumps and ancillary equipment for the global upstream and downstream oil and gas markets and provides substantial aftermarket service and support. The upstream operation specialises in high-pressure well service pumps and related flow control equipment along with repairs, parts and service of pressure control and upstream 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, with an expanding geographic footprint in Asia Pacific and South America.

Facts and figures

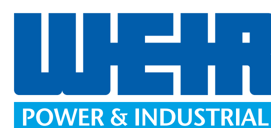
No. of people	c2,100
No. of businesses	13
2010 order input	£626m
2010 revenue	£462m
Addressable market	£2.9bn

Major customers

Baker Hughes
Cal Frac
Enerflow Industries
Frac Tech Services
Schlumberger
Shazand Arak Oil Refining Co
Stewart & Stevenson LLC
Superior Well Services
Trican Well Services
Weatherford International Ltd

Market overview

Demand for original equipment for the conventional power market was strong in Asia but weak in Europe and North America. The Chinese nuclear market represented the majority of global nuclear new build, although procurement began for the first two new US nuclear plants in 25 years. Hydro and wind markets grew as demand for renewable power increased. Existing fossil and nuclear plants postponed non-essential maintenance, although new build delays will increase potential for life extension projects. Industrial markets remained weak.



Weir Power & Industrial designs, manufactures and provides aftermarket support for specialist and critical-service rotating and flow control equipment mainly to the global power sector. The division includes valve operations; specialist pump, hydro and steam turbine businesses and aftermarket operations in Europe, North America, Asia Pacific, Middle East, and South Africa. Three facilities hold nuclear certification making the business one of a few globally, capable of providing safety critical valves into the nuclear islands of the 3rd and 4th generation nuclear power stations. The BDK acquisition expanded the valve portfolio, while American Hydro and Ynfiniti Engineering Services added to the renewables market position.

Facts and figures

No. of people	c2,900
No. of businesses	13
2010 order input	£268m
2010 revenue	£246m
Addressable power market	£3.9bn

Major customers

Canadian Government Public Works
CNPEC & CNEIC
EADS
EDF
Eskom
Hyundai Heavy Industries Co Ltd
Loftyman Engineering
RCM Technologies Inc
Toshiba Corporate
United States Government

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

I am delighted to report that 2010 was a highly successful and busy year for the Group against the background of a still uncertain global economic environment. We delivered another record financial performance and enter 2011 with our largest ever order book, a clear strategy and ambitious plans to drive future growth.

The results reflect the benefit of our exposure to three growing sectors with positive medium term fundamentals and an emerging markets bias, as well as a business model that focuses on the sale of original equipment products to provide a growing installed base for more profitable and resilient aftermarket sales.

Revenues were up 18% and we are able to report an increase in Group pre-tax profit from continuing operations before intangibles amortisation of 58% to a record £294.7m with free cashflow generation of £79.9m.

We are proposing a final payment to shareholders of 21p per share, making 27p for the full year, an increase of 29%, reflecting the Board’s continuing confidence in the Group’s prospects.

Our financial performance translated into a rising share price and our entry into the FTSE 100 index of leading UK listed companies in September, as investors recognised the strength of our business model and positive outlook for each of our end markets.

The Group has a strong operating platform to drive growth both through organic development and value enhancing acquisitions. We also have a clear and focused strategy to build our functional capabilities and prioritise product innovation, collaboration and global capabilities as key enablers of growth in our chosen end markets. I have been pleased at the progress made by Keith and his team in driving these initiatives across the Group, most notably with an increased commitment to research and development and investment in sales and engineering resources.

On a less positive note, in December 2010, the Group was charged with, and pleaded guilty to, two charges of breaching UN sanctions in connection with a number of Iraq Oil for Food programme contracts awarded between 2000 and 2002. What happened at that time was wrong and as I said in 2004, when the Board first became aware of this matter, I am bitterly disappointed that this went on within the Weir Group. The Board is determined to achieve and maintain best practice in all areas of corporate responsibility and is committed to doing business at all times in an ethical manner.

Building on this commitment we have established our corporate sustainability priorities and report for the first time our carbon emissions footprint and revenues from low carbon sectors. During 2011 we will extend this and set carbon reduction targets for each business.

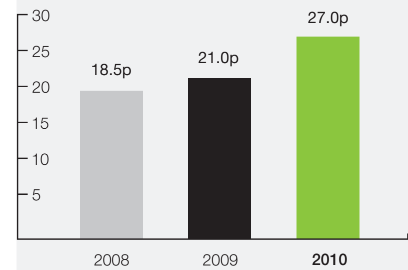
I would like to acknowledge the contribution made by all employees to the success of the Group over what has been a very busy year. The heart of any business is its people and I am constantly impressed by the calibre of the men and women I encounter at every level of the Group. We are committed to providing them with a safe working environment and to developing their skills through a range of training programmes as well as attracting and retaining the best talent. I would also like to thank my fellow directors for their continued hard work and support. After 11 years service, Alan Mitchelson has indicated his intention to retire from the Board prior to the 2012 annual general meeting.

The Group celebrates its 140th anniversary in 2011 and we are proud to recognise and celebrate our rich engineering heritage. From its foundation in Glasgow during the Industrial Revolution, the Group is represented in over 70 countries and will continue to provide innovative engineering solutions to its chosen end markets in the years ahead.

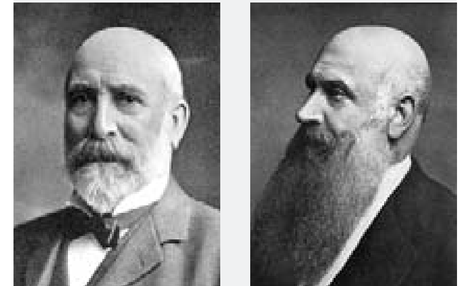
I am confident that the Group is well positioned to make further good progress in the year ahead.

Lord Smith of Kelvin
Chairman
8 March 2011

Dividend per share



James and George Weir



Driving growth The Weir Way
Overview by Chief Executive Keith Cochrane

Last year I said that the Weir Group had a superb manufacturing platform, resilient business model and enviable market position. This remains as true today as it was then and our performance in 2010 demonstrates our ability to respond quickly and benefit from changing market conditions.

Group Executive (pictured)
From left to right: Alan Mitchelson (Legal & Commercial Director), Steve Noon (Oil & Gas Divisional Managing Director), Keith Cochrane (Chief Executive), Jon Stanton (Finance Director), Dean Jenkins (Power & Industrial Divisional Managing Director), Scot Smith (Minerals Divisional Managing Director)

The Weir Group has been repositioned as a leading global engineering solutions provider focused on the mining, oil and gas and power markets. This focus together with a growing emerging market presence and continued commitment to operational excellence has contributed to these record results. We made good progress against the strategic priorities set last year, positioning Weir to continue to deliver above market growth. This success is underpinned by our people and I want to recognise the excellent work being done across the Group.

I ended last year's report pointing to an uncertain year ahead. Visibility of the pace and timing of a potential recovery was limited and I highlighted the proactive action taken in 2009 to manage the impact of the economic downturn, ensuring the Group had the flexibility to respond, no matter the demands of the economic climate. In fact, two of our three end markets saw a strong recovery in 2010, ahead of our expectations. The oil and gas shale markets in North America bounced back, benefiting from the increasing use of hydraulic fracturing, supplemented by a move to oil and liquids rich shale formations. Global mineral markets largely recovered, driven principally by China's growing demand for commodities which in turn led to increased production volumes. In contrast, power and industrial markets remained subdued, with conventional generation new build activity in North America and Europe at low levels pending clarification of environmental legislation.

2010 performance

Overall order input, in constant currency, was up 39% while aftermarket input was up 27%. This reflected re-stocking in the first half of the year and increased activity levels in our main markets through the year. We experienced a significant pick up in original equipment orders in the second half as equipment utilisation levels improved and customers became more confident in the outlook for their end markets.

Group revenues were up 12% on a constant currency basis and the proportion of revenues from aftermarket sales increased to 58% (2009: 54%), as a result of the lower opening original equipment order book and the shorter cycle nature of aftermarket sales. This mix effect and a more than doubling of upstream Oil & Gas revenues had a positive impact on both operating margins and profits giving rise to a record financial performance.

We achieved some notable successes across all three divisions. In Minerals we saw strong progress across Asia-Pacific, Africa and South America with a number of significant contract awards and in Canada, we achieved our largest ever single contract award to supply equipment into the oil sands market. In upstream Oil & Gas, we gained market share in a rising North American market, driven by our responsiveness and the operational flexibility of the Weir Production System. Power & Industrial achieved good input from the nuclear market including a contract for the provision of specialist valves on the first US nuclear new build reactors to be built in 25 years.

During 2010 we continued to make good progress against our key priorities:

- Strong management focus on health and safety resulted in a 35% reduction in lost time accidents.
- Overall operating efficiency (the Weir Production System Lean score) continued to improve, this year by over five points.
- Five value enhancing acquisitions were made through the year accelerating growth and extending our global presence.
- Continued investment in product research and development:
  - Minerals launched the next generation of Warman WBH® pump and developed molten salt pumps for the solar market.
  - Weir SPM launched the new Destiny™ frac pump.
  - Power & Industrial developed safety valves for the 4th generation nuclear reactor technology and extended its renewable energy offering.
- Over £50m in capital expenditure to improve operating efficiency and extend the Group's global presence including:
  - A new manufacturing facility in Queensland, Australia.
  - New service centres in North and South America, Russia, Indonesia and Africa, including Weir SPM's first centre in Brasil.

Continuing operations

Revenue
£1,635m
Up 18%

Operating profit[1]
£309.7m
Up 51%

[1] Continuing operations adjusted to exclude intangibles amortisation

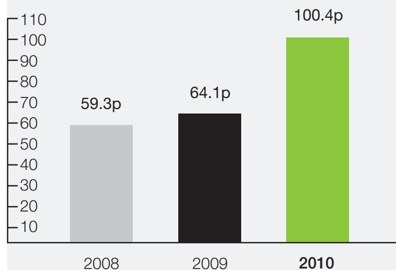
3-fold strategy

1 INNOVATIVE SOLUTIONS

2 COLLABORATIVE MINDSET

3 GLOBAL CAPABILITY

Earnings per share[1]



[1] Continuing operations adjusted to exclude intangibles amortisation

We delivered another strong cash performance and generated free cashflow of £79.9m after investment to support the growth of the business. Our balance sheet has also been strengthened by the issue of long term debt and by the extension of our core banking facilities out to 2014. The Group has substantial financial headroom to support organic development and expand its presence across target markets.

These increased activity levels required us to invest across the Group: we added over 1100 employees through organic growth, research and development spend was increased 53% to £14.8m and we invested £50.9m in capital expenditure, including construction of the new Multiflo manufacturing facility in Queensland, Australia.

Group strategy

We will continue to extend the Group's position in the minerals, oil and gas and power sectors, all of which are high growth, long cycle markets with positive fundamentals. This strategy is underpinned by our three pillars of Innovation, Collaboration and Global Capability and will be delivered through sustainable organic growth supplemented by skillfully integrated, targeted acquisitions. We will continue to invest in technology, infrastructure and people to grow market share and our installed base of original equipment. This in turn provides recurring aftermarket opportunities and exposure to both customers capital and operating expenditure. We will broaden 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

Good progress has been made in developing our three strategic pillars, new product initiatives are underway in each division and the benefits of greater cross divisional collaboration are already evident. Over the past two years around 40% of our revenue has been generated from emerging markets and we expect to see this continue to grow in 2011.

These actions are underpinned by our ongoing focus on operational excellence and the development of functional initiatives. Examples include the full roll out of the Net Promoter Score customer survey methodology, increased engineering resources and the development of Group-wide IT and procurement strategies. We have also renewed our focus on talent management establishing a broad based 300-strong Senior Management Group, a consolidated and refreshed graduate recruitment programme and a new learning and development framework.

Our growth plans have also been supported by a number of complementary acquisitions and alliances which broaden our product portfolio and strengthen our global footprint and growth prospects, particularly in emerging markets. During the year, PCS (Australia), Linatex (Malaysia), BDK (India), American Hydro (US) and YES (Spain) joined the Group adding annualised revenues of £151m and operating profits of £15.5m and the integration of each is progressing well. We also established joint ventures and alliances with partners including KHD (Germany), MHI (Japan) and Shengli Highland (China).

Our priorities for 2011 are to continue to drive operational excellence and focus on our three strategic pillars for growth alongside key functional initiatives. We will strengthen our competitive position and grow faster than our markets by:

- Continuing to drive growth through innovation and creativity with further investment in extending our product development capabilities. At the same time, we will look to take our product portfolio to new markets and customers as we seek to build market presence.
- Building on growing cross divisional collaboration to extend best practice and sell our full portfolio of products in all markets as well as extend our service footprint to achieve closer customer relationships. Our recently established joint ventures and third party alliances extend our capabilities and geographic presence and provide a platform for further growth.
- Capitalising and extending the Group's global reach and capabilities to support customer needs, reinforce our global competitiveness and open new markets for existing products and services.

We will complete the integration of our recent acquisitions and add resources where necessary to secure growth. Specifically, we will significantly increase manufacturing and service capacity at Weir SPM's Fort Worth plant with a planned investment of US$40m over 18 months and develop Weir BDK's manufacturing capabilities in India. This will enable each business to further benefit from opportunities in their fast growing markets.

Outlook

The Group is well placed to benefit from the medium term growth prospects of each of our principal end markets:

- Growing demand for minerals, oil and gas and power is being driven by population growth and the industrialisation of developing economies such as India, China and Brasil.
- In North America, as conventional resources are exhausted, the proportion of oil and gas sourced from unconventional sources continues to grow with a number of other international markets now also emerging.
- Ageing power plants and growing environmental concerns will accelerate the demand for new plant or alternative forms of energy, in both the developed and developing world.

The Group enters 2011 in excellent financial health, with a record order book, a clear strategy and plans to drive future growth. We are confident we will deliver further good progress.

Over the medium term, the Group is well placed. It has strong positions in three growing sectors with positive medium term fundamentals and an emerging markets bias. It also has a resilient business model that focuses on the sale of original equipment products to provide a growing installed base for more profitable and resilient aftermarket sales. The Group is well on track to deliver on its ambition to double 2009 profits by 2014.

Keith Cochrane
Chief Executive
8 March 2011

Around the world
Top – Keith Cochrane (standing right) at the opening of Weir Multiflo's new facility in Queensland, Australia with, from left, local Federal Member of Parliament, Alex Somlyay, Rob Brown, regional managing director Minerals Asia Pacific with Paul Avey, managing director, Weir Minerals Multiflo standing on the pump skid

Bottom – Keith Cochrane arrives for the agreement signing with Loftyman Engineering aimed at growing Weir control valves market position in China

1

Driving growth The Weir Way
INNOVATIVE SOLUTIONS

Innovation is at the heart of our processes at Weir. A major differentiator for Weir is the superiority of our materials and products with our Pump Technology Centre in Sydney, Australia focused solely on the research and development of improved materials and designs. Key objectives for our engineering teams globally is to ensure that products continually deliver longer plant life, extend maintenance cycles, reduce downtime and lower whole-life operating costs. During 2010, our Engineering Excellence Committee was re-energised with cross divisional working at its core to drive engineering best practice throughout the Group.

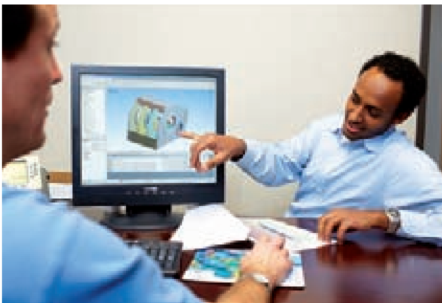
Pump Technology Centre, Sydney, Australia

While we have increased our spend in research and development, we strongly believe that innovation is not restricted to the technological aspects. Innovation is also about being proactive and creative in delivering operational improvement and increasing customer focus, introducing new products to existing customers and taking existing products to new markets.

During 2010, Minerals Multiflo and Hazleton companies found just such markets with their respective specialist pumps forming part of barge packages developed by Weir Minerals Canada for the Canadian Oil Sands.

Weir Oil & Gas Services, Dubai

Meanwhile, Weir Minerals Lewis Pumps, already a world leader in vertical pumps for the sulphur chemicals industry, is now applying its expertise toward solar power. A historical drawback of solar power generation is the inability to generate electricity when the sun is not shining. One solution is to use molten salt which operates at up to 550°C, as a means of storing heat. Lewis Pumps™ vertical centrifugal pump technology is uniquely suited for the challenging application of pumping high temperature, high specific gravity molten salt, making them one of only a small handful of companies in the world capable of satisfying the high flow, high head requirements of a full scale solar power plant.



Weir SPM - developing world class products

Along with continued capital investment in its facilities and service centres, Weir SPM has targeted technical differentiation as a strategic driver of growth. As a result, Weir SPM effectively doubled its engineering resources in 2010, and aligned itself strategically with the University of Strathclyde, a leading engineering faculty, with the intent of developing technically superior products to support its strong operational position in meeting the increasing demands of the market place. The relationship has given access to world class engineering talent and, combined with our increased internal resources, led to a number of new product initiatives currently being developed.

The Weir Production System's Lean methodology continues at the heart of our operational excellence. A new 'pull' system at Weir Valves & Controls UK saw lead time reduced by 78%, work in progress cut by 90% and an immediate capacity increase of 50%. Power & Industrial Services Europe's finance team has adopted Lean as operational excellence expands into support functions. Through a continuous improvement programme involving a series of small process changes, they identified annual savings of £600,000 and a working capital improvement of £7m.

Weir Minerals Multiflo, Coolum, Australia

"Innovation is not restricted to the technological aspects. It is also about being proactive and creative in delivering operational improvement and increasing customer focus."

2

Driving growth The Weir Way
COLLABORATIVE MINDSET

At Weir we believe in developing a collaborative mindset and that we can achieve much more when we work together across businesses, divisions, markets and regions to solve problems and exploit market opportunities. Weir people are willing and able to work in partnership with each other, as well as with our customers and partners and during 2010 one of our aims was to further optimise our ability to operate to best effect across divisions and regions.

Towards the end of 2010, the Oil & Gas Forum was created with the aim of identifying opportunities to take products from all divisions to a wider customer and market base within the oil and gas sector, providing major potential for further organic growth within the business.

Within this framework, Weir Floway, our Minerals speciality pumps business, has been working with the Oil & Gas Houston facility to bring their products and services to identified markets and together they are already delivering real benefits to maximise revenues in the upstream oil & gas sector.

Minerals has continued to develop its proven Total Care Centre offering to customers adding new on-site service facilities for customers in Russia and Africa to its already extensive global Total Care Centre footprint where the objective is to minimise the customer's downtime while maximising the division's share of aftermarket revenues.

In the growing wind energy market, Power & Industrial has developed a unique collaborative approach to windfarm support. As well as providing field and engineering services, Weir works closely with both windfarm owner/operators and turbine manufacturers to create a model that ensures the most comprehensive use of resources. The first contract under this model was from Alstom at ScottishPower Renewables' Clachan Flats windfarm in western Scotland.

Power & Industrial strengthened its nuclear offering with a cooperation agreement with Mitsubishi Heavy Industries (MHI). The agreement combines MHI's considerable technical expertise in nuclear pumps with Weir's engineered nuclear valves and aftermarket services. The initial and primary focus of the agreement is on the UK.

The agreement with KHD Humboldt Wedag International Ltd to make Minerals the exclusive worldwide agent for KHD and recommended service provider for their high pressure grinding rollers in minerals processing applications is already providing an excellent extension to our substantial offering in the mining mill circuit with orders received in Australia and South America.

Weir Minerals Multiflo, Coolum, Australia

Weir Oil & Gas Services, Abu Dhabi

Weir Valves & Controls, Elland, UK

Weir Oil & Gas, Dubai

"We believe in developing a collaborative mindset and that we can achieve much more when we work together across businesses."

3

Driving growth The Weir Way

GLOBAL CAPABILITY

Around 40% of the Group's revenue comes from emerging markets in Asia-Pacific, South America, Middle East and Africa as the demand for resources continues. We have always been committed to going where our customers are, from the most challenging oil production environment, to the emerging power and energy markets of Asia and Africa and this commitment brings extensive opportunities for us to further internationalise our products and services.

Weir SOS, Baku, Azerbaijan

Weir Minerals, Sydney, Australia

New acquisition American Hydro

During 2010 we made considerable progress in leveraging our presence in some of the fastest growing emerging markets.

To capitalise on the growing investments in the rapidly expanding China shale gas industry, a 60% joint venture was signed with Shengli Oilfield Highland Petroleum Equipment Company Limited to produce Weir SPM frac and cement pumps. An agreement with Loftyman Engineering (HK) Ltd signed at the end of the year will strengthen our control valve offering with the introduction of eight sales offices throughout China with manufacturing and aftermarket support from our existing Suzhou plant. At the start of 2011 an assembly centre with test stand was opened in Taicang to build the GEHO® brand of pumps. This facility will also be a key element in supporting the already considerable installed base of GEHO pumps in China. Along with the Wuxi manufacturing facility from the Linatex acquisition, these developments add to Weir's well established presence in China, substantially increasing our growth prospects in the region.

Our existing Indian businesses saw good growth during the year and the opportunities in India have been extended with the acquisition of the BDK valves business. BDK's range of industrial valves will also enhance our global customer offering of specialist valves including the nuclear products manufactured in the US and Europe. At the same time, BDK's own extensive sales network in India and elsewhere will provide an additional route to market for many of our existing products.

Weir Oil & Gas also accelerated its regional expansion in the newer oil and gas producing areas of Australia and South East Asia during the year with the acquisition of PCS and in South America with the opening of its first service facility in Brasil, positioning the business for the expected rapid expansion of the oil and gas industry there.

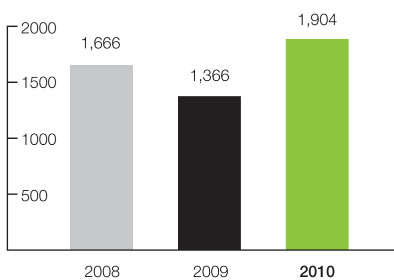
Towards the end of 2010, the acquisition of American Hydro in Pennsylvania strengthened Weir's global reach in hydro power, the largest source of renewable energy worldwide. American Hydro specialises in high-efficiency hydro-turbines and components. Combined with Weir's existing engineering hydro service and rehabilitation know-how developed over many years in the UK and more recently in Canada, Weir American Hydro will look to develop its geographical presence beyond its traditional markets. The already considerable skills in the growing area of renewable power was further extended with the addition of Ynfiniti Engineering Services, based in Madrid, Spain.

"Our commitment to going where our customers are brings extensive opportunities to further internationalise our products and services."

Key Performance Indicators
Delivering global performance

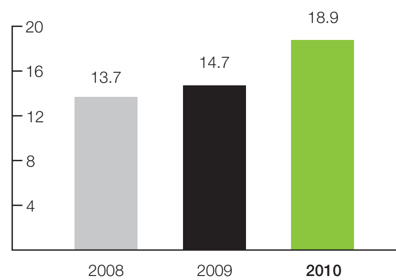
The Board uses a range of financial and non-financial metrics, reported on a periodic basis, to monitor the Group's performance over time. The key performance indicators and their linkage to operating priorities are set out below.

Input[1, 3] (£m)



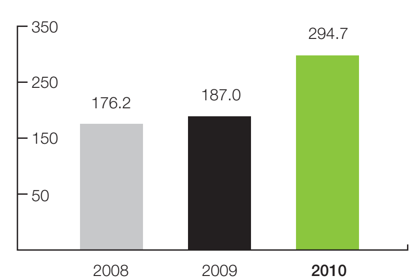
- Drive installed base growth through innovation and creativity including research and development and capital expenditure.
- Deliver aftermarket opportunities from the installed base.
- Increase sales through greater collaboration in the form of co-operative alliances and cross divisional initiatives.

Operating margin[2, 3] (%)



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

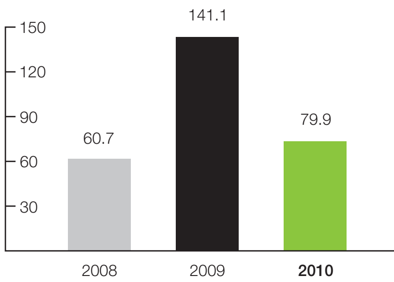
Profit before tax[2, 3] (£m)



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

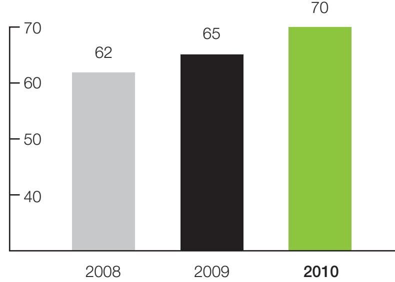
Weir Chief Executive Keith Cochrane, with Mr. Xianping, Highland Chairman & President at the signing of the joint agreement with Shengli Oilfield Highland Petroleum Equipment in Dongying, China

Free cashflow[3] (£m)



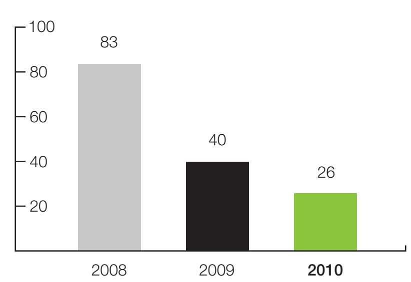
- Optimising the capital structure and long-term financing of the Group.
- Continuing with our focus on working capital management including application of Lean methodologies to inventory and debtor management.

Group Lean Score (%)



- Weir Production System Lean score is determined by comparing our current processes against world-class practice and performance.
- Maintaining our world-class platform developed in recent years.
- Eliminating waste and reducing lead times in business processes.
- Continuing focus on on-time delivery.

Lost time accidents



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

[1] Calculated at 2010 average exchange rates [2] Adjusted to exclude intangibles amortisation [3] Continuing operations

Checking the Lean Kanban system at Weir Minerals Australia

Weir Minerals Division
Operational review

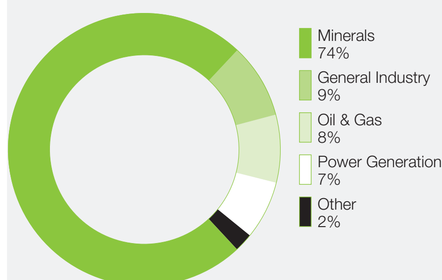
Divisional results[1]

Order Input
£984m
Up 26%

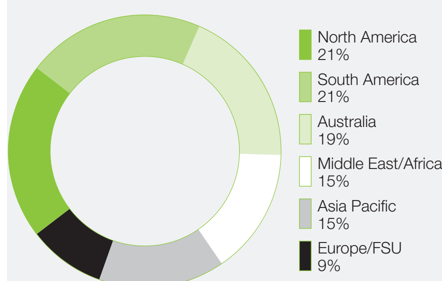
Revenue
£901m
Up 3%

Operating profit
£174.5m
Up 24%

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 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 several niche markets, including oil sands and flue gas equipment (FGD). Products include pumps, hydrocyclones, valves, dewatering equipment and wear resistant linings and, following the acquisition of Linatex in September 2010, rubber products and screening machines. The division's partnership with KHD Humboldt signed in May 2010 extends its reach into high pressure grinding rollers, an exciting new breakthrough in milling technology.

The division's strong competitive position is underpinned by core competencies in materials technology and engineered hydraulics, which are naturally aligned with aggressive wear applications ensuring a sustainable business model with a large proportion of business coming from the aftermarket. This ongoing relationship brings the division closer to its customers, as trusted suppliers with the expertise to resolve issues in a number of critical applications central to determining operational success. Through these competencies the division's market presence will continue to be extended into new applications, where a source of competitive advantage can be offered to customers. The division operates in all key mining markets with an extensive service and support footprint, including South America, Australia, Asia-Pacific, Africa and North America.

Market review

Market conditions improved in 2010 underpinned by strong demand for commodities, particularly from emerging markets, with rising commodity prices through the year. Most mothballed mines were re-started to meet global ore production growth of around 10% - a key driver for the aftermarket business. Increased activity was also evident in the Canadian oil sands market where capital spend is mainly targeted at addressing environmental issues or improving production efficiencies. Increases in capital expenditure were announced by a number of customers driving increased project enquiries and engineering studies. As the year progressed and sector confidence grew, most previously deferred projects were re-activated and a number of brownfield expansions actioned translated into increased original equipment orders. The FGD market continued to be generally flat given a lack of new coal plant starts in the US and China.

Achievements & contract wins

- Acquired and successfully integrating Linatex® products into the Weir Minerals portfolio and Weir Production System.
- Opened a fully integrated, state-of-the-art foundry and manufacturing facility outside Sao Paulo in Jundiai, Brasil.
- Initiated 20 year agreement with KHD to market High Pressure Grinding Rollers (HPGRs) in the mining and minerals processing market, with Weir Minerals Australia selling the first HPGR unit.
- The next generation Warman WBH centrifugal slurry pump has been launched and is gathering recognition with orders from customers for its reduced energy usage, ease of maintenance and enhanced performance.
- Weir Minerals Canada provided Suncor Energy with three large dewatering barge systems for use in extremely harsh and remote environments. The barges, weighing in excess of 400 tonnes, are designed to meet rigorous naval architecture requirements.
- Weir Minerals Peru and Weir Minerals Netherlands received orders exceeding US$20m to supply a copper mine expansion project with a range of GEHO and Warman pumps.
- Orders totalling US$7.7m received from an iron ore concentration plant project in Brasil for supply of a range of Warman slurry and rubber lined pumps and Cavex® cyclones.
- Good growth in the Minerals Total Care centres realised 19% increase year on year with significant increases in Africa (37%), Brasil (46%), Europe (55%), and Canada (88%).
- Continued building long-term relationships with the major mining houses including receiving in principle commitments for five new major projects.

The next generation Warman WBH centrifugal slurry pump - set to be Warman's next 'gold standard' pump

State-of-the-art foundry at Weir Minerals new facility near Sao Paulo, Brasil

Operational performance

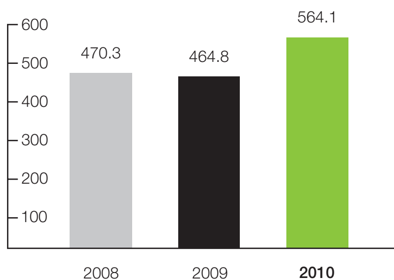
The division delivered another record financial performance benefiting from improving markets and a higher proportion of aftermarket revenues from a business model that provides exposure to both capital expenditure trends and commodity production volumes. Good progress was made in delivering on the division's strategic growth initiatives of extending its market presence and product portfolio. The integration of Linatex is progressing well with synergy savings estimates increased by US$5m to US$10-US$15m by the end of 2012. This broad based performance continues to demonstrate the resilience of the division's business model.

Order input increased 26% to £984m (2009: £782m) reflecting a 32% and 21% increase in original equipment and aftermarket orders respectively. Original equipment orders represented 43% of total order input (2009:41%). On a like-for-like basis, ignoring the impact of the Linatex acquisition which contributed £28m, order input was up 22%. All regions showed growth benefiting from a broader product portfolio and exposure to a wide range of commodities. Emerging markets accounted for 51% of input, up from 49% in 2009. Notable slurry pump wins were achieved in the Philippines (nickel), Brasil (iron-ore) and Mongolia (copper) while ancillary

Weir Minerals Division
Operational review (continued)

"The growing installed base provides future aftermarket opportunities while long term market fundamentals remain strong driven by urbanisation in emerging markets and their high demand for raw materials."

Aftermarket input (£m)



product orders were up 38% in the year. These included a CAD$50m award, for delivery in 2011, to supply barges and an integrated package of Weir products to a major oil sands project in Canada while in Chile the business was successful in extending its presence into the mill circuit spools market with a number of significant contract wins totalling US$18m. Aftermarket input benefited from a restocking effect in the early part of the year, higher activity levels in the mining and oil sands markets and growing service support revenues as the division extended its service footprint.

Revenue increased by 3% to £901m (2009: £879m) including a £27m first contribution from Linatex. Like-for-like revenues remained flat reflecting a lower opening orderbook offset by strong growth in shorter cycle aftermarket revenues in Australia, Canada, South America and Africa and a pickup in the last quarter in original equipment sales which accounted for 39% (2009: 47%) of annual divisional revenue.

Operating profit increased by 24% to £174.5m (2009: £140.5m) and included £1.9m from Linatex offset by £8.3m of restructuring and acquisition costs. This strong underlying improvement reflects the increased aftermarket mix, improved operating efficiencies and raw material pricing benefits in the early part of the year.

Operating margin improved to 19.4% (2009: 16.0%) reflecting a higher proportion of aftermarket sales and, in the second half, the impact of the Linatex acquisition and associated restructuring costs.

Investment

The division has continued to invest in materials and product technology as well as its operating facilities to meet the needs of a growing business. Capital expenditure was £30.2m (2009: £29.7m) with significant investment in South America and Asia while research and development spend rose 42% to £8.2m.

During the year, Multiflo moved to a AUD$9m purpose-built facility in Queensland, Australia, consolidating four sites into one. In addition to doubling capacity and the increased operational synergies of being in one location, the new complex was designed around state-of-the-art energy efficiency principles. In early 2011, an assembly centre and test stand for GEHO pump products was opened in Taicang, China. GEHO pumps are world market and technological leaders, handling a wide range of applications including long-distance slurry pipeline transport and high density tailings disposal. The Taicang facility will be a key element in executing GEHO's strategy to support the aftermarket of the already large installed base in China. A number of new service centres were also opened in the year including in Africa, Indonesia and Russia, extending the division's emerging markets presence. Additional efforts are underway to expand the capabilities of our service centres to include servicing of KHD and Linatex products.

Weir Minerals continue to develop the Warman brand in the drive for a superior pump for heavy duty applications. By examining industry issues, leveraging the features that made the Warman AH pump the gold standard for a generation and modifying its design, the engineering team has created the Warman WBH slurry pump range with a range of improved features. A number of customer trials were launched in the year with positive feedback, confirming a material reduction in total life cycle costs through improvements in wear life, energy usage and flow rates.

The acquisition of Linatex, a global provider of wear-resistant products to the mining and sand & aggregates industries based in Kuala Lumpur, Malaysia was completed in September 2010, for a total consideration of £124.4m after taking account of net indebtedness acquired of £12.7m (at the exchange rate ruling at date of transaction). This acquisition represents an excellent opportunity for the division to grow its global capability, emerging market footprint and further strengthen its aftermarket presence. Linatex has a geographic footprint well-aligned to the division, together with an established emerging market base served from core manufacturing facilities in Malaysia and China. Its market leading rubber products are highly complementary to the existing portfolio with significant potential for expansion in the Canadian oil sands through newly developed Linatex product. This will enable the business to leverage off the division's existing global sales network to grow product sales.

Integration is progressing well with realised annualised synergy savings achieved to date of US$8.8m and total savings now expected to be around US$10-US$15m by the end of 2012 against our earlier expectations of US$5-US$10m.

The division's partnership with KHD Humboldt also brings further exciting opportunities to leverage the existing customer base and service infrastructure by offering customers innovative new technology in high pressure grinding. This break through in grinding technology creates the potential to significantly enhance customers' productivity, as a highly efficient alternative to traditional mill set ups, whilst positioning the division for growth in this high potential market.

Employees remain at the heart of the business and it is their engineering and operational skills which provide the basis of the division's competitive advantage. The division recognises the importance of continuing to invest not only in technology, but also in strengthening the customers' experience and the capability of employees to deliver this. In 2010, the Mill Circuit University was introduced for employees to learn about the entire minerals processing circuit. This training expands the breadth of expertise that the attendees possess, while also enhancing the professionalism with which the division can package products as solutions for customers' process critical applications.

Outlook

Weir Minerals is well positioned for future growth, with positive market conditions across the mining and oil sands markets expected to continue through 2011. Increases in capital expenditure have been announced by some customers which have resulted in increased project enquiries and engineering studies with a number of "mega-projects" likely to get underway in 2011/12 principally across South America and the Asia-Pacific regions. It is anticipated that this will translate into further original equipment order growth. A more modest growth in aftermarket orders is expected given the 2010 restocking effect and forecast commodity production volume trends. Together with a strong opening order book and a full year Linatex contribution, it is expected that 2011 revenue and operating profit will be higher than 2010 with operating margins reflecting a higher proportion of original equipment revenue compared to the prior year. The growing installed base provides future aftermarket opportunities while long term market fundamentals remain strong driven by urbanisation in emerging markets and high demand for raw materials.

Weir in action

Customer

When a new plant starts up, the last thing the operations team wants is equipment failure early on, which unfortunately happened at PanAust's Phu Kham Copper-Gold Operation in Laos when one of the original valves became a big headache. After four to six months the complete valve needed replacing with a new one.

Phu Kham copper-gold operation in Laos

Brief

The site operations team at Southeast Asia's leading copper and gold producer's key asset had done a magnificent job working through the challenges of the new plant, achieving record production. They were determined to overcome the obstacle arising from the valve operations and carried out an in-house survey. They turned to Weir Minerals, trusting their long term experience and expertise in slurry lines. The PanAust team knew they would get an informed option.

Solution

By taking a big picture perspective of the slurry line, Weir Minerals identified the problem, which embraced not only the original valves but the piping too. A trial of two different kinds of Weir Minerals Isogate® valves seemed certain to lead to a far better solution, along with a cost-effective piping alternative. And it did.

Result

The Isogate valves ran up 8 to 10 months without a hitch and maintenance only involved changing valve sleeves and re-installing the valve. Nick Opiti, PanAust's Plant Reliability Engineer for Fixed Plant Maintenance said: "Expertise and experience is built over time and since Weir Minerals provided a practical solution for a real time issue we have maximised performance of the plant."

Weir Oil & Gas Division
Operational review

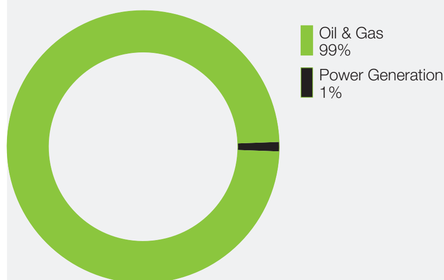
Divisional results[1]

Order Input
£626m
Up 97%

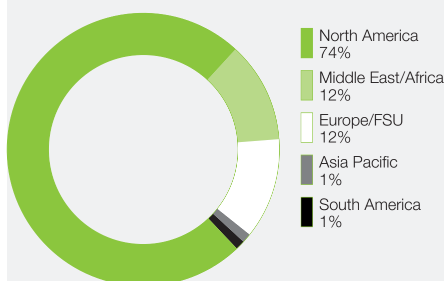
Revenue
£462m
Up 50%

Operating profit
£117.4m
Up 122%

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 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 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, while its expanding geographic footprint now includes Asia-Pacific and South America.

Market review

During 2010, the North American upstream market experienced a significant rebound in activity. A substantial increase in on-shore horizontal drilling was supported by a move to oil and liquid rich shale formations and significant additional investment into the development of existing and new shale fields utilising more intensive fracturing techniques. The average horizontal rig count, a key driver for the upstream pressure pumping market, increased over 80% on 2009 with a growing proportion of onshore oil and gas production sourced from shale formations. A notable feature has been a 113% increase in oil and liquids rich shale drilling – now representing around 34% of the horizontal rig count - a 15 year high - reflecting the market's adaptation of fracturing to enable cost effective oil and natural gas liquids production from shale formations across North America. In contrast, rigs targeted at gas production increased by only 18% reflecting generally weak gas prices with a flattening off in growth in the second half.

The globalisation of shale opportunities started to gain momentum in 2010 with China, Europe and Australia all signalling interest in developing shale opportunities in the next five years.

As expected, customer activity in downstream markets remained at low levels while key Middle East services markets showed a rebound off 2009 lows in the second half of the year, with Iraq in particular presenting a number of good opportunities as significant investment is made in refurbishing existing oilfields to improve overall production levels.

Achievements & contract wins

- Weir SPM significantly increased its already leading market share position through its operational leverage, extensive service footprint and continued investment in its facilities.
- Market share gains with a major well service operator saw input increase almost four-fold in 2010 over 2009.
- Several multi million dollar contracts awarded to Wesco Dubai in Iraq, through Worley Parsons, BP, and ENI. Contracts include the refurbishment of gas turbines, oil field pumps and water injection plants in Iraq's southern oilfields.
- Aberdeen services business expanded its customer base with several multi-million pound contract wins with Chevron and TAQA.
- Joint venture formed to target China's accelerating unconventional shale gas market.
- Destiny triplex frac pump developed and launched for new harsher shale applications.
- Regional expansion continues in newer oil and gas producing areas of Australia and South East Asia with the acquisition of Petroleum Certification Services (PCS).
- First service centre opened by Weir SPM in Brasil positioning the business for the expected rapid expansion of the oil and gas industry.

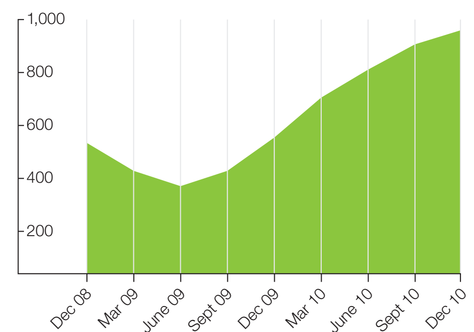
Operational performance

On the back of an excellent performance in the upstream business units, the division has been able to achieve a record financial performance. Further manufacturing and service capacity is being added to support current and future needs of upstream operations, while the restructuring of the downstream operations to reflect current market conditions is now underway.

Order input increased by 97% to £626m (2009: £318m). Upstream business units, Weir SPM and Weir Mesa, achieved input growth of 215% to a record £476m (US$736m), benefiting from improved market conditions, a move to harsher shale environments and market share gains. Growth accelerated in the second half driven by a surge in demand for original equipment as utilisation levels increased and customers expanded fleet capacity, placing forward orders for 2011 and 2012. The replacement cycle has also been shortened by the increasing operational intensity of longer cycle, higher pressure applications. Good progress was also made by the Middle East service operations with higher input principally due to opportunities arising in Iraq. These increases were partly offset by the downstream business, Weir Gabbioneta, which experienced a soft market and increased competition, causing input to fall 15% to £82m in 2010 (2009: £97m).

"The medium term outlook for upstream remains positive as growth in the North American onshore oil and gas sector continues, as operating intensity increases and as interest in shale fracturing beyond North America develops."

US horizontal rig count



Weir Oil & Gas Services in Dubai

Weir Oil & Gas Division
Operational review (continued)

Revenue increased 50% to £462m (2009: £308m). Upstream businesses achieved revenues of £303m (US$469m), up 116% on 2009. In particular, they benefited from an ability to respond quickly to changing market conditions, investments in increased capacity and an expansion of their service centre footprint.

Operating profit including joint ventures increased by 122% to £117.4m (2009: £53.0m). The positive market environment in upstream, along with strong operational leverage were the primary drivers of this record performance.

Operating margin was 25.4% in 2010 compared to 17.2% in 2009, reflecting the operating leverage effect of higher volumes at the upstream business units and continued strong aftermarket revenues across the division.

Pump assembly at Weir SPM, Fort Worth, Texas

Investment

Weir Oil & Gas continued to invest in support of future growth ambitions with capital expenditure of £17.2m (2009: £7.1m). During the year, Weir SPM added to its machining capacity at the Fort Worth facility and expanded its service network, including a new service centre in Macae, Brasil. Further investment was also made in the Houston and Mesa operations. In March 2010, the Australian business PCS was acquired for £3.9m providing a platform for growth in that market. Commitment has also been made to significantly increase manufacturing and service capacity at Weir SPM's Fort Worth plant with a planned investment of US$40m (£26m) over 18 months.

In November 2010, a joint venture was formed with Shengli Oilfield Highland Petroleum Equipment Co. Ltd. to provide high-pressure well service pumps and related flow control equipment to the developing shale gas industry in China.

The joint venture is expected to commence operations in the first half of 2011. Owned 60% by Weir and 40% by Highland and based in Dongying, Shandong Province, the joint venture will build on the success achieved by Weir SPM in providing specialised products for use in the development of shale oil and gas production in North America.

With Weir SPM's expertise in well service pumps and flow control equipment and Highland's extensive customer relationships and market knowledge, the joint venture is seen as a key enabler to securing business from China's accelerating unconventional shale gas market.

A substantial investment has been also been made in product research and development. Engineering resources were doubled and overall spending on research and development increased by 65% to £4.8m. Towards the end of the year the Destiny triplex frac pump was launched providing a product with improved reliability, higher output and pressure loads to provide a longer uninterrupted service operation as required by these new shale applications. Further new product launches are planned for 2011. This pump has gained immediate acceptance, especially in Canada and will be a core product for Weir SPM in 2011. Work also commenced in reviewing the downstream product portfolio to improve its cost competitiveness in the challenging market conditions.

Reflecting the growth of the business, over 500 employees joined the division with effective integration a key priority over the year. Management training and development initiatives continue to be developed across each operation in support of Group-wide plans.

Outlook

The upstream businesses enter 2011 with a record order book providing much greater forward visibility than in previous years. Current forecasts indicate that the average North American horizontal rig count will continue to grow in 2011 with a further shift towards oil drilling. As a result it is anticipated that 2011 upstream revenues and operating profits will grow ahead of previous expectations. However, given the surge in original equipment orders achieved in the last five months of 2010 for delivery in 2011 and 2012, a more normalised level of input is anticipated in 2011. Moderate growth is forecast in the Middle East in 2011 underpinned by improved operating conditions in Iraq. The division's downstream operations will be impacted by a weaker opening order book, restructuring actions and an anticipated continued challenging environment for new orders. The medium term outlook for upstream remains positive as growth in the North American onshore oil and gas sector continues, operating intensity increases and interest in shale fracturing beyond North America develops.

Weir in action

Customer

In late 2008 Weir SPM conducted a strategic "voice of customer" frac pump survey and received feedback with a strong demand for a more durable and reliable frac pump for use in the harsh unconventional gas shale formations during multistage hydraulic fracturing processes.

Destiny triplex frac pump

Brief

Original frac pump technologies were developed decades ago for applications vastly less intensive than those of today. Pumps were modified in the mid-2000's to support the Barnett shale gas development in North Texas, but these only met the market needs for a short time. Multistage fracturing technologies continued to evolve through late 2008 into 2009 with higher horsepowers and pressures and caused frac pumps and related components to wear at rates faster than ever.

Solution

Weir SPM developed a new functional frac pump specification and after verification by customers embarked on the Destiny product research and development project to design and deliver a new state-of-the-art frac pump range using the most modern analytical tools and materials to meet market demands.

Result

In 2010, the first of the new range, the Destiny triplex frac pump, completed both shop and field testing to verify the original "voice of the customer" requirements outlined in late 2008. As customers began field testing, the Weir SPM Destiny frac pump demonstrated its superior performance. Customer response to date has been tremendous. Deliveries started in the last quarter of 2010 and a significant order book already exists. Research and trials continue to be conducted for improved life pump expendables with further launches of new technologies planned for 2011.

Weir Power & Industrial Division
Operational review

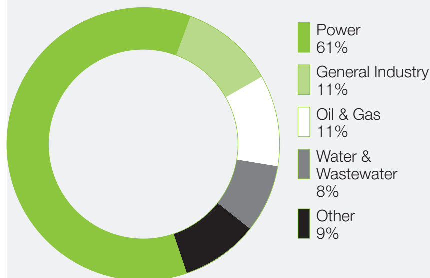
Divisional results[1]

Order Input
£268m
Up 6%

Revenue
£246m
Up 6%

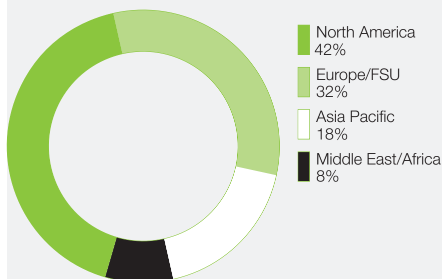
Operating profit
£26.3m
Up 11%

Sector input breakdown



Power 61%
General Industry 11%
Oil & Gas 11%
Water & Wastewater 8%
Other 9%

Geographic input breakdown



North America 42%
Europe/FSU 32%
Asia Pacific 18%
Middle East/Africa 8%

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

Weir Power & Industrial designs, manufactures and provides aftermarket support for specialist and critical-service rotating and flow control equipment for the global power generation, industrial and oil and gas sectors. The division includes the Group's critical service valve operations, a specialist pump business, hydro and steam turbine businesses and substantial service and aftermarket operations with locations in Europe, Middle East, North America, India, China, Asia Pacific and South Africa.

The valve portfolio was expanded during 2010 with the acquisition of BDK in India, while the acquisitions of American Hydro and Ynfiniti Engineering Services (YES) strengthen the division's position in the renewables market. Three facilities have nuclear certification and the business is one of only a few companies globally with the capability to provide specialist safety critical valves into the nuclear islands of the 3rd and 4th generation of nuclear power stations.

Market review

Demand for original equipment for the conventional power market remained strong in Asia but was weak in Europe and North America, with most new coal power station projects postponed or cancelled due to funding issues and environmental legislation uncertainties. The nuclear market remained active with China continuing to represent the majority of nuclear new build activity worldwide, although, in the US, procurement started for the first two new nuclear plants in 25 years with emerging opportunities elsewhere. The hydro and wind markets also continued to grow as the demand for power from renewable energy sources continued to increase worldwide. Customers postponed most non-essential maintenance of existing fossil and nuclear plants, although continuing new build delays will result in increased potential for refurbishment and life extension projects.

Weak market conditions continued across the industrial and downstream oil and gas markets, with reduced activity in the UK and Canada.

Achievements & contract wins

- Achieved a record year for nuclear valves orders, with an input of £37m, including:
  - significant orders from Westinghouse for the supply of TRICENTRIC® butterfly valves for the first nuclear stations to be built in the US in 25 years
  - a major order for the supply of Blakeborough® control valves for Taishan, the first nuclear power plant project in China to construct the Areva EPR reactor design
  - the supply of Hopkinsons® gate valves as part of the rehabilitation programme at Bruce Power nuclear power plant in Canada
  - an order for nuclear safety valves with Chinergy in China for the prototype of the world's first 4th generation nuclear reactor.
- Signed an agreement with MHI to collaborate on projects in the UK nuclear new build market.
- Awarded multi-million pound contracts for the supply of two industrial steam turbines with a total capacity of 40MW by Royal Swaziland Sugar Company and Dutch waste-to-energy provider A.R.N. BV.
- First order for windfarm maintenance secured from Alstom, covering nine 1.7MW turbines at Clachan Flats windfarm in Scotland.
- Multi-million pound contract for innovative subsea rotary gate valves for the Greater Gorgon gas field, off the coast of Western Australia.
- Weir American Hydro secured US$18m of orders from major North American power companies including Ameren, Kentucky Utilities, Nova Scotia Power and PPL Generation for rehabilitation and turbine runner replacement at four hydro power plants.
- Enhanced range of specialist pumps launched for the municipal and industrial markets with improved efficiency.

First safety valves from new production line in Hubli, India

Weir Specialty Pumps launch enhanced range for municipal and industrial markets

Operational performance

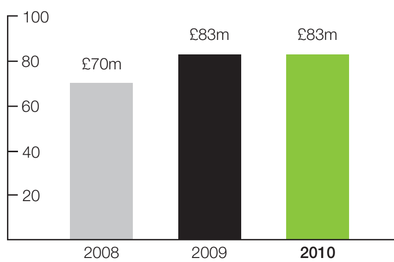
The division has continued to focus on product innovation and development, expanding the supply chain and extending its product offering and sales route to market with a clear focus on the global power market and on growing oil and gas opportunities. A positive first contribution was made by the recent acquisitions of BDK and American Hydro and restructuring of the Canadian service operations was completed to improve market position and profitability.

Order input grew by 6% to £268m (2009: £254m), but fell 1% before the impact of current year acquisitions which contributed £18m of input in their part-year of ownership. Nuclear input at £83m (2009: £83m), benefited from new orders weighted to the second half from China, the US and Europe. However, this has been more than offset by the postponement of outages at a number of power stations in Europe and North America. In addition, poor market conditions in the industrial sector have particularly affected product and

Weir Power & Industrial Division
Operational review (continued)

"The global push for low carbon power generation will drive growth in renewable energy markets and this sector will become increasingly important for the division."

Nuclear order input



service businesses in Canada and the UK. Positive input trends were evident at both Weir BDK and Weir American Hydro. Overall, the proportion of orders from the power sector increased to 61% (2009: 55%).

Revenue increased by 6% to £246m (2009: £231m), growing 3% on a like-for-like basis. This reflects a strong opening order book, weak aftermarket and increased deliveries of original equipment products to the Chinese nuclear market. Weir American Hydro and Weir BDK contributed revenues of £8m in the part-year of ownership.

Operating profit increased by £2.6m to £26.3m including a £1.0m contribution from the current year acquisitions and costs of £2.6m relating to the restructuring of the Canadian service operations and other integration and acquisition related costs.

Operating margin rose to 10.7% from 10.3% in 2009. This increase reflects positive manufacturing efficiencies, benefits from the low cost supply chain and the positive impact of higher margin acquisitions offset by one-off costs.

Weir strengthened its presence in the growing renewables market

Investment

Capital investment of £3.4m (2009: £3.7m) was made in the division's facilities to further improve operating efficiency and capability. During 2011, further investment is planned in Canada and China. A new Montreal service centre will complement the American Hydro acquisition and enhances its offering to the Canadian hydro power market while an extended Suzhou facility will enable control valves to be manufactured for the Chinese market.

In October 2010, the acquisition of BDK, an Indian valve manufacturer, was completed extending the emerging market footprint and product portfolio and providing a substantial low cost manufacturing capability. The division's exposure to the fast growing renewables market was also increased with the acquisitions of American Hydro in the US and YES in Spain. Weir American Hydro manufactures turbine components which improve the efficiency of existing hydro-electric power generation plants and together with the existing service skills will accelerate development in established hydro markets. Weir YES provides operating and maintenance services to the growing installed base of wind turbines operating principally in Spain and Portugal. Further investment through the YES acquisition will strengthen the division's presence in the fast-growing wind and solar markets by broadening its renewables offering and creating a global capability.

Overall spending on research and development increased by 79% to £1.8m due to new product development initiatives aligned to target growth markets of nuclear power and renewable energy. The specialist pumps business in the US also invested in the development of a range of pumps to improve its position in the municipal and industrial markets.

A number of other projects are also underway to expand routes to market and product offering across both the power and oil and gas markets. Sales and application engineering resources were increased to extend market coverage for control and safety valves while a new Singapore trading hub has been opened to access the wider South East Asia market.

Outlook

An improved financial performance is expected in 2011 as the division benefits from a substantial nuclear workload, the now completed Canadian restructuring and a full year contribution from the 2010 acquisitions. Input trends will be impacted by the timing of new nuclear orders, with fewer prospects expected to come to market in 2011 before a pickup in 2012. Whilst the outlook for the global power markets remains positive, the division remains cautious as to recovery of general industrial markets. An active new build nuclear programme continues in China with a growing number of opportunities emerging elsewhere in the world. In addition, the lack of new build coal plants in Europe and North America will add impetus to other power sources, such as biomass conversions and new gas-fired plant. As the global push for low carbon power generation drives growth in renewable energy markets, this sector will become increasingly important for the division.

Weir in action

Customer

Much of the global nuclear new build activity is focused on the so-called 3rd generation reactor technology. Although no commercial 3rd generation reactors are currently operational, the development of 4th generation reactors is already underway. One project is the High Temperature Gas-Cooled Reactor Pebble-Bed Module (HTR-PM) in China, being led by a consortium of Chinese organisations to build the first HTR plant in Shidaowan, Rongcheng City in Shandong Province.

Latest safety valve for 4th generation nuclear reactors

Brief

Weir's facility in Châteauneuf-Les-Martigues, France, specialises in the design and manufacture of safety valves for nuclear applications. The facility was tasked with developing specifications for overpressure protection for the primary and secondary circuits of the Chinese HTR-PM reactor and was commissioned by main nuclear island contractor Chinergy to supply both primary safety valves and main steam safety valves.

Solution

A team of eight from Weir have been working closely with engineers at Chinergy for over two years and designed a solution to ensure no leakage given the complexities of the smaller size of helium gas molecules and also material stress due to the higher temperatures and pressures of supercritical steam.

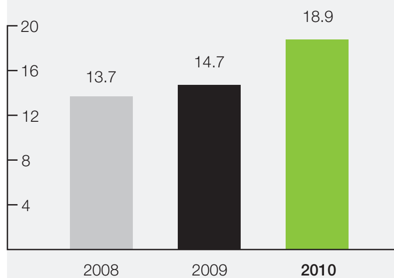
Result

An initial order for ten safety valves was received. A further 19 HTR-PM reactors - based on this initial design - have been approved in China, putting Weir in a favourable position for additional contracts.

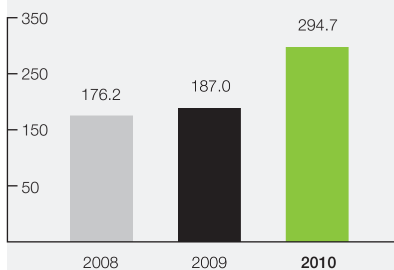
A record performance
Finance Director's review by Jon Stanton

Continuing operations

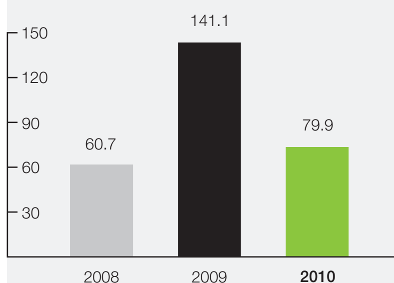
Operating margins[1] (%)



Profit before tax[1] (£m)



Free cashflow (£m)



[1] Adjusted to exclude intangibles amortisation

A record performance in 2010 reflects our position in highly attractive end markets and ability to take advantage of the growth opportunities that they present. Positive trends in original equipment orders in the second half of the year built on continuing strength in aftermarket revenues. Our organic growth was complemented with five acquisitions and our financial position remains strong following another year of good cash generation and the $800m re-financing of our committed bank facilities in September.

Order input at £1,904m was 39% higher than the prior year in constant currency and 36% higher on a like-for-like basis after adjusting for current year acquisitions. Original equipment orders were up 58% (54% like-for-like) reflecting significantly increased capital expenditure driven by demand in upstream oil and gas and mining markets. Aftermarket orders were up 27% (24% like-for-like) as oil and gas and commodity production levels increased and represented 54% (2009: 59%) of total input. Each of the divisions reported higher input levels in 2010. Minerals order input increased 26% to £984m (2009: £782m) and 22% on a like-for-like basis after excluding Linatex, while Oil & Gas input increased 97% to £626m (2009: £318m) with the like-for-like increase, excluding PCS, at 96%. Power & Industrial input increased 6% to £268m (2009: £254m), falling 1% on a like-for-like basis excluding the impact of BDK, American Hydro and YES.

Revenue grew by 18% from £1,390m in 2009 to £1,635m with a net currency benefit of £63.8m principally due to the weakening of sterling relative to the average Australian dollar, Canadian dollar and South African rand rates in the prior year. In constant currency terms, this represents a 12% increase in revenue, reflecting strong order input during the year, offset by the lower opening order book. Excluding the impact of current year acquisitions, like-for-like revenues in constant currency were up 10%. Aftermarket sales represented 58% (2009: 54%) of revenue and due to the strength of our North American businesses, our exposure to emerging markets was 39% (2009: 43%) of revenues with stronger contributions from South America, Middle East and Africa offset by a decline in Asia Pacific mainly in non-core Weir LGE. Minerals revenues were up 3% to £901m (2009: £879m) with like-for-like revenue flat. Oil & Gas revenues increased 50% to £462m (2009: £308m) with like-for-like revenues increasing by 49%. Power & Industrial revenues grew 6% to £246m (2009: £231m) with like-for-like revenues increasing by 3%. Revenues from other Group companies fell from £36m to £26m.

Operating profit from continuing operations before intangibles amortisation increased by 51% to £309.7m (2009: £204.7m) including a net foreign currency benefit of £8.6m. On a constant currency basis, operating profits increased by 45% to £309.7m (2009: £213.3m), driven by the growth in upstream Oil & Gas and Minerals aftermarket revenues offset by one-off restructuring and acquisition transaction costs of £11.0m (2009: £6.2m).

Operating margin on the same basis increased from 14.7% to 18.9% reflecting the favourable impact of significant growth in aftermarket revenues and the benefit of operating leverage. On a constant currency basis, Minerals operating profits grew 24% to £174.5m (2009: £140.5m) giving a divisional operating margin of 19.4% (2009: 16.0%). Oil & Gas operating profits including joint ventures increased to £117.4m (2009: £53.0m) and operating margins were 25.4% compared to 17.2% for the prior year. Power & Industrial operating profits increased by 11% to £26.3m (2009: £23.7m), with operating margins of 10.7% (2009: 10.3%). The profit contribution from other Group companies was £3.5m (2009: £6.8m).

Depreciation and impairment of property, plant and equipment and investment property in the year was £34.3m (2009: £29.2m), giving rise to operating profits from continuing operations before depreciation and intangibles amortisation ("EBITDA") of £344.0m (2009: £233.9m).

Net finance costs

Net finance costs reduced to £15.0m (2009: £17.7m) due to prior year one-off costs of £3.7m on cancellation of floating-to-fixed rate interest rate swaps and reduced interest rate differential benefits from our US dollar balance sheet hedging programme. Underlying interest has remained flat on increased levels of net debt due to the higher cost of fixed private placement borrowings offset by reduced losses from interest rate swap hedges and lower volume of forward currency contracts. Net interest costs (excluding other finance costs / income) were covered 23.1 times by operating profits (2009: 12.6 times).

Profit before tax

Profit before tax from continuing operations before intangibles amortisation increased by 58% to £294.7m (2009: £187.0m). Reported profit before tax from continuing operations increased by 62% to £276.5m (2009: £170.4m) after intangibles amortisation of £18.2m (2009: £16.6m).

Taxation

The tax charge for the year of £82.8m (2009: £52.2m) on profits before tax from continuing operations before intangibles amortisation of £294.7m (2009: £187.0m) represents an underlying effective tax rate of 28.1% (2009: 27.9%) reflecting a higher proportion of US profits which are taxed at a higher rate. This differs from an expected rate of 31.0% (2009: 29.3%) as a consequence of our efficient capital structure and the recognition of recoverable deferred tax assets in the year. The reported tax charge in respect of continuing operations was £77.4m (2009: £46.8m), reflecting the additional tax credit on intangibles amortisation.

Discontinued operations

In December 2010, the Group pleaded guilty to two charges of breaching UN sanctions in connection with a number of Oil for Food contracts awarded between 2000 and 2002. This resulted in a confiscation order of £13.9m and a fine of £3.0m. Since the business involved was sold in 2007, these costs, along with £1.7m of related legal and professional fees, offset by the release of £5.0m of provisions and accruals, are shown as a loss from discontinued operations. In 2009, a profit of £5.2m was recognised in respect of prior periods disposals, which related to the release of an unutilised provision following the expiry of certain warranty periods.

Earnings and dividends

Earnings per share from continuing operations before intangibles amortisation increased by 57% to 100.4p (2009: 64.1p). Reported earnings per share including intangibles amortisation, exceptional items and discontinued operations was 87.9p (2009: 61.2p) reflecting the intangibles amortisation of £12.8m net of tax and the exceptional loss on discontinued operations of £13.6m. The weighted average number of shares in issue increased to 210.6 million (2009: 210.3 million).

The Board is recommending a final dividend of 21.0p per share, which together with the interim dividend of 6.0p per share paid on 5 November 2010, makes the total dividend for the year 27.0p, an increase of 29% over last year's total of 21.0p. This results in dividend cover (being the ratio of earnings per share from continuing operations before intangibles amortisation to dividend per share) of 3.7 times compared to 3.1 times in 2009.

Once approved, the final dividend will be payable on 2 June 2011 to ordinary shareholders whose names are on the Company's register of members at close of business on 6 May 2011.

Financial review
(continued)

Cashflows

Cash generated from operations before working capital movements increased by 45% to £342.3m (2009: £236.1m). Working capital performance was adversely affected by the unwind of the unusually high level of advance payments received on major contracts in 2009 which, together with underlying growth, resulted in a net working capital outflow of £67.4m compared to a net inflow of £66.2m in 2009. Net cash generated from operations reduced by 9% from £302.3m to £274.9m. This represents an EBITDA to cash conversion ratio of 80% (2009: 129%). Overall working capital on a constant currency basis and excluding current year acquisitions is now 12.6% of revenues (2009: 10.3%), debtor days have increased slightly from 47 to 51 and inventory turns have improved from 3.6 times to 3.7 times.

Additional pension contributions of £9.3m (2009: £11.1m) were paid in the period in respect of agreed special contributions to the UK schemes.

Capital expenditure increased from £40.6m in 2009 to £50.9m, representing 1.5 times depreciation (2009: 1.4 times), reflecting an increase in attractive investment opportunities available across the Group. We expect capital expenditure to be significantly higher in 2011 reflecting further expansion of our upstream Oil & Gas facilities and investment in emerging markets.

Settlement of derivative financial instruments resulted in cash outflows of £13.4m (2009: £16.5m). This principally represented the scheduled settlement of floating rate cross currency swaps which formed part of the hedge of our US dollar investment in SPM with the remainder of these derivatives rolling-off over the next three years.

Free cashflow from continuing operations was £79.9m (2009: £141.1m). Combined with the net funding cost of acquisitions and disposals of £204.1m and the £18.6m exceptional payment made in respect of the Oil for Food settlement attributable to discontinued operations, this resulted in an increase in net debt from cashflows of £142.8m. These cashflows, taken together with debt acquired of £15.8m, the adverse impact of the translation of net overseas borrowings of £5.6m (2009: £18.9m) and other non-cash movements of £0.2m resulted in a year end net debt position of £283.6m (2009: £119.2m) reflecting a net debt/EBITDA ratio of 0.8 times (2009: 0.5 times) demonstrating substantial financial headroom.

Acquisitions

During 2010, the Group acquired five businesses for a total consideration of £217.5m. Total assets acquired amounted to £130.9m, including recognition of £107.2m of intangible assets, resulting in goodwill of £86.6m. Further information on these business combinations can be found in note 13 to the financial statements.

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 objectives of optimising capital efficiency, diversifying the investor base, achieving an orderly maturity of funding 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.

On 11 January 2010, the Group issued through a Private Placement to UK and US investors, the equivalent of US$250m of five year (US$110m) and eight year (US$140m) fixed rate notes in a combination of US dollars 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%. The fixed rate notes further improved the Group's financial flexibility by diversifying our sources of finance and lengthening the maturity profile of borrowings. The proceeds from this placement were used to repay borrowings under our £625m bilateral facilities which were subsequently replaced with a new US$800m multi-currency revolving credit facility maturing in 2014. As at 31 December 2010, £203.1m was drawn under the revolving credit facility and all covenants were met at 31 December 2010.

The Group also held net cash balances of £79.5m at 31 December 2010 (2009: £55.7m) representing operating balances held by the Group's subsidiaries of which £5.4m (2009: £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.

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 debt is denominated in a combination of fixed and 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. Following the issuance of the equivalent of US$250m fixed rate notes on 11 January 2010, the proportion of fixed rate debt significantly increased to 44% as at 31 December 2010 (2009: 18%). All interest rate swaps which had the economic effect of converting borrowings from floating to fixed rates matured in 2010.

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 subsidiary companies apply cashflow 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 weakening of sterling relative to a number of major currencies in the year, predominantly the US dollar and Australian dollar, resulted in a positive net asset translation effect of £39.6m, including the impact of the balance sheet hedging programme. The fair value of derivatives designated as net investment hedges at 31 December 2010 was a liability of £38.8m (2009: £40.7m), reflecting the part settlement of floating rate cross currency swaps offset by the weakening of sterling relative to the US dollar 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.

The Group has continued to pro-actively manage its exposure to its pension plans. Reflecting equity/bond market performance and yield movements, the net Group deficit for retirement benefit obligations at the year end was £65.0m (2009: £71.0m deficit).

Net assets

Net assets increased by £179.3m in the year to £921.7m (2009: £742.4m), principally reflecting total net comprehensive income for the year of £222.9m less dividends paid of £46.9m.

This year we have reported return on capital employed (“ROCE”) for the first time, which at 32.4% represents an increase of eight percentage points over 2009.

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 are 411 asbestos related claims in the US (2009: 308) outstanding against Group companies. There are 22 claims in the UK (2009: 21). All such actions are robustly defended.

The Company is subject to a claim relating to a civil action for damages arising from the UN Oil for Food programme which has been raised in the United States against just under 100 companies, including the Weir Group. 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 75 to 81 of this report. There have been no significant changes to the accounting policies adopted in 2009.

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 expectations at the time of recognition.

Impairment

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

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.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made or future changes to such assumptions could result in future adjustments to tax income and expense already recorded. Provisions are established based on reasonable estimates for possible consequences of audits by the tax authorities of the respective countries in which the Group operates. Management judgement is used to determine the amount of such provisions taking into account that differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company’s domicile.

Jon Stanton
Finance Director
8 March 2011

Board of Directors

Lord Smith of Kelvin
Chairman (66) ●

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 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 past president of the Institute of Chartered Accountants of Scotland.

Keith Cochrane
Chief Executive (46) ●

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 ScottishPower 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.

Jon Stanton
Finance Director (44)

Jon Stanton joined the Group as finance director in April 2010. He was formerly a partner with Ernst & Young having joined as a graduate trainee in their Birmingham office in 1988. He was appointed as a partner in their London office in 2001 with lead responsibility for the audit of a number of FTSE 100 multi-national clients.

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

Alan Mitchelson
Legal and Commercial Director & Company Secretary (61)

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.

John Mogford
Non-Executive Director (57) ▲■

John Mogford was appointed a non-executive director in June 2008. He is currently advising private equity on the energy sector and sits on several private company boards. 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 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.

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

▲ Audit Committee
■ Remuneration Committee
● Nomination Committee

Stephen King

Non-Executive Director (50) ▲

Stephen King was appointed a non-executive director in February 2005. Stephen is group finance director of Caledonia Investments plc. In February 2011 Stephen was appointed to the board of Bristow Group Inc. 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.

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

Non-Executive Director (64) ■●

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 Cable and Wireless Communications plc 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). From 2004 he has been 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, chairman of the Ditchley Foundation 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.

Michael Dearden

Non-Executive Director (68) ■●

Michael Dearden was appointed a non-executive director in February 2003. Michael worked for Burmah Castrol plc in a number of senior roles, including director and chief executive of Castrol Worldwide over a 20 year period. 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.

Richard Menell

Non-Executive Director (55) ▲

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) and director of Mutual & Federal Insurance Company Ltd (1996 -2010) and Standard Bank Group Ltd (1997-2011).

Richard is currently a director of Gold Fields Ltd in South Africa and senior advisor to Credit Suisse. He is a fellow of the Geological Society (London), and both the Australasian and South African Institute of Mining and Metallurgy.

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 the risk and control framework as described in the Corporate Governance report to identify these risks and has adopted a Sustainability Strategy as described in the Sustainability report to mitigate against these risks.

RISK	POTENTIAL IMPACT	MITIGATION
Global and economic conditions		
The Group operates in a number of regions where it may be exposed to economic, political, regulatory or business risks. The Group is also exposed to global growth trends and specific commodity price movements. Any contraction in capital expenditure and production activity could lead to a reduction in demand for the Group's products.	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. Commodity prices for all products, and particularly for exchange-traded commodities, may fluctuate widely. 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. Commodity price fluctuations are monitored closely and action taken to mitigate against the risk as appropriate. The Group's growing installed base plus the drive for operational excellence will enable the business to react to market changes as they arise.
Employees		
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 pages 58 to 60.
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.	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.

RISK	POTENTIAL IMPACT	MITIGATION
Regulatory, compliance and internal controls		
Many countries where the Group's operations are located have increased their emphasis on enforcement of laws to which the Group is subject including safety, environmental, antitrust, fraud, anti-bribery and anti-corruption. A new UK Bribery Act is due to be introduced in the first half of 2011, with application across the entire Weir Group.	The Act applies not just in the UK but also to all subsidiaries and branches of a UK-listed company. Non-compliance with any of these laws or regulations could expose the Group to financial or reputational damage. Failure by the Group's employees, or agents acting on its behalf, to maintain the highest standards of ethics and integrity in dealing with customers or failure to comply with any 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, financial condition or reputation.	Companies must show that they have adequate procedures in place to combat bribery. The Group has clearly set out the way it expects employees and stakeholders to behave in its Code of Conduct, which is available on the Group's intranet and website. In addition, training is provided to all at-risk employees. Concerns regarding breaches in compliance matters or internal controls can be reported in confidence through the dedicated phoneline. Further details of the Code of Conduct are provided on pages 65 to 66.
Environmental, safety and health		
The Group's activities require the continuous monitoring of environmental, safety and health (ESH) risks.	Failure to manage these risks could result in a serious deterioration of the Group's safety performance or could result in an environmental regulatory breach which could lead to: • 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 our operations have to be ISO 14001 and OHSAS 18001 compliant. This ensures that they not only meet with current requirements but also have the appropriate management systems in place to ensure continuous improvement in ESH performance. More detail on this and other environmental improvement initiatives and activities are set out in the Sustainability report on pages 52 to 66.
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 developing competitive threat from low cost markets using total cost innovation in product design, supply chain and low labour costs is a challenge to the Group. The Group's growth and success depends not only on its ability to innovate and ensure the continuous improvement of its existing product portfolio but its ability to develop and produce new and enhanced products in a cost effective and timely manner in accordance with customer demands.	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 research and development, 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 through the Group's key account management process. It also takes appropriate action to ensure that its cost base remains competitive and margins protected through its global procurement activities. 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
Business interruption		
The loss of a significant manufacturing / operational site through fire, natural catastrophe or critical plant failure could potentially have a material impact on the Group.	There are a number of key locations where a significant loss or sustained business interruption could give rise to a reduction in revenue and profit.	Whilst all of these operations are vulnerable to damage or interruption the Group maintains broad form insurance protection and business continuity plans to promote resilience in the business and mitigate the potential downtime.
Acquisitions		
The Group has undertaken a number of acquisitions in the recent past. With any acquisition there is the risk that any benefits or synergies may not be realised as a result of changing or incorrect assumptions or materially different market conditions.	While the Group identifies expected synergies, cost savings and growth opportunities prior to completing any acquisition, these benefits may not always be achieved or be achieved within the anticipated timescale. Furthermore, the Group could find itself liable for past acts or omissions of the acquired business without any adequate right of redress.	The Group operates a strategic planning process to review its corporate strategy with market and competitive position assessments driving the acquisition agenda. In addition, the Group implements a rigorous due diligence process and ensures clear financial targets are in place. The Group implements an internal 100 day plan to ensure that the integration process is actioned with the minimum of disruption.
Key suppliers and delivery		
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. In addition, the Group is dependent on the continued availability and effective management of subcontractors and other service providers.	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. In addition, failure of a supplier or availability of scarce raw materials could result in the Group incurring additional costs in sourcing an alternative.	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. The Group seeks to develop long-term relationships with its subcontractors and the Group's procurement function is responsible for establishing robust supplier relationships. In addition, the procurement function conduct a regular review of strategically important suppliers.

Corporate governance report

Introduction

The Board remains committed to the principles of good governance. Using the Combined Code as a guide to the components of good practice, good corporate governance 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 period, 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 52 weeks ended 31 December 2010, the Company complied with all provisions set out in the Combined Code.

In May 2010, the Financial Reporting Council issued a new edition of the Combined Code, renamed the UK Corporate Governance Code (the "New Code"), effective from the Company's next financial year, which outlines a number of changes that are designed to reinforce Board quality, focus on risk and improve accountability to shareholders.

The 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, safety and health and sustainability policies
- annual and half-year financial results, interim management statements and trading updates
- dividend policy
- Board appointments
- Group strategy and the annual operating budget
- Group corporate governance policy
- 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 52 weeks ended 31 December 2010, the Board met nine times, with one meeting at Weir Minerals Netherlands in Venlo. 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 nine board meetings held during 2010.

Name	Attendance
Lord Smith	9 of 9
Keith Cochrane	9 of 9
Michael Dearden	9 of 9
Stephen King	9 of 9
Richard Menell	8 of 9
Alan Mitchelson	9 of 9
John Mogford	9 of 9
Professor Ian Percy[1]	2 of 2
Lord Robertson	9 of 9
Jon Stanton[2]	7 of 7

[1] Professor Ian Percy retired from the Board on 30 April 2010.
[2] Jon Stanton was appointed to the Board on 19 April 2010.

Changes to the Board

Details of the current directors of the Company are set out on pages 32 to 33. Jon Stanton joined the Board on 19 April 2010 and Professor Ian Percy retired as a director on 30 April 2010.

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 accordance with the provisions of the New Code, the Board has resolved that all directors will stand for re-election by the shareholders each year at the annual general meeting.

Details of the directors service agreements, remuneration and interests in share awards are set out in the Remuneration report on pages 44 to 51.

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.

Corporate governance report (continued)

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

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

In line with the proposals in the New Code which provide that an external evaluation of the Board should be carried out at least once every three years, the Board instructed an external facilitator to conduct the evaluation in 2010. This facilitator had no other connection with the Company.

The evaluation focused on the following key areas:

- board structure, dynamics and relationships
- board committees
- executive and non-executive director succession
- identification, management and reporting of risk including non financial risk
- internal audit and
- strategy.

The review concluded that there was an effective Board led by a strong chairman. A number of detailed recommendations will be followed up by the chairman.

Any non-executive director who has served on the Board for more than six years is subject to a particularly rigorous review.

Board balance and independence

The Board currently comprises the chairman, chief executive, finance director, legal and commercial director and five non-executive directors, all of whom are independent. Michael Dearden is the senior independent director.

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.

None of the non-executive directors has any material business or other relationship with the Company or its management. 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.

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 2006 Act and the Company's articles of association. In addition, directors and officers of the Company and its subsidiaries and trustees of its pension schemes are covered by directors & officers liability insurance.

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 2011 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 2011 annual general meeting, is available. Voting participation at the annual general meetings in 2008, 2009 and 2010 was 56%, 64% and 63% 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 32 to 33) and the three divisional managing directors whose details are set out below:

Dean Jenkins (39) was appointed the Power & Industrial Divisional Managing Director on 1 January 2011 and is based in East Kilbride, UK. Dean, an Australian citizen, is a graduate aerospace engineer with extensive experience of engineering materials and logistics best practice, asset management, product development and business restructuring. He previously worked for Qantas Airlines and the Australian listed infrastructure services company UGL Ltd, most recently as Chief Executive of the latter's Rail Division.

Steve Noon (46) is the Oil & Gas Divisional Managing Director based in Fort Worth, USA. Steve has worked with several multinationals 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 (47) is the Minerals Divisional Managing Director based in Madison, USA. Prior to joining the Group in 2001, 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 52 weeks ended 31 December 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 John Mogford. Professor Ian Percy served on the Committee until his retirement on 30 April 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 2010 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 2010. The following table identifies the attendance record of individual directors at the Committee meetings held during 2010.

Name	Attendance
Michael Dearden (chairman)	4 of 4
John Mogford[2]	3 of 3
Lord Robertson	4 of 4
Professor Ian Percy[1]	2 of 2

[1] Professor Ian Percy retired on 30 April 2010.

[2] John Mogford was appointed to the Committee on 26 January 2010.

Nomination Committee

The members of the Committee during 2010 were Lord Smith (chairman), Keith Cochrane, Michael Dearden and Lord Robertson. Professor Ian Percy served on the Committee until his retirement on 30 April 2010. Alan Mitchelson acts as secretary to the Committee. The Committee meets at least twice a year and at other times when necessary and in 2010 met two times. The following table identifies the attendance record of individual directors at the Committee meetings held during 2010.

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

[1] Professor Ian Percy retired on 30 April 2010.

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.

Audit Committee

The chairman of the Committee is Stephen King. During 2010, the other members of the Committee were Richard Menell and John Mogford. Professor Ian Percy served on the Committee until his retirement on 30 April 2010. The secretary to the Committee is Alan Mitchelson. In addition, the chairman, chief executive, finance director, head of internal audit and external auditors attend each meeting. The head of internal audit and 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 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 2010, in January, March and July. The following table identifies the attendance record of individual directors at the Committee meetings held during 2010.

Name	Attendance
Stephen King (chairman)	3 of 3
Richard Menell	3 of 3
John Mogford	3 of 3
Professor Ian Percy[1]	2 of 2

[1] Professor Ian Percy retired on 30 April 2010.

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 2010, 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 2010
- the Group accounting policies
- the findings of internal audit reviews undertaken by PricewaterhouseCoopers LLP and the head of internal audit
- the Group's risk process and the results of the compliance scorecard
- the fees for Ernst & Young LLP for 2010
- the audit strategy for year end 2010 audit and
- the fraud and error guidelines contained in ISA240.

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

Corporate governance report (continued)

The Committee maintains a policy on the appointment and role of the auditors. This includes guidelines on their appointment which is subject to regular review 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 financial year, the Committee reviewed the auditors' process for ensuring their independence and effectiveness and commented on their internal quality control procedures. The Committee is 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 is 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 £1.6m (2009: £1.2m) in respect of 2010 were approved by the Committee.

Code of Conduct

The Weir Code of Conduct ("the Code") was launched on the Global Intranet and Weir Group website at the end of December 2010. The Code codified the Group's commitment to doing business at all times in an ethical and transparent manner. It sets out in a practical way the behaviours and values expected from all Group employees and how they can raise concerns or ask questions.

The Code is supported by:

- A hotline which will be available to all employees to report any concerns or apparent breaches of the Code. This is a confidential service run by an independent provider
- An on-line training module which will provide an introduction to the Code and practical scenarios that may be faced by employees in their day to day work. Further on-line training will be introduced on a regular basis
- A mandatory training module which is required for all high risk employees on Anti Bribery and Corruption
- Further training in the form of local 'Town Hall' meetings for individual business units.

The Board and Group Executive Committee will regularly review performance against the Code. More information on the Code can be found in the Sustainability report on pages 65 to 66.

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 2010 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 34 to 36.

The Board has monitored the effectiveness of the Group's system of internal control during the financial 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 which are in place and communicated to all Group operating companies through the Global 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 financial 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.

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 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 2006 Act 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.

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 note 30 to the Group financial statements on pages 111 to 120. Each of these items has been considered in relation to the Group's banking facilities described on page 30 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 2006 Act) 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.

Alan Mitchelson
Secretary
Signed and approved for and on behalf of the Board
8 March 2011

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 2010, the Committee comprehensively reviewed the remuneration packages of the executive directors to ensure they continue to be appropriate and competitive. As a result of the review (details of which are set out below) and following consultation with the Company's major shareholders, the ABI and RREV, certain changes were made to the salaries of the executive directors, the bonus potential of the chief executive and to the performance conditions for the 2011 awards to be made under the Group Long Term Incentive Plan ("LTIP").

Membership of the Remuneration Committee

The chairman of the Committee is Michael Dearden. The other members of the Committee who served during 2010 are Professor Ian Percy, up until his retirement on 30 April 2010, Lord Robertson and John Mogford, from 26 January 2010. The secretary to the Committee is Alan Mitchelson.

Hewitt New Bridge Street (a trading name of Aon Corporation) ("HNBS") continued to provide independent external advice in formulating remuneration policy and its implementation during 2010. HNBS's appointment was renewed by the Committee for the year 2011. HNBS 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 2010. It is intended that this policy will apply in 2011 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 LTIP.

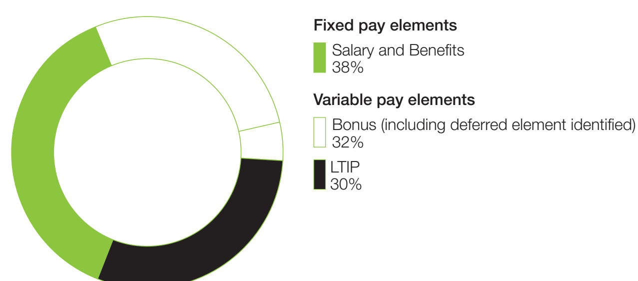
Elements of remuneration

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 broadly similar size and having regard to pay and employment conditions throughout the Group. With the exception of Alan Mitchelson, executive directors are responsible for their own pension arrangements.
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. In 2011, the chief executive's maximum potential bonus will be increased to 150%. As part of the LTIP, 30% of all executive directors' bonuses are deferred in the form of shares.
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 2010 remuneration package for the executive directors comprising fixed and variable elements of pay. For 2010, it shows that 62% of executive directors total remuneration package was performance related.



Salary and benefits

Over the past few years, the Group's revenue and profits have grown very significantly and the Group continues to grow. In addition, the Company's share price has significantly out-performed the market and the Company entered the FTSE 100 in September 2010. The Group has also become more complex and geographically diverse.

While the Committee is very conscious of the need to pay no more than is necessary, it considers that it is essential that remuneration packages are broadly competitive. It is also conscious that the chief executive's salary was conservatively set on appointment on 2 November 2009 (and not increased since) with the expectation that it would increase with experience.

Recognising all of the above factors, the Committee undertook a comprehensive review of the executive directors remuneration packages, benchmarking against 20 UK-based international companies whose financial dimensions are broadly similar to the Company's and separately, companies ranked between 76th and 100th in the FTSE.

This exercise revealed that the chief executive's base salary of £550,000 is significantly below the median of both groups and his fixed pay is significantly below the lower quartile (he provides his own pension). His total target remuneration is significantly below the lower quartile.

It also showed that the finance director's salary is below the median of both groups and his fixed pay is below the lower quartile (he provides his own pension), with total target remuneration being below lower quartile. The legal & commercial director's salary and fixed pay is at or below the lower quartile and total target remuneration is below the lower quartile.

As a result, the Committee has decided to increase the chief executive's salary to £650,000 from April 2011, recognising that after this increase in salary (and the increased bonus potential referred to below) his fixed pay would be below lower quartile and total target remuneration would still remain significantly below median. The Committee also intends to increase his salary over two further years (in broadly equal steps) to the current target salary of £725,000, subject to individual and company performance including, in particular, the Company's financial success and the maintenance of its ranking in the FTSE 100. In any event, further significant increases above £650,000 will only be made after prior consultation with the Company's major investors, the ABI and RREV.

It is worth noting that if his salary were to rise to £725,000, then based on the current benchmarking, his fixed pay would remain below median with his total target remuneration being at or below median.

The Group finance director's salary will be increased by 8.1% to £400,000 and the legal & commercial director's salary will be increased by 7.2% to £350,000. Both of these increases will take effect from 1 April 2011. After these changes, their total target remuneration will remain at or below lower quartile.

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

Bonus

Under the Group annual performance–related bonus, the payout for 2010 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. In the light of the very substantial increase in profits in 2010 and the Group's profits exceeding all bonus targets, this was paid out in full. To provide a more market competitive bonus, the maximum bonus potential in respect of the chief executive will be increased to 150%. The performance criteria will remain unchanged for 2011.

Demanding bonus targets are set by the Committee. For 2011, the entire vesting range will be above the result for 2010, with significantly more stretch above target than leeway below it. 60% of maximum will be payable for achieving a demanding on-target performance.

Long Term Incentive Plan

During 2010, 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 2010, awards were made up to a maximum of 100% of salary. It is the Committee's intention to make awards in 2011 of up to 100% of salary.
- Executive directors are required to compulsorily defer an element of any Group bonus earned in exchange for which they are awarded investment shares. Up until 2011 the compulsory deferral was 25% for the chief executive and 20% for all the other executive directors. Following shareholder approval at the annual general meeting in 2010, the compulsory deferral was

Remuneration report (continued)

increased to 30% from 2011 for all executive directors. In addition, executive directors are also allowed to voluntarily convert a further portion of their Group bonus (subject to any cap imposed by the Committee, until 2011 20%) into Weir Group shares. From 2011, the amount that the chief executive will be able to invest voluntarily will be increased to 25%. The cap in relation to the other executive directors will remain at 20%.

- 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 2010, 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, this will 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.

During 2010, the 2007 LTIP Award vested in full as the Company's TSR ranked in the upper quintile of the Comparator Group applicable for the 2007 Award.

Performance criteria

For awards made in 2010, the performance condition was 50% 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 2010 Comparator Group") and 50% based on earnings per share growth (adjusted to exclude intangibles amortisation and exceptional items). 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 2010 Comparator Group comprised:

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

Only if the Company's TSR ranks in the upper quintile of the 2010 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.

The earnings per share target for 2010 was as follows:

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.

Following a review of the performance condition, the Committee has decided to adopt a new group of peers for TSR comparison and to revise the earnings per share target for the awards in 2011.

The Committee considers it would be more appropriate if a new, more international, group of peers was used (the "New Comparator Group"). Within the New Comparator Group, 40% are based in the UK, just over 40% are based in the US with the remainder being based in Europe. The market capitalisations of these companies range from approximately £2bn below the Group's market capitalisation to approximately £3bn above.

The New Comparator Group is set out below.

Company	Country of Main listing	Rationale
Lufkin	US	O&G peer
Outotec	Finland	Mining peer
Halma	UK	UK engineer
Charter	UK	UK engineer
Sprirax-Sarco Engineering	UK	UK engineer
Melrose	UK	UK engineer
Crane	US	Gen Ind
Rotork	UK	UK engineer
Cookson Group	UK	UK engineer
Gardner Denver	US	O&G peer
Dresser Rand	US	O&G peer
SPX	US	Gen Ind
Wood Group	UK	UK engineer
Meggitt	UK	UK engineer
FL Smidth	Denmark	Mining peer
Sulzer	Switzerland	P&I peer
IMI	UK	UK engineer
Flowserve	US	P&I peer
Metso	Finland	Mining peer
Joy Global	US	Mining peer
Smiths Group	UK	UK engineer
FMC	US	O&G peer
Cameron	US	O&G peer
Dover	US	Ind Eng

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

The earnings per share target for 2011 will be as set out below:

Earnings per share growth	% of the earnings per share portion of the award which vests
15% per annum	100%
7% per annum	25%
Less than 7% per annum	0%

There is straight line vesting between each point.

The Committee considers that this is a demanding range of targets.

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

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

Pensions

Keith Cochrane and Jon Stanton are responsible for their own pension arrangements.

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.

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

Director	Contract commencement date	Expiry of current term	Notice period by Company
Lord Smith	6 February 2002	May 2011	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 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 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.

Remuneration report (continued)

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
Jon Stanton	19 April 2010	12 months	12 months

Executive directors external appointments

The executive directors are permitted, with board agreement, to take up one non-executive appointment provided 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.

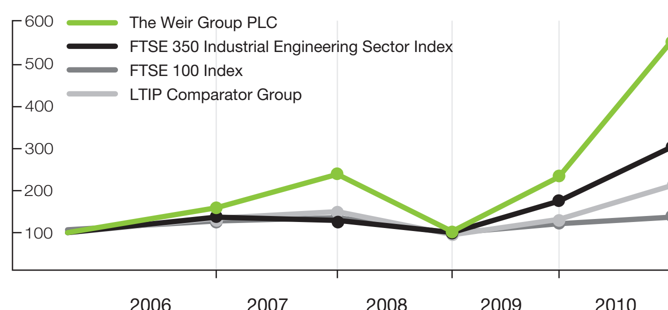
Remuneration of the chairman and non-executive directors

The remuneration of the chairman is agreed by the Board on the recommendation of the 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 HNBS. 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. With effect from 1 April 2011, the chairman's remuneration will be increased from £182,500 to a market rate of £250,000 and the basic fee for each of the non-executive directors will be increased from £45,000 to £50,000. The additional fees paid to the deputy chairman and the chairmen of the Audit and Remuneration Committees will be increased from £7,500 to £10,000. The fee paid to Michael Dearden in respect of his role as senior non-executive director will be increased from £2,500 to £5,000.

Total shareholder return

The graph below illustrates the performance of the Company against the FTSE 350 Industrial Engineering Sector Index, the FTSE 100 Index and the 2010 Comparator Group used in the LTIP. The Board has reported against three measures this year but in future years will measure the Group's performance against the FTSE 100 Share Index and the New Comparator Group for the LTIP only, as they represent a more appropriate and fair benchmark upon which to measure the Group's performance for this purpose.



This chart shows the value, as at 31 December 2010, of £100 invested in Weir Group shares over the last five financial years compared with the value of £100 invested in the FTSE 100 Share Index, FTSE 350 Industrial Engineering Sector Index and the average of the 2010 Comparator Group under the LTIP. The other points are the values at the intervening financial year ends.

Directors interests

The interests of the directors in the ordinary shares of the Company as at 31 December 2010 and at the end of the preceding financial period were as follows:

		As at 31 December 2010		As at 1 January 2010	
	Notes	Shares	LTIP awards	Shares	LTIP awards
Lord Smith		155,900	-	145,900	-
Keith Cochrane		66,522	374,687	41,666	321,959
Michael Dearden		10,000	-	10,000	-
Stephen King		50,050	-	50,050	-
Richard Menell		1,000	-	-	-
Alan Mitchelson		180,299	278,597	144,092	284,884
John Mogford		7,981	-	7,981	-
Jon Stanton	2	3,000	30,204	-	-
Lord Robertson		10,000	-	10,000	-

Notes

1. No director had, during or at the end of the financial period, 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 Jon Stanton, the comparative figure is as at his date of appointment to the Board.
3. There have been no changes to the directors interests between 31 December 2010 and 8 March 2011.

Directors remuneration#

	Notes	Salary & Fees £	Bonus note 5 £	Benefits note 6 £	Total 2010 £	Total 2009 £
Chairman and non-executive directors:						
Lord Smith		182,500	-	480	182,980	179,195
Michael Dearden	1	53,750	-	-	53,750	51,880
Stephen King	2	51,250	-	-	51,250	47,500
Richard Menell		43,750	-	-	43,750	34,198
John Mogford		43,750	-	-	43,750	44,561
Lord Robertson		43,750	-	-	43,750	40,000
Professor Ian Percy	3	17,083	-	-	17,083	53,241
		435,833	-	480	436,313	450,575
Executive directors:						
Keith Cochrane		550,000	687,500	22,146	1,259,646	822,403
Alan Mitchelson		324,927	326,510	14,450	665,887	601,698
Jon Stanton	4	260,897	263,269	208,407	732,573	-
Former director		-	-	-	-	1,262,765
		1,571,657	1,277,279	245,483	3,094,419	3,137,441
Previous year comparatives		1,708,842	1,243,261	185,338		

Audited

Notes

1. The fees for Michael Dearden include £7,500 for services as chairman of the Remuneration Committee (2009: £7,500) and £2,500 for his role as senior independent director (2009: £2,500).
2. The fees for Stephen King include £7,500 for services as chairman of the Audit Committee (2009: £7,500).
3. The fees for Professor Ian Percy, who retired on 30 April 2010, include £3,333 for services as deputy chairman and for his role as senior independent director (2009: £10,000).
4. The benefit for Jon Stanton principally relates to relocation costs.
5. The bonus figures for Keith Cochrane, Jon Stanton and Alan Mitchelson include £206,250 (2009: £94,296), £78,980 (2009: £nil) and £97,953 (2009: £53,078) respectively, which will be compulsorily deducted from their bonus in exchange for which they will be awarded investments shares which, subject to remaining employed with the Group, will be receivable on the third anniversary of the 2011 award.
6. Benefits include, car allowance, participation in the Group health care scheme, travel allowance, death in service insurance and relocation allowance, as appropriate.

Remuneration report (continued)

Long term incentive awards#

	Notes	Date of award	Number of shares under award as at 1 Jan 2010	**Shares granted during the period**	**Shares lapsed/ did not vest during the period**	**Shares exercised during the period**	**Number of shares under award as at 31 Dec 2010**	Market price at date of award	Market price at date of vesting	Normal exercise period (note 3)
Keith Cochrane										
LTIP - Performance & matching shares	1	29 Jun 07	38,677	**-**	**-**	**38,677**	**-**	730p	925.5p	
		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
		15 Mar 10	-	**84,838**	**-**	**-**	**84,838**	923p	-	15.03.13 - 15.06.13
LTIP - Compulsory investment shares		29 Jun 07	3,611	**-**	**-**	**3,611**	**-**	730p	925.5p	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
		15 Mar 10	-	**10,181**	**-**	**-**	**10,181**	923p	-	15.03.13 - 15.06.13
			321,956	**95,019**	**-**	**42,288**	**374,687**			
Alan Mitchelson										
LTIP - Performance & matching shares	1	29 Jun 07	56,009	**-**	**-**	**56,009**	**-**	730p	925.5p	
		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
		15 Mar 10	-	**49,581**	**-**	**-**	**49,581**	923p	-	15.03.13 - 15.06.13
LTIP - Compulsory investment shares		29 Jun 07	5,590	**-**	**-**	**5,590**	**-**	730p	925.5p	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
		15 Mar 10	-	**5,731**	**-**	**-**	**5,731**	923p	-	15.03.13 - 15.06.13
			284,884	**55,312**	**-**	**61,599**	**278,597**			
Jon Stanton										
LTIP - Performance shares	1	09 Aug 10	-	**30,204**	**-**	**-**	**30,204**	1240p	-	09.08.13 - 09.11.13
			-	**30,204**	**-**	**-**	**30,204**			

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 46 to 47.
2. Awards under the LTIP take the form of nil cost options and have no performance retesting facility.
3. Awards under the LTIP can be exercised 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 52 weeks ended 31 December 2010.
4. On 12 March 2010, the 2007 awards under the LTIP vested in full. As a result Keith Cochrane and Alan Mitchelson exercised their awards as set out above, selling 25,392 and 17,432 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 financial year totalled £961,474 (2009: £1,506,154).
5. The closing market price of the Company's shares at 31 December 2010 was 1780p and the range for the year was 717.5p to 1861p.
6. For awards made prior to 2010, 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"). For the outstanding awards in 2008, 2009 and 2010 the Comparator Group comprises AGA Rangemaster Group, Bodycote, Cookson Group, Halma, IMI, Meggitt, Mitie Group, Morgan Crucible Company, Rolls-Royce, Rotork, Senior, Smiths Group, Spirax-Sarco Engineering, Tomkins, Wood Group and WS Atkins. 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.

Directors pension benefits#

Alan Mitchelson was a member of a defined benefit scheme provided by the Group during the year 2010. Keith Cochrane and Jon Stanton are responsible for their own pension provision. Pension entitlement and the corresponding transfer values were as follows during the year:

	Notes	Accrued pension as at 1 January 2010 £	**Increase in accrued pension during the period £**	**Increase in accrued pension during the period (net of inflation) (note 8) £**	**Accrued pension as at 31 December 2010 (note 1) £**	Transfer value of accrued pension as at 1 January 2010 £	Change in transfer value of accrued pension during the year net of directors ordinary contributions (note 3) £	**Directors ordinary contributions £**	**Transfer value of accrued pension as at 31 December 2010 (note 2) £**	Transfer value of increase (net of inflation) (note 2 & 8) £
Alan Mitchelson	4,5	35,104	**2,448**	**1,360**	**37,552**	788,471	46,547	**5,809**	**840,827**	30,452

Audited

Notes
1. The pension entitlement shown is that which would be paid annually on retirement, prior to any cash commutation, based on pensionable service to the end of the financial period.
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 period end has been calculated in accordance with this revised requirement.
3. The change in the amount of the transfer value over the period 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 period start due to ageing
   c. impact of any change in the economic or mortality assumptions underlying the transfer value basis – as referred to in note 2 above
   d. less the director's ordinary contributions
4. The change in the amount of the transfer value over the period includes the effect of fluctuations in the transfer value due to factors beyond the control of the Group and directors, such as stockmarket movements. The inflation measure for leavers during 2010 with at least one year to their normal retirement date was 3.1%. Consequently, the rate of inflation assumed in the above figures is 3.1%.
5. Directors have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in the above table.
6. The figures allow for the impact of the plan specific earnings cap and Alan Mitchelson's restricted salary for pension accrued from April 2010. Alan Mitchelson does not have an entitlement to an excepted (formerly known as unapproved) pension from the Group.
7. 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.
8. 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
8 March 2011

Sustainability report

Sustainability is a key part of the Group's strategy and is embedded in our approach to business through six key areas.

1: Environment

To reduce our energy use and carbon footprint

2: Health & Safety

To maintain a safe and healthy workplace

3: Employees

To attract and retain the best employees

4: Communities

To invest in the communities in which we operate

5: Products and technology

To optimise the energy efficiency of our products and supply of products to low carbon industries

6: Ethics

To conduct our business responsibly and ethically

What does this mean?

The strategy for each of these areas is set by the Board and responsibility for implementation rests with the Group Executive Committee. Co-ordination and monitoring of performance is managed through the newly created Corporate Sustainability Steering Committee which is led by the Group Legal and Commercial Director with specialist representation from across the Group in each of the six key areas.

Environment

Reducing our impact on the environment has been a focus in each of our operating companies for some time – our facilities are ISO 14001 compliant and have individually made significant progress. For the first time in 2010, we report our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol scope 1 and 2 and the progress we are making is evident from those results. Our objective is now to set improvement targets on a company basis to drive further sustained improvement.

Health & safety

The health and safety of our employees continues to be a priority for the Group with strong processes in place to ensure the zero tolerance culture is enforced. This is evident from our lost time accident statistics which have again improved year on year. We are now looking to further improve communication of health issues and to focus more on health and well-being activities in order to improve our employee engagement and performance. In addition, the development of health and safety processes in our supply chain which are less well developed and consistently applied will be enhanced.

Employees

Our employees are critical to the continued success of the Group. Increased investment in employee development programmes within the Group, in particular the Weir Graduate Development Framework and improved communication through the creation of the Senior Management Group, will support the Group in its goal of driving innovation, collaboration and global capability whilst also improving employee retention.

Communities

Weir is a global company doing business in more than 70 countries and the impact we have on the local communities and economies is therefore of paramount importance to the Group. We respect the communities we operate in and we strive to make a positive impact by the responsible running of our operations and by investing in the communities in a way that benefits both the local community and Weir.

Products and technology

Many of the Group's products and services are used in low carbon applications such as nuclear power generation, hydro power generation, wind power generation and flue gas desulphurisation. We aim to expand the range of products supplied to such applications over time. In addition, through our Engineering Excellence Committee we are continually looking to enhance the energy efficiency of our products both through their manufacturing process and operation.

Ethics

Investors, customers and employees are increasingly focusing on environmental, social and governance matters in their decision-making. The Weir Group's sustainability strategy will enable it to demonstrate good performance in these areas which will enhance the Group's reputation amongst key stakeholders. The Group Code of Conduct, anti-bribery and corruption training and ethics hotline ensure that the Group's zero tolerance to any contravention of policy is upheld.

Sustainability report
1: Environment

We aim to continually improve our environmental performance in all our operations and through time enhance the energy efficiency of our products.

Whilst the Board is responsible for setting the Group's environmental policy, its implementation is the responsibility of the Group Executive Committee. Monitoring of performance is managed through the Corporate Sustainability Steering Committee.

Our environmental impacts including greenhouse gas (GHG) emissions; material and solvent usage; waste products and emissions to atmosphere are identified and managed through our Environmental Management System (EMS) which are certified to ISO 14001 standard. We monitor upcoming legislation and share best practice across our operations.

ISO 14001

The Group's policy is that all its operations will be ISO 14001 accredited or, in the case of new acquisitions, a plan is put in place to achieve accreditation. 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, Safety and Health 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.

Environmental improvements

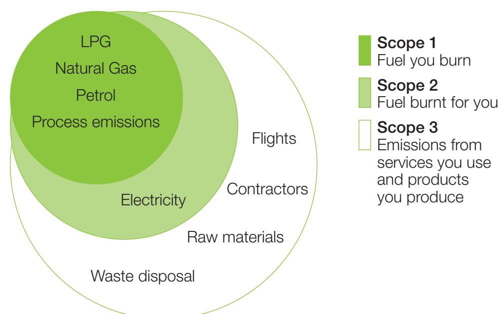
As part of the Group's commitment to continual improvement, during 2010 the Minerals Division established an Environmental Improvement Team whose objective is to share best practice in environmental management. The team aims to implement and maintain three active environmental improvement projects at 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.

Improvement is focused on the areas that have the most environmental and financial impact.

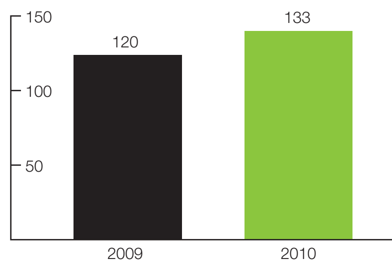
Carbon footprint

During 2010 the Group decided to establish a corporate greenhouse gas (GHG) inventory to facilitate consistent Group-wide reporting on the GHG implications of its global business activities. The GHG inventory was developed to cover all material GHG emissions under the Group's direct control during the years 2009 and 2010. The primary focus of the GHG inventory was the collection of data in respect of our global energy use and emissions to atmosphere in accordance with scope 1 and 2 of the Greenhouse Gas Protocol.

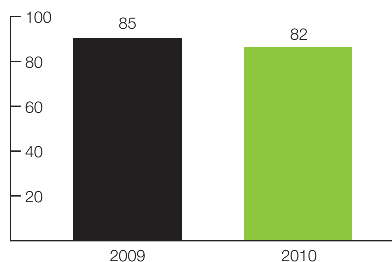


The Group has engaged an independent consultant to assist in the calculation of our 2009 and 2010 global carbon footprint and help standardise and improve our data collection methods. The results are set out below:

Total CO_2 emissions (CO_2 tonnes '000)



Total CO_2 emissions by turnover ($KtCO_2e$/£m)



2010

c20,000

tonnes of metal recycled at our foundries

1,244

tonnes of wood recycled at our foundries

10,000

gallons of water now saved at Weir Floway

95%

of coolant water now reused by Weir Minerals Europe

25%

less sand sent to landfill per tonne cast by Weir Minerals Australia

43%

energy saving by changing lighting at Weir Power & Industrial, Canada

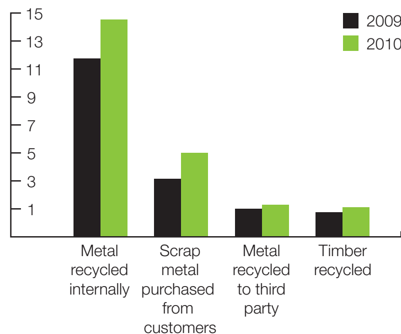
Our total greenhouse gas (GHG) emissions associated with our foundry, manufacturing and assembly operations show an upward trend in absolute terms but when normalised by turnover the Group's GHG emissions are marginally down between 2009 and 2010.

We will look to implement formal improvement targets across all our companies in 2011.

Foundry recycling

Through the Group's Environmental Improvement Team the five foundries have been working on a number of environmental initiatives to improve the reuse and recycling at their sites. Just under 20,000 tonnes of metal have been recycled in our foundry operations in 2010. To put it in context this means that on average 75% of the metal poured at our foundries is recycled metal. The results of the foundry recycling can be seen in the following graph.

Foundry recycling ('000 tonnes)



Carbon reduction commitment (CRC) energy efficiency scheme (the "CRC")

The CRC is a UK emissions trading scheme (ETS) with the aim of cost-effectively reducing emissions in the service, public and other less energy-intensive sectors by 1.2m tonnes by 2020. The CRC will be a mandatory emissions trading scheme, targeting large organisations whose emissions are currently not included in the ETS or Climate Change Agreements of the European Union. Registration of the qualifying sites within the Group's UK operations was completed, as scheduled, during 2010. The UK businesses affected by the CRC will be required to monitor their energy use and buy allowances accordingly in forthcoming years as the scheme rolls out.

Recycling/reuse initiatives

Weir Minerals Peru, Lima

Our business in Lima, Peru has several initiatives involving local charities:

- In the last fours years the paper recycled from the site paid for two scholarships for disabled children.
- The company donates its wood to a local charity which builds children's furniture and in this way recycled 8.5 tonnes of wood in 2010.

Helping children in Peru

Weir Floway, Fresno, USA

Weir Floway decided in 2010 that it could improve its environmental impact by installing a new self-circulating hydro station at its on-site machine shop instead of using the test laboratory several miles away from the site. The result is that the company now saves c.10,000 gallons of water per annum by re-using the test water coupled with a saving on the cost and environmental impact of transporting parts to and from the test laboratory.

Weir Minerals Europe, Todmorden, UK

Our Todmorden facility has developed a new system whereby 95% of coolant water is re-used. This enables the site to re-use 20,000 litres of water per annum, with only 1,000 litres of oil now being disposed of as special waste.

Weir Minerals Australia, Sydney

During 2010, Weir Minerals Australia has had several waste reduction projects including:

- Within its foundry, it has reduced the tonnage of used foundry sand per tonne cast sent to landfill by 25%.
- In 2010 the recycling of timber at the site diverted 430 tonnes from landfill to chipping into landscape mulch.

Weir Power & Industrial, Fort St. John, Canada

During 2010, the site changed its shop lighting from metal halide lights to T5 florescent lighting balancing the safety needs of the shop floor with the energy saving. This equates to a 43% energy use saving per annum.

Sustainability report
2: Health & Safety

Managing safety
Maintaining a consistently safe and healthy workplace for our people requires effective, proactive management. We operate a global network of Environmental, Safety and Health 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

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 Group's policy is that all its operations will be OHSAS 18001 (Occupational Health and Safety Assessment Series) accredited. 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 operations. 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.

Our existing businesses have achieved accreditation and all new acquisitions have detailed plans to achieve OHSAS 18001 within an agreed timescale.

Each business records 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 companies take a proactive 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 with follow up reports to the Group Executive Committee on a monthly basis.

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

An example of SAFESTART posters used by Weir Minerals Africa.

180

employees were given blood pressure or prostate screening at Weir Minerals Africa

149

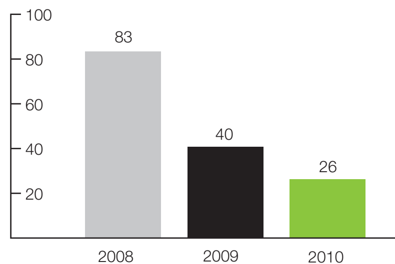
employees were provided with onsite Aids/HIV testing at Weir Minerals Africa

Weir Minerals Africa

Weir Minerals Africa found that their initial attempts at SAFESTART implementation had been slow to embed. The company introduced a visual and personal format with a character and style that was more in line with situations and environments that employees can relate to. The programme was renamed Umfowethu, meaning 'my brother's keeper.'

Lost Time Accidents

The Group's key measure of safety performance is the number of lost time accidents ("LTAs"). The Group adopts a more stringent lost time measurement criterion than the industry norm of 3 days. The recorded LTAs use the Group definition of "incidents resulting in lost time of more than 4 hours". The results for 2008, 2009 and 2010 are as follows:



Initiatives

Our 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

Weir Minerals Africa

Weir Minerals Africa organises an annual Wellness Day which involves various health screening activities combined with general health promotion. **180** employees were given blood pressure and prostate screening, cholesterol tests, advice on fitness routines and eye tests. In addition, the company also organises an annual medical survey of all employees who are in hazardous areas of the site such as the foundry or rubber shop and in December 2010 **149** employees were provided with an onsite Aids/HIV testing and counselling clinic.

Eye tests at Weir Minerals Africa

Sustainability report
3: Employees

We want to develop our people to their full potential. We are committed to developing the best possible technical specialists and leaders and encouraging all employees to achieve their potential.

We aim to employ the best people for the roles we have and help those people to develop further, by giving them training, development opportunities and management support.

The principles we apply are to:

- Never deny development or promotion on the basis of any form of discrimination
- Encourage and support our employees to achieve their potential
- Identify the training and development needs of ourselves and our teams and find ways to satisfy those needs
- Use the Weir Group personal development plan (PDP) to identify and develop high potential individuals
- Employ and retain people who share our values and behaviours
- Work to maintain a business environment where individuals feel valued and respected
- Support individuals in developing roles.

Introducing the Senior Management Group

The Senior Management Group (SMG) was formed in January 2010 to enhance communication across the leadership team of the Weir Group and to provide a platform to help leverage our strategic agenda.

The SMG is made up of around 300 senior employees from across the Weir Group who are key to the development and delivery of the Group's strategy. The SMG includes the key decision makers from each business and function who have a direct hand in shaping the direction of each business within Weir and are responsible for its success.

For the first of the SMG meetings, senior leaders from across Europe, Africa and the Middle East gathered in Glasgow in late August, with the Americas and Asia-Pacific regional meetings following soon after in Fort Worth and Sydney respectively.

The SMG has four key objectives:

- Enable the Chief Executive to communicate with the most senior employees
- Enhance communication from the SMG across the wider Weir community
- Build upon the core strategic pillars and leverage capability across the Group and
- Create a standard Weir leadership journey for development and succession, including a tailored leadership programme for all members.

Senior management group regional meeting for The Americas at Fort Worth, Texas

300

senior employees brought together from across the Weir Group to form the Senior Management Group

75

graduate trainees to be recruited in 2011

43

graduate trainees to be recruited from emerging markets of South America, South Africa and Asia in 2011

16

children of employees in higher education supported by Weir India

Global conferences

Engineering

During the year the Engineering Excellence Committee met in India attended by 36 participants, representing 25 locations from 14 different countries to share best practice and to identify priorities and focus activities to enable the development of a Group-wide, world class engineering organisation.

The objectives agreed were to:

— take replication of best practice to a new level

— develop and implement Group-wide standards

— leverage the Group-wide technical resources for the benefit of all the Weir businesses

— foster the development of engineering talent and identify strategic technical capabilities that will support Weir Group strategic growth plans.

Procurement

During the year, the Procurement Committee met in Shanghai attended by over 40 participants from the procurement teams around the world to focus on the Group's global capability and collaboration and implementing a standard "Weir Way of Working" for the procurement function.

Weir Graduate Development Framework

During 2010, the Group has developed its graduate development framework aligning the Group's three strategic pillars of Innovation, Collaboration and Global Capability. There are currently **40** graduate trainees working across the Group in various locations and we plan to recruit **75** graduates in 2011, of which **43** will be from emerging markets. During the two year programme, graduates will benefit from rotational placements to ensure maximum exposure to relevant development opportunities. A variety of mechanisms will be put in place to support the graduate as they move from an academic environment to an industrial environment and this will be provided through induction, professional mentoring and a coaching relationship with a leader from the SMG.

Here are some thoughts on the Weir Group from our recent graduate intake:

"The culture within Weir Group is one of a kind. There's an open atmosphere, with plenty of skills and knowledge sharing. It incubates leadership qualities, encourages innovation and engenders trust and respect among colleagues. These are the foundations of the Weir Group".

Vinay Sharma, Weir India

"It is a solid culture, with clear goals and objectives. The implementation of Lean manufacturing and 5S serves as the basis for the structure of the Group in order to meet market demands".

Fernando Tirollo, Weir Minerals South America

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.

The Group employee development programmes include induction and leadership 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.

Sustainability report
3. Employees (continued)

The principal aims of these courses are to provide:

- personal development
- exposure to different disciplines
- cultural integration
- networking across all disciplines and operations
- a good understanding of what is expected of a Weir Leader
- an improved awareness of self, others in the business and the enterprise as a whole and
- accountability and commitment to developing themselves and others in the business.

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.

In addition, the global personal development plan analyses employee performance and enables employees to receive the most relevant and tailored training to match their specific skills and needs.

Case studies

Weir India scholarships

In 2010, the chairman Lord Smith launched Weir India's higher education scholarship scheme. In order to support the children of Weir India employees in their higher education and specifically to encourage engineering talent, Weir India is supporting **10** children of employees in higher education through a two year scholarship and supporting **6** children of employees through an engineering degree for four years.

Launching the Group's education programme in India

Weir Power & Industrial Alloa, UK

In November 2010, Scotland's First Minister Alex Salmond MSP joined with the wind energy sector to formally launch the UK's first Modern Apprenticeship for the renewables industry. Weir Power & Industrial, Alloa is one of three companies in the UK pioneering the recruitment of apprentices for this training route accredited by National Skills Academy for Power - City & Guilds.

Allan Wilson (centre) Weir's renewables technician apprentice meets Scotland's First Minister Alex Salmond MSP at the launch of the apprentice programme, along with a fellow student

Sustainability report
4: Communities

238

scientific calculators donated to local mathematics and science students in 2010

£333,900

donated to charity by the Group in 2010

We believe that any investment in a community should create a meaningful and sustainable impact on that community. It should be relevant to the local needs but at the same time aligned with our business and carried out in partnership with local organisations.

We aim to identify the possibilities for investment through contact with local people and organisations and in particular we work very closely with local non Government authorities and community groups.

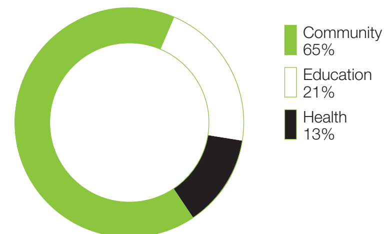
Education is a priority for communities worldwide. We are therefore committed to focusing on community projects with an educational theme whether it is mentoring at a local school, helping young engineers with their school projects, setting up scholarship schemes, arranging site visits to local colleges and universities to sponsoring the education of children. These are all ways we wish to make a difference in the communities in which we operate.

The Code of Conduct states that Weir Group companies will be 'good citizens' in the communities they are in by:

- Respecting the local environment
- Setting an example by behaving in a manner consistent with the Code at all times
- Supporting local communities who need help through charitable contributions and employees giving of their free time
- Informing and updating communities about ongoing projects in their areas
- Respecting the traditions, cultures and laws of the countries and the local communities where we operate
- Trying to employ local people in our businesses wherever possible
- Listening to the concerns of the local communities and where possible, acting in a way that deals with their concerns.

Charitable donations

The total charitable donations of Group companies made during the financial year was **£333,900** (2009: £252,000), as shown below:



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

Community focus areas

Education

Weir Minerals Africa, Rustenburg

In 2010, Weir Minerals Rustenburg partnered with the Joint Education Trust (JET), a non-governmental organisation, to donate **238** scientific calculators to local mathematics and science students. JET operates a number of partnerships between schools that lack even the most basic facilities and local industry. Through a monitoring programme the calculators are returned to ensure that the following year's students continue to derive benefit from the scheme. Over the targeted three year period the aim is that all students in the area have access to one of these calculators.

Rustenberg students with their calculators

Sustainability report
4. Communities (continued)

Emergencies

Weir Minerals South America, Chile
On 27 February 2010, Chile was hit by a massive earthquake measuring 8.8 on the Richter scale and the consequential tsunami.

Weir Minerals South America helped by:

- Sending several trucks of food and water to those needing help, and
- Assisted any employee locate missing relatives.

As members of a local organisation that represents the largest mining suppliers the company has helped fundraising to build the new polytechnic in Constitucion, a city close to the epicentre of the earthquake.

Chilean earthquake 2010

Community

Weir Minerals Netherlands, Venlo
As part of the popular Venloop running event involving a half marathon and 10k run which attracts around 9,000 participants and 30,000 spectators, Weir Minerals Netherlands sponsored the children's competition.

Children's race at Venloop, Netherlands

Weir Minerals Africa, South Africa
Weir Minerals Africa has supported the Tembisa Child and Family Welfare centre since it opened 24 years ago to promote the interests, well being, safety and development of the children in their care. The centre, which is local to the business in Isando on the outskirts of Johannesburg, clothes, feeds and educates 80 children from new born to age 18.

Weir Minerals Africa HR director Neil Voller visits Tembisa

http://www.tembisachildwelfare.co.za/

Sustainability report
5: Products and technology

40%

of Power & Industrial Division input in 2010 came from within the low carbon sector

£14.8m

spent on research and development during 2010

Research and development has a vital role to play in meeting our corporate responsibilities. The development of new products that are more environmentally friendly in both manufacture and operation offers competitive advantage to ourselves and to our customers.

We recognise that many of our products and services are themselves contributors to environmental protection in critical areas such as power generation and service.

Within the Power & Industrial Division **40%** of input in 2010 came from products and services supplied to low carbon industries in nuclear, hydro and biomass.

The acquisition of American Hydro in November 2010 and YES in December 2010 will significantly strengthen the Group's product and service offering in the areas of hydro and wind respectively.

Research and development

During the financial year, the Group spent **£14.8m** (2009: £9.7m) 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.

2011 will see further investment in design, research and development in which our corporate responsibility and business objectives are closely aligned.

Case studies

Weir Minerals South America - Energy recovery

Starting in September 2009, a joint engineering project between Codelco and Weir Minerals South America developed a micro-power station involving the generation of electricity from the tailings being transported from Codelco's mine. This is the first stage in the construction of a network of micro-power generators. The electricity generated takes advantage of the force generated from the flow of the tailings in the same way as hydro power. The turbine has a potential to generate 10 to 12 MW when fully operative.

Tailings are the liquid waste by-products from the mining process and must be transported to the tailing tanks or ponds for treatment.

Pumping station at Codelco's El Teniente copper mine in Chile

Sustainability report
5. Products and technology (continued)

Acquisition of American Hydro

Hydro-power is the world's largest source of renewable energy. American Hydro, which the Group acquired in November 2010 has a particular strength in improving the efficiency of existing stations. This combined with the Group's existing service capabilities means that we are now able to offer to customers an attractive proposition to improve renewable energy output from existing hydro generation stations in an economically attractive manner.

Hydro runner, American Hydro

Acquisition of Ynfiniti Engineering Services (YES)

During December 2010, the Group acquired a majority shareholding in YES which is a Madrid based company providing maintenance and other services to windfarms throughout Europe. Wind power generation is a fast growing market in many of the countries in which Weir already operates and YES provides a strong platform from which to extend our position in this market.

Product efficiency

The GEHO positive displacement pump is 15 to 30% more efficient in terms of carbon emission than conventional pumping systems. This technology allows mine water to be pumped at higher densities saving on power and capital costs. GEHO pumps are designed to a 30 year life span and use fewer natural resources in their installation and running costs.

GEHO pump operating fly ash disposal at an Australian power plant

Windfarms, a growing part of the renewable energy opportunity

Sustainability report
6: Ethics

The Board is ultimately responsible for setting the governance and anti-corruption culture of the Group and ensuring that this is understood and communicated to all employees with the necessary reporting channels provided together with appropriate training and auditing. Regular reports and feedback are provided to the Board by the legal & commercial director who has been appointed to oversee this.

Driving Growth the Weir Way is a critical feature of the Group's commitment to doing business at all times in an ethical and transparent manner – "doing it right". The chief executive in his communication to employees at the launch of the Code of of Conduct in December 2010 set out his expectation that all employees maintain the highest standards of integrity consistent with the Code which was launched ahead of the proposed implementation of the new UK Bribery Act during 2011.

Code of Conduct

The Code of Conduct provides a clear framework on which to base decision-making and provides details of what is expected from each employee to maintain the Group's high standards of ethical behaviour.

The main purposes of the Code of Conduct are to:

- Set out clearly the behaviour expected from employees and stakeholders
- Provide guidelines to help with applying Weir's values at all times
- Enable employees to raise a concern or ask a question if they are in doubt.

The Code of Conduct is not restricted to bribery and corruption but is much broader in nature and covers other areas such as respecting our place in the world and integrity in the work place.

The Code of Conduct is written in easy to understand language with practical examples in each section.

Ethics Hotline

As part of the roll out of the Code of Conduct, the Group established a dedicated independent and confidential phone line that employees can ring to raise any concerns that they have concerning unethical behaviour. Calls to the helpline are free and lines are open 24 hours a day, 7 days a week.

The communication of the Code of Conduct and the details of the ethics reporting line has been carried out through use of the following media: the Global Intranet and posters at every Group location.

Anti-bribery & corruption training

Following the launch of the Code of Conduct the Group introduced a mandatory e-learning training programme for all 'at risk' employees, including:

- The Senior Management Group (300)
- All sales and marketing employees (around 1000)
- All purchasing employees (270+)

Initially there will be two modules – one covering the UK Bribery Act, including the prevention of bribery and corruption and the second addressing the Code of Conduct.

The Code of Conduct was rolled-out on-line

Sustainability report
6. Ethics (continued)

Each training module is run through a learning management system hosted by a third party. This allows the Group to monitor the effective roll out of the training. Each participant is expected to complete the modules within the specified timelines. The first module relating to the UK Bribery Act has a set pass rate and participants are awarded a certificate on successful completion of the module. Participants are then expected to take the second module relating to the Code of Conduct and again they are awarded a certificate for successful completion. The Group will refresh these modules on a regular basis. In addition to the training aimed at the 'at risk' employees, the Group is also developing training modules that will be rolled out as part of 'Town Hall' meetings. These will be carried out by local trainers and the aim will be to introduce the Code of Conduct and what it means to all employees.

The Group will also be introducing an online certification process to enable all employees to certify on a quarterly basis that they are in compliance with the Code of Conduct.

Communications

The Group's Code of Conduct will be reinforced through an ongoing series of communications via:

- The Group conference and all regional and functional conferences
- Induction days for new executives
- Training courses for the SMG
- As part of the 100 day integration plan for new acquisitions.

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.

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.

It is Group policy that payments to suppliers are made in accordance with the agreed terms. At 31 December 2010, the Group had an average of 72 days purchases outstanding in trade creditors.

Other statutory information

2011 annual general meeting

The annual general meeting will be held at 11am on Wednesday 4 May 2011 at the Radisson Hotel, Argyle Street, Glasgow. The notice of meeting along with an explanation of the proposed resolutions are set out in a separate circular to shareholders which accompanies this annual report and can be downloaded from the Company's website.

Substantial shareholders

At 8 March 2011, 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	Percentage of issued share capital
M&G Prudential	13,171,856	6.24%
AXA	10,812,658	5.14%
BlackRock	10,748,289	5.10%
Legal & General	10,612,532	5.03%
Aberdeen Asset Management	10,443,509	4.96%

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.

Employment policy and involvement

The average number of employees in the Group during the period is given in note 4 to the Group financial statements on page 85.

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 30 to the Group financial statements on page 110.

Auditors

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 106. 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 period, the 2007 LTIP award vested and the trustees of the Company's employees benefit trust (EBT), Kleinwort Benson (Guernsey) Trustees Limited, transferred 37,794 ordinary shares to employees to satisfy the LTIP awards using ordinary shares purchased by the EBT in the market. A further 343,078 ordinary shares were transferred out of treasury to satisfy awards under the LTIP. In addition, a total of 123,596 ordinary shares, with an aggregate value of £15,449.50 were allotted during the period in connection with the Company's LTIP and executive share option scheme.

The EBT has agreed to waive any right to all dividend payments on shares held by it. Details of the shares held by the EBT are set out in note 25 to the Group financial statements on page 106. 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 31 December 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.

Other statutory information (continued)

Repurchase of shares
At the 2010 annual general meeting, shareholders renewed the Company's authority to make market purchases of up to 21.05m ordinary shares (representing 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the 52 weeks ended 31 December 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 by proxy 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.

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 directors may refuse to register any transfer of any certificated share which is not fully paid up, provided that this power will not be exercised so as to disturb the market in the Company's shares.
- The directors may also refuse to register the transfer of a certificated share unless it is delivered to the registrar's office, or such other place as the directors have specified, accompanied by a certificate for the shares to be transferred and such other evidence as the directors 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 directors who may exercise all the powers of the Company, subject to the provisions of the Company's articles of association, any special 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.

During 2010, the Group secured a new four year US$800m multi currency revolving credit facility with a syndicate of 12 banks. This facility replaced the £625m bilateral facilities which were due to mature in the third quarter of 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.

The Company is party to 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.

Alan Mitchelson
Secretary
Signed and approved for and on behalf of the Board
8 March 2011

Independent Auditors Report

Independent auditors report to the members of The Weir Group PLC

We have audited the Group financial statements of The Weir Group PLC for the 52 weeks ended 31 December 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 43, 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 and express an opinion on 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 31 December 2010 and of its profit for the 52 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 43, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the Company financial statements of The Weir Group PLC for the 52 weeks to 31 December 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

8 March 2011

Consolidated
Income Statement
for the 52 weeks ended 31 December 2010

	Notes	52 weeks ended 31 December 2010			53 weeks ended 1 January 2010		
		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	**1,635.0**	**-**	**1,635.0**	1,390.2	-	1,390.2
Continuing operations							
Operating profit before share of results of joint ventures		**305.1**	**(18.2)**	**286.9**	200.1	(16.6)	183.5
Share of results of joint ventures	15	**4.6**	**-**	**4.6**	4.6	-	4.6
Operating profit		**309.7**	**(18.2)**	**291.5**	204.7	(16.6)	188.1
Finance costs	6	**(14.9)**	**-**	**(14.9)**	(18.7)	-	(18.7)
Finance income	6	**1.5**	**-**	**1.5**	2.5	-	2.5
Other finance costs - retirement benefits	24	**(1.6)**	**-**	**(1.6)**	(1.5)	-	(1.5)
Profit before tax from continuing operations		**294.7**	**(18.2)**	**276.5**	187.0	(16.6)	170.4
Tax expense	7	**(82.8)**	**5.4**	**(77.4)**	(52.2)	5.4	(46.8)
Profit for the period from continuing operations		**211.9**	**(12.8)**	**199.1**	134.8	(11.2)	123.6
(Loss) profit for the period from discontinued operations	8	**-**	**(13.6)**	**(13.6)**	5.2	-	5.2
Profit for the period		**211.9**	**(26.4)**	**185.5**	140.0	(11.2)	128.8
Attributable to							
Equity holders of the Company		**211.5**	**(26.4)**	**185.1**	140.0	(11.2)	128.8
Non-controlling interests		**0.4**	**-**	**0.4**	-	-	-
		211.9	**(26.4)**	**185.5**	140.0	(11.2)	128.8
Earnings per share	9						
Basic - total operations				**87.9p**			61.2p
Basic - continuing operations		**100.4p**		**94.3p**	64.1p		58.8p
Diluted - total operations				**86.9p**			60.8p
Diluted - continuing operations		**99.2p**		**93.2p**	63.6p		58.3p

Consolidated
Statement of Comprehensive Income
for the 52 weeks ended 31 December 2010

	Note	52 weeks ended 31 December 2010 £m	53 weeks ended 1 January 2010 £m
Profit for the period		**185.5**	128.8
Other comprehensive income			
Losses taken to equity on cash flow hedges		**(0.2)**	(0.5)
Exchange gains (losses) on translation of foreign operations		**56.9**	(51.2)
Exchange (losses) gains on net investment hedges		**(17.3)**	38.3
Actuarial losses on defined benefit plans		**(3.4)**	(57.7)
Reclassification adjustments taken to the income statement on cash flow hedges		**(0.1)**	12.9
Tax relating to other comprehensive income	7	**1.5**	12.7
Net other comprehensive income		**37.4**	(45.5)
Total net comprehensive income for the period		**222.9**	83.3
Attributable to			
Equity holders of the Company		**222.5**	83.3
Non-controlling interests		**0.4**	-
		222.9	83.3

Consolidated Balance Sheet
at 31 December 2010

	Notes	31 December 2010 £m	1 January 2010 £m
ASSETS			
Non-current assets			
Property, plant & equipment	11	**259.7**	199.4
Investment property	11	**3.9**	4.2
Intangible assets	12	**957.8**	739.9
Investments in joint ventures	15	**10.3**	9.7
Deferred tax assets	23	**27.1**	28.7
Derivative financial instruments	30	**0.6**	0.3
Total non-current assets		**1,259.4**	982.2
Current assets			
Inventories	16	**310.2**	235.3
Trade & other receivables	17	**353.3**	240.5
Construction contracts	18	**16.2**	25.9
Derivative financial instruments	30	**9.2**	7.2
Income tax receivable		**0.4**	3.4
Cash & short-term deposits	19	**84.0**	57.0
Total current assets		**773.3**	569.3
Total assets		**2,032.7**	1,551.5
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	20	**6.3**	2.0
Trade & other payables	21	**409.9**	336.3
Construction contracts	18	**21.8**	23.2
Derivative financial instruments	30	**20.9**	16.8
Income tax payable		**30.1**	23.7
Provisions	22	**41.5**	33.8
Total current liabilities		**530.5**	435.8
Non-current liabilities			
Interest-bearing loans & borrowings	20	**361.3**	174.2
Other payables	21	**12.0**	-
Derivative financial instruments	30	**27.5**	31.0
Provisions	22	**38.5**	36.7
Deferred tax liabilities	23	**76.2**	60.4
Retirement benefit plan deficits	24	**65.0**	71.0
Total non-current liabilities		**580.5**	373.3
Total liabilities		**1,111.0**	809.1
NET ASSETS		**921.7**	742.4
CAPITAL & RESERVES			
Share capital		**26.6**	26.6
Share premium		**38.0**	38.0
Treasury shares		**(6.8)**	(7.9)
Capital redemption reserve		**0.5**	0.5
Foreign currency translation reserve		**103.8**	64.0
Hedge accounting reserve		**0.4**	0.6
Retained earnings		**758.8**	620.4
Shareholders equity		**921.3**	742.2
Non-controlling interests		**0.4**	0.2
TOTAL EQUITY		**921.7**	742.4

Approved by the Board of Directors on 8 March 2011 **Keith Cochrane,** Director **Jon Stanton,** Director

Consolidated
Cash Flow Statement

for the 52 weeks ended 31 December 2010

	Notes	52 weeks ended 31 December 2010 £m	53 weeks ended 1 January 2010 £m
Continuing operations			
Cash flows from operating activities	26		
Cash generated from operations		**274.9**	302.3
Additional pension contributions paid		**(9.3)**	(11.1)
Income tax paid		**(72.4)**	(43.6)
Net cash generated from operating activities		**193.2**	247.6
Continuing operations			
Cash flows from investing activities			
Acquisitions of subsidiaries	26	**(203.4)**	(0.1)
Disposals of subsidiaries	26	**(0.7)**	(1.4)
Purchases of property, plant & equipment & intangible assets		**(50.9)**	(40.6)
Other proceeds from sale of property, plant & equipment		**2.9**	1.5
Interest received		**1.6**	2.5
Dividends received from joint ventures		**4.2**	5.9
Net cash used in investing activities		**(246.3)**	(32.2)
Continuing operations			
Cash flows from financing activities			
Purchase of shares for LTIP awards		**-**	(1.4)
Proceeds from borrowings		**356.3**	50.5
Repayments of borrowings		**(190.8)**	(187.3)
Settlement of derivative financial instruments		**(13.4)**	(16.5)
Interest paid		**(10.8)**	(18.7)
Dividends paid to non-controlling interests		**(0.2)**	-
Dividends paid to equity holders of the Company		**(46.7)**	(39.2)
Net cash generated from (used in) financing activities		**94.4**	(212.6)
Net increase in cash & cash equivalents from continuing operations		**41.3**	2.8
Net decrease in cash & cash equivalents from discontinued operations - operating activities		**(18.6)**	-
Cash & cash equivalents at the beginning of the period		**55.7**	53.6
Foreign currency translation differences		**1.1**	(0.7)
Cash & cash equivalents at the end of the period	19	**79.5**	55.7

Consolidated
Statement of Changes in Equity
for the 52 weeks ended 31 December 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 interests £m	Total equity £m
At 26 December 2008	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**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**185.1**	**185.1**	**0.4**	**185.5**
Losses taken to equity on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**-**	**(0.2)**	**-**	**(0.2)**
Exchange gains on translation of foreign operations	**-**	**-**	**-**	**-**	**56.9**	**-**	**-**	**56.9**	**-**	**56.9**
Exchange losses on net investment hedges	**-**	**-**	**-**	**-**	**(17.3)**	**-**	**-**	**(17.3)**	**-**	**(17.3)**
Actuarial losses on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**(3.4)**	**(3.4)**	**-**	**(3.4)**
Reclassification adjustments taken to the income statement on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**-**	**(0.1)**	**-**	**(0.1)**
Tax relating to other comprehensive income	**-**	**-**	**-**	**-**	**0.2**	**0.1**	**1.2**	**1.5**	**-**	**1.5**
Total net comprehensive income for the period	**-**	**-**	**-**	**-**	**39.8**	**(0.2)**	**182.9**	**222.5**	**0.4**	**222.9**
Cost of share-based payments net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**3.3**	**3.3**	**-**	**3.3**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(46.7)**	**(46.7)**	**(0.2)**	**(46.9)**
Exercise of LTIP awards	**-**	**-**	**1.1**	**-**	**-**	**-**	**(1.1)**	**-**	**-**	**-**
At 31 December 2010	**26.6**	**38.0**	**(6.8)**	**0.5**	**103.8**	**0.4**	**758.8**	**921.3**	**0.4**	**921.7**

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 52 weeks ended 31 December 2010 ("2010") were approved and authorised for issue in accordance with a resolution of the directors on 8 March 2011. The comparative information is presented for the 53 weeks ended 1 January 2010 ("2009"). 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.

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

Improvements to IFRS

In April 2009, 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. One of the key amendments and its impact is detailed below.

IAS38 Intangible assets: states that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets have similar useful lives. This has had no impact on the recognition of intangible assets in relation to the current year acquisitions as each of the intangible assets recognised on acquisition were separately identifiable.

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.

IAS39 Eligible Hedged Items (amendment to IAS39 Financial Instruments: Recognition and measurement)

IFRS2 Group Cash-settled Share-based Payment Transactions (amendments to IFRS2 Share-based Payments)

IFRIC16 Hedges of a Net Investment in a Foreign Operation

IFRIC18 Transfers of Assets from Customers

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

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 31.

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.

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.

2. Accounting policies (continued)

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

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 which 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.

Any contingent consideration to be transferred is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS39 in profit or loss or as a change to other comprehensive income. In respect of business combinations prior to 1 January 2010, subsequent adjustments to contingent consideration will be recognised as part of goodwill.

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

Other intangible assets

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

Intangible assets acquired separately are measured at cost on initial recognition. 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.

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 and fixed rate notes, 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.

2. Accounting policies (continued)

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.

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.

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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
IAS12	Deferred Tax: Recovery of Underlying Assets (amendment to IAS12 Income Taxes)	1 January 2012
IAS24	Related Party Disclosures (revised)	1 January 2011
IAS32	Classification of Rights Issues (amendment to IAS32 Financial Instruments: Presentation)	1 February 2010
IFRS9	Financial Instruments*	1 January 2013
	Improvements to IFRS (issued 2010)*	1 January 2011
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC14	Amendment to IFRIC14 Prepayments of a Minimum Funding Requirement	1 January 2011
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.

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.

In 2010, in conjunction with the acquisition of American Hydro, the decision was taken to restructure our Canadian operations in order to better align the business activities of existing operations with the new acquisition as well as to meet developments in the Canadian marketplace. Accordingly, the segment information in respect of the 53 weeks ended 1 January 2010 has been restated. The impact of this restatement was to reduce Power & Industrial sales to external customers by £13.5m and to increase Oil & Gas and Minerals sales to external customers by £8.2m and £5.3m respectively. Segment result increased in Power & Industrial and Oil & Gas by £0.4m and £0.7m respectively and reduced by £1.1m in Minerals. Working capital assets in Minerals increased by £0.6m and liabilities increased by £0.2m. In Oil & Gas, working capital assets increased by £2.0m. In Power & Industrial working capital assets reduced by £2.6m and liabilities by £0.2m. Depreciation increased in Minerals by £0.1m and reduced in Power & Industrial by the same amount.

Notes to the Group Financial Statements (continued)

3. Segment information (continued)

The segment information for the reportable segments for the 52 weeks ended 31 December 2010 and the 53 weeks ended 1 January 2010 is disclosed below.

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2010 £m	2009 Restated £m	2010 £m	2009 Restated £m	2010 £m	2009 Restated £m	2010 £m	2009 Restated £m
Revenue								
Sales to external customers	**901.4**	818.6	**461.7**	307.2	**246.0**	228.5	**1,609.1**	1,354.3
Inter-segment sales	**1.8**	1.9	**7.5**	5.6	**3.5**	2.8	**12.8**	10.3
Segment revenue	**903.2**	820.5	**469.2**	312.8	**249.5**	231.3	**1,621.9**	1,364.6
Group companies sales to external customers							**25.9**	35.9
Eliminations							**(12.8)**	(10.3)
							1,635.0	1,390.2
Sales to external customers - at 2010 average exchange rates								
Sales to external customers	**901.4**	878.5	**461.7**	308.4	**246.0**	231.2	**1,609.1**	1,418.1
Group companies sales to external customers							**25.9**	35.9
							1,635.0	1,454.0
Result								
Segment result before share of results of joint ventures	**174.5**	132.5	**112.8**	48.1	**26.3**	23.4	**313.6**	204.0
Share of results of joint ventures	**-**	-	**4.6**	4.6	**-**	-	**4.6**	4.6
Segment result	**174.5**	132.5	**117.4**	52.7	**26.3**	23.4	**318.2**	208.6
Group companies							**3.5**	6.8
Unallocated expenses							**(12.0)**	(10.7)
Operating profit before exceptional items & intangibles amortisation							**309.7**	204.7
Exceptional items & intangibles amortisation							**(18.2)**	(16.6)
Net finance costs (excluding other finance costs)							**(13.4)**	(16.2)
Other finance costs - retirement benefits							**(1.6)**	(1.5)
Profit before tax from continuing operations							**276.5**	170.4
Segment result - at 2010 average exchange rates								
Segment result before share of results of joint ventures	**174.5**	140.5	**112.8**	47.9	**26.3**	23.7	**313.6**	212.1
Share of results of joint ventures	**-**	-	**4.6**	5.1	**-**	-	**4.6**	5.1
Segment result	**174.5**	140.5	**117.4**	53.0	**26.3**	23.7	**318.2**	217.2
Group companies							**3.5**	6.8
Unallocated expenses							**(12.0)**	(10.7)
Operating profit before exceptional items & intangibles amortisation							**309.7**	213.3

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

3. Segment information (continued)

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2010 £m	2009 Restated £m	2010 £m	2009 Restated £m	2010 £m	2009 Restated £m	2010 £m	2009 Restated £m
Assets & liabilities								
Property, plant & equipment	163.8	129.5	43.1	33.9	40.0	35.7	246.9	199.1
Working capital assets	353.9	277.2	188.0	148.7	122.3	71.5	664.2	497.4
	517.7	406.7	231.1	182.6	162.3	107.2	911.1	696.5
Investments in joint ventures	-	-	10.3	9.7	-	-	10.3	9.7
Segment assets	517.7	406.7	241.4	192.3	162.3	107.2	921.4	706.2
Group companies assets							1.2	4.3
Unallocated assets							1,110.1	841.0
Total assets							2,032.7	1,551.5
Working capital liabilities	207.4	174.3	96.4	80.4	75.2	52.9	379.0	307.6
Group companies liabilities							14.3	22.5
Unallocated liabilities							717.7	479.0
Total liabilities							1,111.0	809.1
Other segment information								
Segment additions to non-current assets	30.2	29.7	17.2	7.1	3.4	3.7	50.8	40.5
Unallocated additions to non-current assets							0.1	0.1
Total additions to non-current assets							50.9	40.6
Segment depreciation & amortisation	23.6	19.3	20.6	18.8	7.7	6.2	51.9	44.3
Unallocated depreciation & amortisation							0.4	0.5
Total depreciation & amortisation							52.3	44.8
Segment impairment	0.1	1.0	-	-	0.1	-	0.2	1.0
Total impairment							0.2	1.0
Segment warranty expense (net)	4.4	5.8	4.3	0.7	2.7	1.5	11.4	8.0
Group companies warranty expense (net)							0.2	1.0
Total warranty expense (net)							11.6	9.0

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

Geographical information in respect of revenue and non-current assets for the 52 weeks ended 31 December 2010 and the 53 weeks ended 1 January 2010 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.

52 weeks ended 31 December 2010

	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australasia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	**92.1**	**391.5**	**158.8**	**171.0**	**190.7**	**183.9**	**203.4**	**243.6**	**1,635.0**
Non-current assets	**100.3**	**493.9**	**11.0**	**153.0**	**152.6**	**168.3**	**46.3**	**106.3**	**1,231.7**

53 weeks ended 1 January 2010

	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australasia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	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

4. Revenues & expenses

The following disclosures are given in relation to continuing operations.

	2010 £m	2009 £m
An analysis of the Group's revenue is as follows		
Original equipment	**637.7**	588.3
Aftermarket parts	**680.3**	489.5
Sales of goods	**1,318.0**	1,077.8
Aftermarket services	**271.9**	256.1
Revenue from construction contracts	**45.1**	56.3
Revenue	**1,635.0**	1,390.2
Finance income	**1.5**	2.5
Total revenue	**1,636.5**	1,392.7

No revenue was derived from exchanges of goods or services (2009: £nil).

	2010 £m	2009 £m
A reconciliation of revenue to operating profit is as follows		
Revenue	**1,635.0**	1,390.2
Cost of sales	**(1,017.7)**	(935.0)
Gross profit	**617.3**	455.2
Other operating income	**0.5**	3.4
Selling & distribution costs	**(169.8)**	(145.8)
Administrative expenses	**(161.1)**	(129.3)
Share of results of joint ventures	**4.6**	4.6
Operating profit	**291.5**	188.1

4. Revenues & expenses (continued)

	2010 £m	2009 £m
Operating profit is stated after charging		
Cost of inventories recognised as an expense	**1,017.7**	935.0
Depreciation of property, plant & equipment & investment property	**34.1**	28.2
Amortisation of intangible assets	**18.2**	16.6
Impairment of plant & equipment (note 11)	**0.2**	1.0
Acquisition transaction costs (note 13)	**2.6**	-
Net foreign exchange (gains) losses	**(0.5)**	1.8
Net impairment of trade receivables (note 17) (included within administrative expenses)	**2.0**	4.6
Net loss on other current period disposals	**-**	2.6

The following disclosures are given in relation to total operations.

	2010 £m	2009 £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	**1.2**	0.8
Fees payable in respect of the Group's pension schemes		
Audit	**0.1**	0.1

Research & development costs

Research & development costs amount to £14.8m (2009: £9.7m) of which £13.9m were charged directly to cost of sales in the income statement and £0.9m were capitalised (note 12).

Operating leases

Minimum lease payments under operating leases recognised as an expense in the period were £20.9m (2009: £16.8m).

	2010 £m	2009 £m
Employee benefits expense		
Wages & salaries	**339.4**	285.3
Social security costs	**36.8**	32.3
Pension costs		
Defined benefit plans	**1.3**	1.3
Defined benefit plans curtailment gain	**-**	(1.5)
Defined benefit plans settlement gains	**-**	(2.2)
Defined contribution plans	**11.7**	10.3
Share-based payments - equity settled transactions	**3.0**	1.6
	392.2	327.1

	2010 Number	2009 Restated Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows		
Minerals	**5,786**	5,263
Oil & Gas	**1,784**	1,638
Power & Industrial	**1,962**	1,800
Group companies	**95**	104
	9,627	8,805

At 31 December 2010, the number of persons employed by the Group was 11,789 (2009: 8,537).

The 2009 average monthly number of persons employed has been restated to reflect the impact of the restructuring of our Canadian operations as detailed in note 3. The impact of this restatement was to increase the average monthly numbers employed in the Minerals and Oil & Gas divisions by 33 and 37 respectively and to reduce the average monthly number employed in the Power & Industrial division by 70.

Notes to the Group Financial Statements (continued)

5. Exceptional items & intangibles amortisation

	2010 £m	2009 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	**(18.2)**	(16.6)
Recognised in arriving at loss for the period from discontinued operations		
Exceptional items (note 8)	**(13.6)**	-

6. Finance (costs) income

Finance costs

	2010 £m	2009 £m
Interest payable on bank loans, fixed rate notes & overdrafts	**(9.2)**	(4.2)
Losses transferred from equity in respect of interest rate swaps	**(0.7)**	(4.3)
Ineffective portion of interest rate swaps transferred from equity	**-**	(3.7)
Losses on financial assets & liabilities at fair value through profit & loss	**(2.7)**	(5.1)
Finance charges payable under finance leases	**-**	(0.1)
Finance charges related to committed loan facilities	**(2.3)**	(1.3)
	(14.9)	(18.7)

Finance income

	2010 £m	2009 £m
Interest receivable on financial assets	**0.6**	0.9
Gains on financial assets & liabilities at fair value through profit & loss	**0.9**	1.6
	1.5	2.5

7. Tax expense

Income tax expense

	2010 £m	2009 £m
Consolidated Income Statement		
Current income tax		
UK corporation tax - continuing operations	**(6.3)**	(10.3)
Adjustments in respect of current income tax of previous years	**(1.3)**	0.7
UK corporation tax	**(7.6)**	(9.6)
Foreign tax - continuing operations	**(78.9)**	(38.1)
Adjustments in respect of current income tax of previous years	**5.0**	5.0
Total current income tax	**(81.5)**	(42.7)
Deferred income tax		
Origination & reversal of temporary differences - continuing operations	**0.4**	(6.9)
Adjustment to estimated recoverable deferred tax assets	**4.2**	2.8
Effect of changes in tax rates	**(0.5)**	-
Total deferred tax*	**4.1**	(4.1)
Total income tax expense in the Consolidated Income Statement	**(77.4)**	(46.8)

* Includes £5.9m of deferred tax credit relating to foreign tax (2009: a charge of £4.2m)

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

	2010 £m	2009 £m
Tax expense - continuing operations before exceptional items & intangibles amortisation	**(82.8)**	(52.2)
- intangibles amortisation	**5.4**	5.4
Total income tax expense in the Consolidated Income Statement	**(77.4)**	(46.8)

Current tax for 2010 has been reduced by £4.2m (2009: £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

	2010 £m	2009 £m
Consolidated Statement of Comprehensive Income		
Current tax on pension contributions in excess of costs borne through the income statement	3.3	3.8
Deferred tax - origination & reversal of temporary differences	(2.1)	12.4
Tax credit on actuarial losses on retirement benefits	1.2	16.2
Deferred tax credit (charge) on hedge gains / losses	0.1	(3.5)
Deferred tax credit on exchange losses	0.2	-
Tax credit in the Consolidated Statement of Comprehensive Income	1.5	12.7

	2010 £m	2009 £m
Consolidated Statement of Changes in Equity		
Deferred tax on share-based payments	(0.2)	0.7
Current tax on share-based payments	0.5	0.5
Tax credit in the Consolidated Statement of Changes in Equity	0.3	1.2

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 31.0% (2009: 29.3%). The differences are reconciled below.

	2010 £m	2009 £m
Profit from continuing operations before tax	276.5	170.4
(Loss) profit from discontinued operations before tax	(13.6)	5.2
Accounting profit before tax	262.9	175.6
At the weighted average of standard rates of corporation tax across the Group of 31.0% (2009: 29.3%)	81.6	51.5
Adjustments in respect of previous years - current tax	(3.7)	(5.7)
- deferred tax	1.0	7.8
Joint ventures	(0.8)	(0.7)
Unrecognised deferred tax assets	(4.2)	(2.8)
Overseas tax on unremitted earnings	5.5	4.2
Permanent differences	(6.3)	(6.0)
Effect of changes in tax rates	0.5	-
Exceptional loss from discontinued operations disallowed for tax	3.8	-
Gains exempt from tax	-	(1.5)
At effective tax rate of 29.4% (2009: 26.7%)	77.4	46.8

8. Discontinued operations

There were no disposals of businesses during the 52 weeks ended 31 December 2010. 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.

In December 2010, the Group pleaded guilty to two charges of breaching UN sanctions in connection with a number of Oil for Food programme contracts awarded between 2000 and 2002. This resulted in a confiscation order of £13.9m and a fine of £3.0m. Since the business involved was sold in 2007, these costs, along with £1.7m of related legal and professional fees, offset by the release of £5.0m of provisions and accruals, are shown as a loss from discontinued operations.

In 2009, a profit of £5.2m (net of tax of £nil) was recognised in respect of prior periods disposals. This related to the release of an unutilised provision following the expiry of certain warranty periods.

(Losses) earnings per share from discontinued operations were as follows.

	2010 pence	2009 pence
Basic	**(6.5p)**	2.5p
Diluted	**(6.4p)**	2.5p

These (losses) earnings per share figures were derived by dividing the net loss attributable to equity holders of the Company from discontinued operations of £13.6m (2009: profit of £5.2m) by the weighted average number of ordinary shares for both basic and diluted amounts shown in note 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 share awards).

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

	2010	2009
Basic earnings per share		
Profit attributable to equity holders of the Company		
Total operations* (£m)	**185.1**	128.8
Continuing operations* (£m)	**198.7**	123.6
Continuing operations before exceptional items & intangibles amortisation* (£m)	**211.5**	134.8
Weighted average share capital (number of shares, million)	**210.6**	210.3
Diluted earnings per share		
Profit attributable to equity holders of the Company		
Total operations* (£m)	**185.1**	128.8
Continuing operations* (£m)	**198.7**	123.6
Continuing operations before exceptional items & intangibles amortisation* (£m)	**211.5**	134.8
Weighted average share capital (number of shares, million)	**213.1**	212.0

Notes to the Group Financial Statements (continued)

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.

	2010 Shares Million	2009 Shares Million
Weighted average number of ordinary shares for basic earnings per share	210.6	210.3
Effect of dilution: LTIP awards	2.5	1.7
Adjusted weighted average number of ordinary shares for diluted earnings per share	213.1	212.0

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.

	2010 £m	2009 £m
Net profit attributable to equity holders from continuing operations*	198.7	123.6
Exceptional items & intangibles amortisation net of tax	12.8	11.2
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation*	211.5	134.8

* Adjusted for £0.4m (2009: £nil) in respect of non-controlling interests.

There have been no LTIP awards (2009: nil) exercised between the reporting date and the date of signing of these financial statements.

10. Dividends paid & proposed

	2010 £m	2009 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2009: 16.20p (2008: 13.85p)	34.1	29.1
Interim dividend for 2010: 6.00p (2009: 4.80p)	12.6	10.1
	46.7	39.2
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2010: 21.00p (2009: 16.20p)	44.3	34.1

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.

11. Property, plant & equipment & investment property

	Land & buildings £m	Plant & equipment £m	Total property, plant & equipment £m	Investment property £m
Cost				
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**
Additions	**3.4**	**43.0**	**46.4**	**-**
Acquisitions	**20.2**	**16.8**	**37.0**	**-**
Disposals	**(5.9)**	**(15.0)**	**(20.9)**	**-**
Reclassifications to intangible assets	**-**	**(1.5)**	**(1.5)**	**-**
Reclassifications	**0.9**	**(1.3)**	**(0.4)**	**-**
Exchange adjustment	**6.1**	**20.4**	**26.5**	**-**
At 31 December 2010	**111.9**	**330.7**	**442.6**	**11.8**
Accumulated depreciation & impairment				
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**
Depreciation charge for the period	**5.8**	**28.0**	**33.8**	**0.3**
Impairment	**-**	**0.2**	**0.2**	**-**
Disposals	**(4.0)**	**(14.2)**	**(18.2)**	**-**
Reclassifications to intangible assets	**-**	**(0.3)**	**(0.3)**	**-**
Reclassifications	**-**	**(0.4)**	**(0.4)**	**-**
Exchange adjustment	**1.3**	**10.4**	**11.7**	**-**
At 31 December 2010	**27.6**	**155.3**	**182.9**	**7.9**
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
Net book value at 31 December 2010	**84.3**	**175.4**	**259.7**	**3.9**

The carrying value of buildings held under finance leases is £1.8m (2009: £1.7m). The carrying value of plant and equipment held under finance leases is £0.6m (2009: £0.3m). 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 £12.2m (2009: £6.3m).

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 £2.3m (2009: £1.8m). A three year lease was entered into with Clyde Union Ltd effective from 1 April 2009. This lease provides £2.25m rental income per annum and includes an option for Clyde Blowers Ltd to purchase the property for £28.5m.

The impairment charge of £0.2m (2009: £1.0m) 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.

Notes to the Group Financial Statements (continued)

12. Intangible assets

	Goodwill £m	Brand names £m	Customer relationships £m	Purchased software £m	Intellectual property & trade marks £m	Development costs £m	Other £m	Total £m
Cost								
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**
Additions	**-**	**-**	**-**	**3.8**	**0.2**	**0.7**	**-**	**4.7**
Acquisitions	**86.6**	**40.1**	**22.6**	**0.1**	**40.7**	**-**	**3.7**	**193.8**
Disposals	**-**	**-**	**-**	**(2.4)**	**-**	**(0.7)**	**-**	**(3.1)**
Reclassifications from property, plant & equipment	**-**	**-**	**-**	**1.3**	**-**	**0.2**	**-**	**1.5**
Reclassifications	**-**	**-**	**-**	**-**	**(1.9)**	**1.9**	**-**	**-**
Exchange adjustment	**25.4**	**3.5**	**5.8**	**1.2**	**1.8**	**0.2**	**0.9**	**38.8**
At 31 December 2010	**606.1**	**133.8**	**178.9**	**26.3**	**63.3**	**2.3**	**17.3**	**1,028.0**
Accumulated amortisation & impairment								
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**
Amortisation charge for the period	**-**	**-**	**11.3**	**2.7**	**3.2**	**-**	**1.0**	**18.2**
Disposals	**-**	**-**	**-**	**(2.1)**	**-**	**(0.7)**	**-**	**(2.8)**
Reclassifications from property, plant & equipment	**-**	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**
Reclassifications	**-**	**-**	**-**	**-**	**(0.8)**	**0.7**	**0.1**	**-**
Exchange adjustment	**-**	**-**	**0.7**	**0.7**	**0.1**	**0.1**	**0.5**	**2.1**
At 31 December 2010	**-**	**-**	**32.5**	**16.4**	**10.2**	**0.1**	**11.0**	**70.2**
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
Net book value at 31 December 2010	**606.1**	**133.8**	**146.4**	**9.9**	**53.1**	**2.2**	**6.3**	**957.8**

Brand names have been assigned an indefinite useful life and as such are not amortised. The carrying value of £133.8m is tested annually for impairment (note 14). The brand name value comprises the brands of Weir Linatex, Weir BDK, Weir American Hydro, 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. The Weir Linatex brand enjoys strong recognition within the mining and sand and aggregates markets globally.

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	
	2010 Years	2009 Years	**2010 £m**	2009 £m
Weir SPM	**21**	22	**95.0**	96.4
Weir Gabbioneta	**20**	21	**15.0**	16.4
Warman companies	**Up to 10**	-	**18.1**	-
Weir Warman	**-**	8	**-**	10.3
Other	**Up to 20**	Up to 6	**18.3**	6.9
			146.4	130.0

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

	2010 £m	2009 £m
Cost of sales	**1.3**	1.9
Selling & distribution costs	**0.4**	0.3
Administrative expenses	**16.5**	14.4
Amortisation charge for the period	**18.2**	16.6

Notes to the Group Financial Statements (continued)

13. Business combinations

There were no business combinations during the 53 weeks ended 1 January 2010. During the 52 weeks ended 31 December 2010, the Group acquired five businesses of which Linatex was the most significant. The disclosures in this note present Linatex separately from the other business combinations on the basis that Linatex is considered to be individually material.

On 17 September 2010, following receipt of regulatory approvals, the Group finalised the acquisition of 100% of the voting shares of the Linatex group of companies ("Linatex"), a global provider of wear-resistant products to the mining and sand and aggregate industries, based in Kuala Lumpur, Malaysia, for a total cash consideration of £111.7m. Costs associated with the acquisition amounting to £0.8m have been charged to the income statement in the 52 weeks ended 31 December 2010.

On 5 March 2010, the Group acquired 100% of the voting shares of Petroleum Certification Services ("PCS"), an Australian based specialist certification and testing business. On 11 October 2010, the Group acquired the valves business of BDK Engineering Industries Limited ("BDK"), a family owned business based in Hubli, Karnataka, India, which manufactures valves for the oil and gas, petro-chemical and power markets. On 18 November 2010, the Group acquired 100% of the voting shares of American Hydro Corporation ("American Hydro"), a manufacturer of high-efficiency turbine components for hydro-electric power generation based in York, Pennsylvania. On 21 December 2010, the Group acquired 76% of the voting shares of wind power maintenance specialist, Ynfiniti Engineering Services SL ("YES") based in Madrid, Spain. YES provides operating and maintenance services to the growing installed base of wind turbines. Costs associated with these acquisitions amounting to £1.8m have been charged to the income statement in the 52 weeks ended 31 December 2010.

The YES acquisition was structured as an initial 76% purchase with the remaining 24% being subject to a put and call option exercisable between 2014 and 2016 and based upon an EBITDA multiple of profits in the two years preceding the exercise of the option. The most likely range of possible outcomes is between €6m and €22m. The contingent consideration recognised at the acquisition date has been estimated at £12.0m (€14m). This is based on an assessment of the probability of the possible outcomes discounted to net present value. Any difference from this estimate will ultimately be taken to the Consolidated Income Statement. The maximum amount of the contingent consideration is unlimited.

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

	Linatex 2010 £m	Other 2010 £m	Total 2010 £m
Property, plant & equipment	28.4	8.6	37.0
Intangible assets	71.7	35.5	107.2
Inventories	15.5	6.1	21.6
Trade & other receivables	12.0	12.4	24.4
Construction contract assets	-	3.0	3.0
Cash & cash equivalents	3.1	-	3.1
Interest-bearing loans & borrowings	(15.8)	-	(15.8)
Trade & other payables	(13.3)	(6.4)	(19.7)
Construction contract liabilities	-	(3.9)	(3.9)
Provisions	(2.4)	(4.7)	(7.1)
Income tax	(1.7)	(0.4)	(2.1)
Deferred tax	(16.9)	0.1	(16.8)
Fair value of net assets	80.6	50.3	130.9
Goodwill arising on acquisition	31.1	55.5	86.6
Total consideration	111.7	105.8	217.5
Cash consideration	111.7	95.5	207.2
Settlement of pre-existing relationship balances	-	(0.8)	(0.8)
Contingent consideration	-	12.0	12.0
Net amount recoverable on business combinations	-	(0.9)	(0.9)
Total consideration	111.7	105.8	217.5
The cash outflow on acquisition was as follows			
Cash & cash equivalents acquired	3.1	-	3.1
Cash paid	(111.7)	(95.5)	(207.2)
Settlement of pre-existing relationship balances	-	0.8	0.8
Net cash outflow	(108.6)	(94.7)	(203.3)

The fair values on acquisition of the above business combinations are provisional, with the exception of PCS, due to the timing of the transactions and will be finalised during the following financial year. The fair value of the trade receivables amounts to £21.8m and the gross amount of trade receivables is £23.4m. None of the trade receivables has been impaired. From the date of acquisition Linatex contributed £27.2m to the 2010 revenue and £1.5m to the 2010 profit for the period from continuing operations of the Group. The combined continuing operations revenue and profit for the period from continuing operations of the Group, assuming that Linatex, BDK, American Hydro, YES and PCS had been acquired at the start of 2010, would have been £1,745.7m and £206.1m respectively.

Included in the £86.6m 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 anticipated business growth, synergies and an assembled workforce. The amount of goodwill which is expected to be deductible for tax purposes is £55.5m.

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. In 2010, following an internal restructuring, goodwill and intangibles relating to the "Weir Warman" CGU was reallocated to the "Warman companies" CGU as this was determined to be the revised CGU at which the Group monitors the goodwill and intangibles for indicators of impairment.

The current year acquisitions have been allocated to "Other" with the exception of Linatex which has been allocated to the "Warman companies" CGU. The amounts allocated as "Other" are not considered significant in comparison to their respective total carrying amounts.

The carrying amount of goodwill and intangible assets with indefinite lives has been allocated as per the table below.

	Year acquired	Goodwill 2010 £m	Intangibles* 2010 £m	Goodwill 2009 £m	Intangibles* 2009 £m
Weir SPM	2007	**227.8**	**29.5**	220.0	28.5
Warman companies	various	**220.1**	**89.8**	116.5	-
Weir Gabbioneta	2005	**61.7**	**5.8**	63.9	6.0
Weir Warman	2008	**-**	**-**	55.8	51.4
Other	various	**96.5**	**8.7**	37.9	4.3
		606.1	**133.8**	494.1	90.2

* 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	13.7% (2009: 14.2%)	1.2% (2009: 1.2%)	Revenue growth[4]	External forecast
					EBIT margins[3]	Historic experience
Warman companies	Value in use	5 Years	15.4% (2009: 15.2%)	1.7% (2009: 1.2%)	Revenue growth[5]	External forecast
					EBIT margins[3]	Historic experience
Weir Gabbioneta	Value in use	5 Years	13.7% (2009: 12.9%)	1.2% (2009: 1.2%)	Revenue growth[6]	External forecast
					EBIT margins[3]	Historic experience
Weir Warman	Value in use	5 years	n/a (2009: 19.3%)	n/a (2009: 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 a decrease in the WACC relative to 2009 largely due to a decrease in government bond yields and a reduction in lending margins that banks place on borrowing costs. The WACC in relation to Weir Gabbioneta has increased relative to 2009 as Italian government bond yields have increased over the period while bank lending margins have remained static.

[2] Real growth

Real growth beyond the five year forecast period of 1.2% 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 oil and gas well service pumps, associated flow control equipment and services to the oil and gas production industry. A large proportion of its revenues are generated in North America with demand being closely related to the number of conventional oil drilling rigs and gas well drilling rigs in operation which is in turn dependent upon oil and natural gas prices and storage levels. Independent forecasts of North American oil and gas well drilling activity, which take into account forecast oil and natural gas prices and storage levels, have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2010.

Notes to the Group Financial Statements (continued)

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

[5] Warman companies

The Warman companies supply pumps and associated equipment and services to all global markets. 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 2010.

[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 2010.

[7] Weir Warman

Weir Warman is a supplier of pumps and associated equipment and services to the African mining industry. In 2010, Weir Warman was re-allocated to the Warman companies CGU. In respect of the 2009 disclosures, the key drivers for revenues are (i) levels of mining capital expenditure across Africa which drive demand for original equipment and (ii) levels of actual mining activity which drive 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 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**
Share of results	**4.6**
Share of dividends	**(4.2)**
Exchange adjustment	**0.2**
At 31 December 2010	**10.3**

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

	2010 £m	2009 £m
Share of joint ventures balance sheets		
Goodwill	**3.4**	3.3
Current assets	**8.7**	8.0
Non-current assets	**3.0**	3.1
Current liabilities	**(3.8)**	(3.8)
Non-current liabilities	**(1.0)**	(0.9)
Net assets	**10.3**	9.7
Share of joint ventures revenue & profits		
Revenue	**18.5**	17.0
Cost of sales	**(10.9)**	(9.5)
Selling & distribution costs	**(1.0)**	(0.5)
Administrative expenses	**(1.2)**	(1.6)
Income tax expense	**(0.8)**	(0.8)
Profit after tax	**4.6**	4.6
Carrying value of investments in joint ventures	**10.3**	9.7

The Group's significant investments in joint ventures are listed on page 134.

16. Inventories

	2010 £m	2009 £m
Raw materials	**96.7**	57.4
Work in progress	**80.5**	76.4
Finished goods	**133.0**	101.5
	310.2	235.3

During the period, £0.4m (2009: £5.2m) was recognised as an expense within cost of sales resulting from the write down of inventory.

17. Trade & other receivables

	2010 £m	2009 £m
Trade receivables	**313.0**	221.5
Allowance for doubtful debts	**(13.8)**	(13.1)
	299.2	208.4
Other debtors	**30.0**	14.1
Sales tax receivable	**7.8**	7.9
Accrued income	**0.3**	2.2
Prepayments	**16.0**	7.9
	353.3	240.5

The average credit period on sales of goods is 51 days (2009: 47 days).

Analysis of trade receivables

	2010 £m	2009 £m
Neither impaired nor past due	**242.1**	166.7
Past due but not impaired	**57.1**	41.7
Impaired	**13.8**	13.1
	313.0	221.5

Ageing of past due but not impaired trade receivables

	2010 £m	2009 £m
Up to 3 months	**42.8**	32.7
Between 3 & 6 months	**6.5**	4.9
More than 6 months	**7.8**	4.1
	57.1	41.7

Movement in the allowance for doubtful debts

	2010 £m	2009 £m
Balance at the beginning of the period	**(13.1)**	(11.7)
Impairment losses recognised on receivables	**(5.1)**	(6.3)
Amounts written off as uncollectable	**1.1**	2.0
Amounts recovered during the period	**0.8**	0.9
Impairment losses reversed	**3.1**	1.7
Exchange adjustment	**(0.6)**	0.3
Balance at the end of the period	**(13.8)**	(13.1)

Notes to the Group Financial Statements (continued)

17. Trade & other receivables (continued)

Ageing of impaired trade receivables

	2010 £m	2009 £m
Up to 3 months	1.7	1.3
Between 3 & 6 months	2.4	1.8
More than 6 months	9.7	10.0
	13.8	13.1

18. Construction contracts

	2010 £m	2009 £m
Gross amount due from customers for contract work (included in current assets)	16.2	25.9
Gross amount due to customers for contract work (included in current liabilities)	(21.8)	(23.2)
	(5.6)	2.7
Contract costs incurred plus recognised profits less recognised losses to date	116.4	183.3
Less: progress billings	(122.0)	(180.6)
	(5.6)	2.7

The amount of retentions held by customers for contract work amounted to £0.1m (2009: £0.2m) and the amount of advances received from customers for contract work amounted to £7.2m (2009: £nil).

19. Cash & short-term deposits

	2010 £m	2009 £m
Cash at bank & in hand	82.3	54.5
Short-term deposits	1.7	2.5
	84.0	57.0
For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following		
Cash & short-term deposits	84.0	57.0
Bank overdrafts & short-term borrowings (note 20)	(4.5)	(1.3)
	79.5	55.7

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

20. Interest-bearing loans & borrowings

	2010 £m	2009 £m
Current		
Bank overdrafts	3.4	1.3
Short-term borrowings	1.1	-
	4.5	1.3
Bank loans	1.3	0.3
Obligations under finance leases (note 27)	0.5	0.4
	6.3	2.0
Non-current		
Bank loans	203.5	173.7
Fixed rate notes	157.4	-
Obligations under finance leases (note 27)	0.4	0.5
	361.3	174.2

			Weighted average interest rate			
Bank loans	**Maturity**	**Interest basis**	**2010 %**	2009 %	**2010 £m**	2009 £m
Revolving credit facility						
United States dollar variable rate loans	2014	US$ LIBOR	1.26	-	203.1	-
Bilateral						
Canadian dollar variable rate loans	2011	CAD$ LIBOR	-	0.90	-	65.0
United States dollar variable rate loans	2011	US$ LIBOR	-	0.89	-	108.1
Other						
Sterling term loan	2011	BoE base rate	3.50	-	1.0	-
Indian rupee term loan	2013	FIXED	13.75	13.75	0.7	0.9
					204.8	174.0
Less current instalments due on bank loans						
Sterling term loan					(1.0)	-
Indian rupee term loan					(0.3)	(0.3)
Non-current bank loans					203.5	173.7

			Weighted average interest rate			
Fixed rate notes	**Maturity**	**Interest basis**	**2010 %**	2009 %	**2010 £m**	2009 £m
Private placement						
Sterling fixed rate notes	2015	FIXED	4.58	-	12.0	-
United States dollar fixed rate notes	2015	FIXED	4.20	-	57.7	-
Sterling fixed rate notes	2018	FIXED	5.36	-	42.9	-
United States dollar fixed rate notes	2018	FIXED	5.03	-	44.8	-
Non-current fixed rate notes					157.4	-

CAD$ LIBOR is the Canadian dollar London Inter Bank Offer Rate. US$ LIBOR is the United States dollar London Inter Bank Offer Rate. BoE base rate is the Bank of England base 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.

On 11 January 2010, the Group issued through a Private Placement to UK and US investors, the equivalent of US$250m of five year (US$110m) and eight year (US$140m) 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%.

During 2010, the Group also cancelled and repaid all borrowings under its existing £625m bilateral facilities and replaced them with a new US$800m multi-currency revolving credit facility. As at 31 December 2010, £203.1m was drawn under the revolving credit facility.

The interest rate swaps which fixed the rate of interest that the Group would pay on US$50m of its variable rate borrowings at a weighted average of 3.26% matured during the period.

All bank loans and fixed rate notes are unsecured and rank pari passu.

Notes to the Group Financial Statements (continued)

21. Trade & other payables

	2010 £m	2009 £m
Current		
Trade payables	222.1	171.8
Other creditors	16.8	18.3
Other taxes & social security costs	10.3	12.1
Accruals	74.5	60.1
Contingent consideration	2.7	2.7
Deferred income	83.5	71.3
	409.9	336.3
Non-current		
Contingent consideration (note 13)	12.0	-

22. Provisions

	Warranties £m	Employee related £m	Discontinued operations warranty & indemnity £m	Onerous sales contracts £m	Other £m	Total £m
At 1 January 2010	27.4	24.0	6.7	4.0	8.4	70.5
Additions	13.4	3.6	-	1.4	5.9	24.3
Acquisitions	5.3	1.2	-	-	0.6	7.1
Utilised	(12.7)	(3.0)	(2.4)	(0.3)	(2.4)	(20.8)
Unutilised	(1.8)	(1.1)	-	(0.1)	(0.8)	(3.8)
Exchange adjustment	1.0	1.0	-	0.2	0.5	2.7
At 31 December 2010	32.6	25.7	4.3	5.2	12.2	80.0
Current 2010	25.0	4.8	-	1.0	10.7	41.5
Non-current 2010	7.6	20.9	4.3	4.2	1.5	38.5
	32.6	25.7	4.3	5.2	12.2	80.0
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

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. In December 2010, the Group pleaded guilty to two charges of breaching UN sanctions in connection with a number of Oil for Food programme contracts awarded between 2000 and 2002 (note 8). This resulted in provisions of £2.4m being utilised in the period. The provision as at 31 December 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.

22. Provisions (continued)

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.

23. Deferred tax

	2010 £m	2009 £m
Deferred income tax assets		
Post-employment benefits	**18.9**	21.1
Decelerated depreciation for tax purposes	**3.7**	2.8
Intangible assets	**1.9**	-
Untaxed reserves	**53.9**	37.8
Offset against liabilities	**(51.3)**	(33.0)
Gross deferred income tax assets	**27.1**	28.7
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	**(12.7)**	(10.0)
Overseas tax on unremitted earnings	**(21.7)**	(18.9)
Intangible assets	**(81.5)**	(60.9)
Other temporary differences	**(11.6)**	(3.6)
Offset against assets	**51.3**	33.0
Gross deferred income tax liabilities	**(76.2)**	(60.4)
Net deferred income tax liability	**(49.1)**	(31.7)

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	Overseas tax on unremitted earnings £m	Intangible assets £m	Untaxed reserves & other temporary differences £m	Total £m
At 26 December 2008	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)**
Acquisitions	**-**	**(1.3)**	**-**	**(16.6)**	**1.1**	**(16.8)**
(Charged) credited to the income statement	**(0.3)**	**(0.4)**	**0.5**	**0.8**	**3.5**	**4.1**
(Charged) credited to equity	**(2.1)**	**-**	**-**	**-**	**0.1**	**(2.0)**
Exchange adjustment	**0.2**	**(0.1)**	**(3.3)**	**(2.9)**	**3.4**	**(2.7)**
At 31 December 2010	**18.9**	**(9.0)**	**(21.7)**	**(79.6)**	**42.3**	**(49.1)**

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 £1.9m (2009: £4.8m) and deductible temporary differences of £nil (2009: £3.6m) 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 £11.6m (2009: £12.0m) 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 £21.7m (2009: £18.9m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries. As at 31 December 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 £820.9m (2009: £762.1m).

Notes to the Group Financial Statements (continued)

23. Deferred tax (continued)

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

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance Act (No2) 2010 enacted legislation to reduce the UK corporate rate of taxation from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. These further changes have not been substantively enacted at the balance sheet date and, therefore, are not included in the consolidated results for the 52 weeks ended 31 December 2010. We expect that these reductions will not have a material effect on the effective tax rate or on the profit for the year in future periods.

24. Pensions & other post-employment benefit plans

The Group has five defined benefit pension plans in the UK and North America. 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	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Plan assets at fair value						
Equities	**143.7**	137.2	**7.5**	5.5	**151.2**	142.7
Bonds	**95.5**	94.0	**5.5**	5.3	**101.0**	99.3
Insurance policy	**326.5**	301.6	**-**	-	**326.5**	301.6
Other	**14.9**	7.0	**1.2**	1.6	**16.1**	8.6
Fair value of plan assets	**580.6**	539.8	**14.2**	12.4	**594.8**	552.2
Present value of plan liabilities	**(633.9)**	(600.3)	**(25.9)**	(22.9)	**(659.8)**	(623.2)
Net pension liability	**(53.3)**	(60.5)	**(11.7)**	(10.5)	**(65.0)**	(71.0)

The pension plans have not directly 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	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Recognised in the income statement						
Current service cost	**1.3**	1.0	**-**	0.3	**1.3**	1.3
Expected return on plan assets	**(32.5)**	(29.0)	**(0.8)**	(1.6)	**(33.3)**	(30.6)
Interest cost on plan liabilities	**33.5**	29.5	**1.4**	2.6	**34.9**	32.1
Other finance costs	**1.0**	0.5	**0.6**	1.0	**1.6**	1.5
Curtailment gain recognised*	**-**	-	**-**	(1.5)	**-**	(1.5)
Settlement gain recognised*	**-**	(1.5)	**-**	(0.7)	**-**	(2.2)
Taken to the Consolidated Statement of Comprehensive Income						
Actual return on plan assets	**56.5**	93.4	**1.3**	1.4	**57.8**	94.8
Less: expected return on plan assets	**(32.5)**	(29.0)	**(0.8)**	(1.6)	**(33.3)**	(30.6)
	24.0	64.4	**0.5**	(0.2)	**24.5**	64.2
Other actuarial (losses) gains	**(25.3)**	(122.2)	**(2.6)**	0.3	**(27.9)**	(121.9)
Actuarial (losses) gains recognised in the Consolidated Statement of Comprehensive Income	**(1.3)**	(57.8)	**(2.1)**	0.1	**(3.4)**	(57.7)

*In 2009, 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. 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 £9.3m in 2010 (2009: £11.1m of which £1.8m related to the wind up of the Canadian plan) in addition to the employers regular contributions. The total contributions to the defined benefit plans in 2011 are expected to be £10.0m. 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.

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

	UK pensions		North American pensions		Post-retirement healthcare	
	2010 %	2009 %	**2010 %**	2009 %	**2010 %**	2009 %
Main assumptions						
Rate of salary increase	**3.4**	3.6	**3.7**	3.8	**n/a**	n/a
Rate of increase in pensions in payment						
Pre 6 April 2006 service	**3.1**	3.3	**n/a**	n/a	**n/a**	n/a
Post 6 April 2006 service	**2.0**	2.1	**n/a**	n/a	**n/a**	n/a
Discount rate	**5.4**	5.7	**5.3**	5.9	**5.4**	5.9
Expected rates of return on plan assets						
Equities	**7.7**	8.0	**7.7**	6.8	**n/a**	n/a
Bonds	**3.8**	4.7	**5.1**	5.3	**n/a**	n/a
Insurance policy	**5.4**	5.7	**n/a**	n/a	**n/a**	n/a
Other	**3.8**	4.7	**3.9**	3.8	**n/a**	n/a
Inflation assumption	**3.4**	3.6	**2.4**	2.5	**2.4**	2.1
Rate of increase in healthcare costs	**n/a**	n/a	**n/a**	n/a	**	*

* 9.67% per annum decreasing to 5% per annum and remaining static at that level from 2014 onwards
** 8.60% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards

	UK pensions		North American pensions		Post-retirement healthcare	
	2010 Years	2009 Years	**2010 Years**	2009 Years	**2010 Years**	2009 Years
Post-retirement mortality						
Current pensioners at 65 - male	**20.9**	20.9	**18.9**	18.5	**19.1**	18.1
Current pensioners at 65 - female	**23.7**	23.7	**21.1**	20.7	**21.0**	20.5
Future pensioners at 65 - male	**23.8**	23.8	**19.1**	18.7	**19.1**	18.1
Future pensioners at 65 - female	**26.6**	26.6	**21.2**	20.8	**21.0**	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 2040 (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 2011. The effect of a one percentage point change in those assumptions is set out in the table below.

	Increase 2010 £m	**Decrease 2010 £m**	Increase 2009 £m	Decrease 2009 £m
Expected investment return				
Effect on Consolidated Income Statement in the following financial year	**5.8**	**(5.8)**	5.4	(5.4)
Discount rate				
Effect on Consolidated Income Statement in the following financial year	**1.8**	**(3.1)**	1.9	(1.4)
Effect on retirement benefit obligation	**61.2**	**(72.8)**	56.1	(68.9)

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

	Increase 2010 £m	**Decrease 2010 £m**	Increase 2009 £m	Decrease 2009 £m
Effect on defined benefit obligation	**0.6**	**(0.5)**	0.6	(0.4)

Notes to the Group Financial Statements (continued)

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	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Opening defined benefit obligations	**600.3**	501.3	**22.9**	77.5	**623.2**	578.8
Current service cost	**1.3**	1.0	**-**	0.3	**1.3**	1.3
Interest cost	**33.5**	29.5	**1.4**	2.6	**34.9**	32.1
Benefits paid	**(27.3)**	(26.8)	**(1.6)**	(1.3)	**(28.9)**	(28.1)
Contributions by employees	**0.8**	0.9	**-**	-	**0.8**	0.9
Curtailment gain	**-**	-	**-**	(1.5)	**-**	(1.5)
Settlements	**-**	(27.8)	**-**	(52.7)	**-**	(80.5)
Actuarial losses (gains)	**25.3**	122.2	**2.6**	(0.3)	**27.9**	121.9
Exchange adjustment	**-**	-	**0.6**	(1.7)	**0.6**	(1.7)
Closing defined benefit obligations	**633.9**	600.3	**25.9**	22.9	**659.8**	623.2

The defined benefit obligations comprise £8.4m (2009: £7.2m) arising from unfunded plans and £651.4m (2009: £616.0m) 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	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Opening plan assets	**539.8**	487.7	**12.4**	61.2	**552.2**	548.9
Expected return on plan assets	**32.5**	29.0	**0.8**	1.6	**33.3**	30.6
Employer contributions	**10.8**	10.9	**1.6**	3.6	**12.4**	14.5
Contributions by employees	**0.8**	0.9	**-**	-	**0.8**	0.9
Benefits paid	**(27.3)**	(26.8)	**(1.6)**	(1.3)	**(28.9)**	(28.1)
Settlements	**-**	(26.3)	**-**	(52.0)	**-**	(78.3)
Actuarial gains (losses)	**24.0**	64.4	**0.5**	(0.2)	**24.5**	64.2
Exchange adjustment	**-**	-	**0.5**	(0.5)	**0.5**	(0.5)
Closing plan assets	**580.6**	539.8	**14.2**	12.4	**594.8**	552.2

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

History of experience gains & losses

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
UK pensions					
Fair value of plan assets	**580.6**	539.8	487.7	586.2	584.7
Present value of defined benefit obligations	**(633.9)**	(600.3)	(501.3)	(551.4)	(582.2)
(Deficit) surplus in the plans	**(53.3)**	(60.5)	(13.6)	34.8	2.5
Experience adjustments arising on plan liabilities	**(2.8)**	(10.6)	(10.0)	(7.2)	(0.4)
Changes in assumptions underlying plan liabilities	**(22.5)**	(111.6)	70.7	49.3	17.3
Experience adjustments arising on plan assets	**24.0**	64.4	(119.2)	(19.6)	12.1
North American pensions & post-retirement healthcare					
Fair value of plan assets	**14.2**	12.4	61.2	57.5	48.5
Present value of defined benefit obligations	**(25.9)**	(22.9)	(77.5)	(63.5)	(54.9)
Deficit in the plans	**(11.7)**	(10.5)	(16.3)	(6.0)	(6.4)
Experience adjustments arising on plan liabilities	**(0.3)**	1.5	-	(2.0)	(0.1)
Changes in assumptions underlying plan liabilities	**(2.3)**	(1.2)	0.1	1.0	2.2
Experience adjustments arising on plan assets	**0.5**	(0.2)	(3.6)	(0.1)	1.9

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since 28 December 2003 is a loss of £50.0m (2009: a loss of £46.6m).

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.

Notes to the Group Financial Statements (continued)

25. Share capital & reserves

	2010 Number Million	2009 Number Million
Issued & fully paid share capital		
At the beginning of the period	**212.7**	212.6
Issued during the period in respect of LTIP awards	**0.1**	0.1
At the end of the period	**212.8**	212.7
Treasury shares		
At the beginning of the period	**2.5**	2.5
Issued during the period in respect of LTIP awards	**(0.4)**	-
At the end of the period	**2.1**	2.5

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

As at 31 December 2010, 134,809 shares (2009: 148,075 shares) were held by the EBT with a market value of £2.4m (2009: £1.1m).

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

	2010 £m	2009 £m
Revenue	**0.4**	(0.4)
Cost of sales	**0.4**	(4.5)
Finance costs	**(0.7)**	(8.0)
	0.1	(12.9)

26. Additional cash flow information

	2010 £m	2009 £m
Continuing operations		
Net cash generated from operations		
Operating profit	291.5	188.1
Share of results of joint ventures	(4.6)	(4.6)
Depreciation & amortisation of property, plant & equipment & intangible assets	52.3	44.8
Impairment of plant & equipment	0.2	1.0
Losses (gains) on disposal of property, plant & equipment	0.1	(0.1)
Defined benefit plans curtailments & settlements	-	(3.7)
Funding of pension & post-retirement costs	(1.8)	(2.1)
Employee share schemes	3.0	1.6
Net foreign exchange including derivative financial instruments	(0.5)	1.8
Increase in provisions	2.1	9.3
(Increase) decrease in inventories	(39.9)	30.8
(Increase) decrease in trade & other receivables & construction contracts	(61.8)	68.2
Increase (decrease) in trade & other payables & construction contracts	34.3	(32.8)
Cash generated from operations	274.9	302.3
Additional pension contributions paid	(9.3)	(11.1)
Income tax paid	(72.4)	(43.6)
Net cash generated from operating activities	193.2	247.6
Acquisitions of subsidiaries		
Current period acquisitions (note 13)	(203.3)	-
Previous periods acquisitions deferred consideration paid	(0.1)	(0.1)
	(203.4)	(0.1)
Disposals of subsidiaries		
Other current period disposals	-	1.2
Previous periods disposals	(0.7)	(2.6)
	(0.7)	(1.4)
Reconciliation of net increase in cash & cash equivalents to movement in net debt		
Net increase in cash & cash equivalents from continuing operations	41.3	2.8
Net decrease in cash & cash equivalents from discontinued operations - operating activities (note 8)	(18.6)	-
Net (increase) decrease in debt	(165.5)	136.8
Change in net debt resulting from cash flows	(142.8)	139.6
Lease inceptions	(0.2)	-
Leases acquired	(0.3)	-
Loans acquired	(15.5)	-
Foreign currency translation differences	(5.6)	(18.9)
Change in net debt during the period	(164.4)	120.7
Net debt at the beginning of the period	(119.2)	(239.9)
Net debt at the end of the period	(283.6)	(119.2)
Net debt comprises the following		
Cash & short-term deposits (note 19)	84.0	57.0
Current interest-bearing loans & borrowings (note 20)	(6.3)	(2.0)
Non-current interest-bearing loans & borrowings (note 20)	(361.3)	(174.2)
	(283.6)	(119.2)

Notes to the Group Financial Statements (continued)

26. Additional cash flow information (continued)

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

	2010 £m	2009 £m
Goodwill	-	2.9
Property, plant & equipment	-	0.6
Trade & other payables	-	0.3
Net assets disposed	-	3.8

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.

	2010 £m	2009 £m
Less than one year	15.6	12.5
After one year but not more than five years	41.4	32.3
More than five years	14.8	8.7
	71.8	53.5

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.

	Minimum payments 2010 £m	Present value of payments 2010 £m	Minimum payments 2009 £m	Present value of payments 2009 £m
Less than one year	0.5	0.5	0.4	0.4
After one year but not more than five years	0.4	0.4	0.6	0.5
Total minimum lease payments	0.9		1.0	
Less amounts representing finance charges	-		(0.1)	
Present value of minimum lease payments	0.9	0.9	0.9	0.9

The weighted average outstanding lease term is 2.32 years (2009: 1.92 years). For the 52 weeks ended 31 December 2010, the weighted average effective borrowing rate was 9.22% (2009: 9.70%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital commitments

	2010 £m	2009 £m
Outstanding capital commitments contracted but not provided for - property, plant & equipment	6.2	3.0

The Group's share of the capital commitments of its joint ventures amounted to £0.2m (2009: £0.1m).

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.

The Company is subject to a claim relating to a civil 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 44 to 51.

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

	2010 Number Million	2010 WASP	2009 Number Million	2009 WASP
Outstanding at the beginning of the period	2.4	£5.54	1.9	£6.41
Awarded during the period	0.7	£9.39	1.6	£4.00
Exercised during the period	(0.5)	£7.27	(0.4)	£4.46
Forfeited during the period	(0.1)	£5.20	(0.7)	£5.55
Outstanding at the end of the period	2.5	£6.32	2.4	£5.54

An amount of £3.0m (2009: £2.4m) 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 £1.0m (2009: £1.4m) in respect of parent company employees and £2.0m (2009: £1.0m) in respect of employees of subsidiaries. Certain subsidiary companies made a cash contribution to the parent company of £1.2m (2009: £1.1m) in the period in respect of their LTIP awards.

In addition, the one-off conditional share award granted in 2008 to Mark Selway, the previous chief executive, of 405,953 shares at a market price of 900.5p, which would have vested on 8 May 2011 subject to specified performance conditions being achieved, was forfeited as the vesting conditions of the award were not satisfied and, as a result, a credit of £0.8m was recognised in the Consolidated Income Statement in 2009 in respect of the forfeited conditional share award.

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

Year of award	2010 Number Million	2010 Remaining contractual life	2009 Number Million	2009 Remaining contractual life
2007	-	-	0.5	6 months
2008	0.6	3 months	0.6	15 months
2009	1.2	15 months	1.3	27 months
2010	0.7	27 months	-	-

Notes to the Group Financial Statements (continued)

28. Equity settled share-based payments (continued)

Fair value of equity settled share-based payments

The fair value of the conditional awards under the LTIP have been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the 52 weeks ended 31 December 2010 and the 53 weeks ended 1 January 2010.

	2010	2009
Weighted average dividend yield (%)	2.01	4.62
Weighted average expected volatility (%)	55.00	30.00
Weighted average expected life (years)	3.00	3.00
Weighted average risk free rate (%)	1.84	1.90
Weighted average share price (pence)	939p	400p
Weighted average fair value (pence)	755p	244p

The expected life of the awards 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	Sales to related parties - services £m	Purchases from related parties - goods £m	Amounts owed to related parties £m
Joint ventures	2010	0.6	0.2	0.1	-
	2009	1.3	-	0.4	-
Group pension plans	2010	-	-	-	0.2
	2009	-	-	-	0.2

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

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 52 weeks ended 31 December 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 (2009: £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

	2010 £m	2009 £m
Short-term employee benefits	4.9	5.0
Share-based payments	1.6	0.8
Post-employment benefits	-	0.1
	6.5	5.9

Key management comprises the Board and the Group Executive. Further details of the Board remuneration can be found in the Remuneration report on pages 44 to 51.

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. 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. 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

Foreign currency transactional and translational risk could result in volatility in reported consolidated earnings and net assets.

Foreign currency transactional risk is managed by hedging significant exposures. 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

Liquidity risk could impact negatively on the Group's reputation, borrowing costs or ultimately its ability to continue as a going concern. Liquidity risk is managed by monitoring forecast and actual cashflows and ensuring that sufficient committed facilities are in place to meet possible downside scenarios. 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

Credit risk could have a negative impact on reported earnings and cash and consequently the liquidity of the Group.

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 with external credit rating agencies before entering into contracts with new customers and credit limits are set as appropriate and adhered to. 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. 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 significantly increased the proportion of fixed rate borrowings from 18% as at 1 January 2010 to 44% as at 31 December 2010. All interest rate swaps, which had the economic effect of converting borrowings from floating to fixed rates, matured in 2010.

Net investment in foreign operations

As at 31 December 2010, US dollar fixed rate notes of US$160.0m (2009: US$nil) and US dollar variable rate loans of US$322.5m (2009: US$175.0m) both included in interest-bearing loans and borrowings, cross currency swaps of US$334.0m (2009: US$324.0m) and net forward foreign currency liability contracts of US$48.0m (2009: US$90.0m) 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.

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

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 2010 £m	Fair value 2010 £m	Carrying amount 2009 £m	Fair value 2009 £m
Financial assets				
Derivative financial instruments recognised at fair value through profit or loss	8.3	8.3	4.7	4.7
Derivative financial instruments in designated hedge accounting relationships	1.5	1.5	2.8	2.8
Trade & other receivables excluding statutory assets & prepayments	329.5	329.5	224.7	224.7
Cash & short-term deposits	84.0	84.0	57.0	57.0
	423.3	423.3	289.2	289.2
Financial liabilities				
Derivative financial instruments recognised at fair value through profit or loss	(8.3)	(8.3)	(4.4)	(4.4)
Derivative financial instruments in designated hedge accounting relationships	(40.1)	(40.1)	(43.4)	(44.2)
Amortised cost				
Bank overdrafts & short-term borrowings	(4.5)	(4.5)	(1.3)	(1.3)
Trade & other payables excluding statutory liabilities & deferred income	(328.1)	(328.1)	(252.9)	(252.9)
Obligations under finance leases	(0.9)	(0.9)	(0.9)	(0.9)
Floating rate borrowings	(204.1)	(204.1)	(173.1)	(173.1)
Fixed rate borrowings	(158.1)	(161.5)	(0.9)	(0.9)
	(744.1)	(747.5)	(476.9)	(477.7)

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 31 December 2010 and 1 January 2010, the Group held all financial instruments at level 2 fair value measurement. During the 52 weeks ended 31 December 2010 and 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.

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.

	2010 £m	2009 £m
Included in non-current assets		
Forward foreign currency contracts designated as cash flow hedges	0.4	0.1
Other forward foreign currency contracts	0.2	0.2
	0.6	0.3
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	0.9	2.3
Forward foreign currency contracts designated as net investment hedges	0.2	0.4
Other forward foreign currency contracts	8.1	4.5
	9.2	7.2
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	0.5	1.6
Interest rate swaps designated as cash flow hedges	-	0.6
Cross currency swaps designated as net investment hedges	12.2	10.4
Other forward foreign currency contracts	8.2	4.2
	20.9	16.8
Included in non-current liabilities		
Forward foreign currency contracts designated as cash flow hedges	0.6	0.1
Cross currency swaps designated as net investment hedges	26.8	30.7
Other forward foreign currency contracts	0.1	0.2
	27.5	31.0
Net derivative financial liabilities	38.6	40.3

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

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.

52 weeks ended 31 December 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	329.5	-	-	-	329.5
Cash & short-term deposits	84.0	-	-	-	84.0
Non-derivative financial assets	413.5	-	-	-	413.5
Trade & other payables excluding statutory liabilities & deferred income	(316.1)	-	(12.0)	-	(328.1)
Obligations under finance leases	(0.5)	(0.2)	(0.2)	-	(0.9)
Bank overdrafts & short-term borrowings	(4.5)	-	-	-	(4.5)
Bank loans	(4.1)	(4.6)	(217.3)	-	(226.0)
Fixed rate notes	(7.6)	(7.6)	(89.3)	(96.9)	(201.4)
Non-derivative financial liabilities	(332.8)	(12.4)	(318.8)	(96.9)	(760.9)
Net non-derivative financial assets (liabilities)	80.7	(12.4)	(318.8)	(96.9)	(347.4)

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
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)

30. Financial assets & liabilities (continued)

52 weeks ended 31 December 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Cross currency swaps - outflow	(55.1)	(57.2)	(73.1)	(49.9)	(235.3)
Cross currency swaps - inflow	43.2	44.7	61.2	47.8	196.9
Cross currency swaps - net outflow	(11.9)	(12.5)	(11.9)	(2.1)	(38.4)
Forward foreign currency contracts - outflow	(506.4)	(27.0)	(4.1)	-	(537.5)
Forward foreign currency contracts - inflow	506.7	27.2	3.9	-	537.8
Forward foreign currency contracts - net inflow (outflow)	0.3	0.2	(0.2)	-	0.3
Derivative financial instruments - outflow	(561.5)	(84.2)	(77.2)	(49.9)	(772.8)
Derivative financial instruments - inflow	549.9	71.9	65.1	47.8	734.7
Derivative financial instruments - net outflow	(11.6)	(12.3)	(12.1)	(2.1)	(38.1)
Effect of discounting					(0.5)
Net derivative financial liabilities					(38.6)

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
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)

Notes to the Group Financial Statements (continued)

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.

52 weeks ended 31 December 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 debt					
Bank loans	(0.3)	(0.3)	(0.1)	-	(0.7)
Fixed rate notes	-	-	(69.7)	(87.7)	(157.4)
Obligations under finance leases	(0.5)	(0.2)	(0.2)	-	(0.9)
	(0.8)	(0.5)	(70.0)	(87.7)	(159.0)
Fixed rate derivatives					
Notional cross currency swaps US dollar leg	-	-	(12.5)	(44.8)	(57.3)
Notional cross currency swaps sterling leg	-	-	12.0	43.0	55.0
	-	-	(0.5)	(1.8)	(2.3)
Net fixed rate financial instruments	(0.8)	(0.5)	(70.5)	(89.5)	(161.3)
Floating rate net debt					
Cash & short-term deposits	84.0	-	-	-	84.0
Bank overdrafts & short-term borrowings	(4.5)	-	-	-	(4.5)
Bank loans	(1.0)	-	(203.1)	-	(204.1)
	78.5	-	(203.1)	-	(124.6)
Floating rate derivatives					
Notional cross currency swaps US dollar leg	(51.3)	(53.3)	(52.0)	-	(156.6)
Notional cross currency swaps sterling leg	39.1	40.6	41.0	-	120.7
	(12.2)	(12.7)	(11.0)	-	(35.9)
Net floating rate financial instruments	66.3	(12.7)	(214.1)	-	(160.5)

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	More than 5 years £m	Total £m
Fixed 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 derivatives					
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 derivatives					
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)

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 in respect of each currency to which the Group has a significant exposure to interest rate risk. There is no impact on the Group's equity, with the exception of the Group's interest rate swaps which matured in 2010.

	Increase in basis points	Effect on profit before tax gain (loss) £m	Effect on equity gain £m
2010			
Canadian dollar	**+ 100**	**0.1**	**-**
UK sterling	**+ 100**	**1.9**	**-**
US dollar	**+ 100**	**(4.0)**	**0.3**
2009			
Canadian dollar	+ 100	(0.6)	-
UK sterling	+ 100	1.1	-
US dollar	+ 100	(2.1)	0.2

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. The interest rate swaps which the Group utilised to convert borrowings from floating to fixed rates of interest all matured during the period. These interest rate swaps were 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.

52 weeks ended 31 December 2010

	Net carrying amount £m	Maturity dates	Recognised in profit or loss gain (loss) £m	Recognised in equity (loss) £m
Forward foreign currency contracts designated as cash flow hedges	0.2	2011 to 2013	0.8	(0.1)
Interest rate swaps designated as cash flow hedges	-	n/a	(0.7)	(0.1)
Forward foreign currency contracts designated as net investment hedges	0.2	2011	-	(1.2)
Cross currency swaps designated as net investment hedges	(39.0)	2011 to 2018	0.1	(10.1)
Other forward foreign currency contracts at fair value through profit or loss	-	2011 to 2015	0.2	-
	(38.6)		0.4	(11.5)

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

The £0.1m gain (2009: £0.9m) 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 £0.3m (2009: £nil). In 2009, 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. In 2010, there was no ineffectiveness in relation to the Group's interest rate swaps.

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

Foreign exchange risk

The Group considers the most significant foreign exchange risk relates to the Australian dollar, Canadian dollar, Euro and US 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 financial 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
2010			
Australian dollar	**+25%**	**0.5**	**-**
Canadian dollar	**+25%**	**(0.4)**	**-**
Euro	**+25%**	**2.4**	**(0.9)**
US dollar	**+25%**	**6.2**	**113.9**
2009			
Australian dollar	+25%	(0.1)	-
Canadian dollar	+25%	0.2	-
Euro	+25%	3.4	1.0
US dollar	+25%	0.8	76.1

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.

	2010 £m	2009 £m
US dollar	**163.6**	88.7
Australian dollar	**39.7**	20.5
Euro	**47.3**	51.7
Canadian dollar	**8.3**	8.6
Brazilian real	**8.7**	8.4
Chilean peso	**19.6**	13.5
South African rand	**8.1**	7.8
Other	**14.4**	5.5
Operating profit from continuing operations before exceptional items & intangibles amortisation	**309.7**	204.7

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).

	2010	2009
Net debt (£m)	283.6	119.2
Total equity (£m)	921.7	742.4
Gearing ratio (%)	31	16

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.

	2010	2009
Net debt (£m)	283.6	119.2
Operating profit (£m)	291.5	188.1
Depreciation, intangibles amortisation & impairment (£m)	52.5	45.8
EBITDA (£m)	344.0	233.9
Net debt to EBITDA cover (ratio)	0.8	0.5

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).

	2010	2009
Operating profit before exceptional items & intangibles amortisation (£m)	309.7	204.7
Net finance costs (excluding other finance costs) (£m)	13.4	16.2
Interest cover (ratio)	23.1	12.6

32. Exchange rates

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

	2010	2009
Average rate (per £)		
US dollar	1.55	1.57
Australian dollar	1.68	1.99
Euro	1.17	1.12
Canadian dollar	1.59	1.78
Brazilian real	2.72	3.11
Chilean peso	788.31	873.57
South African rand	11.32	13.08
Closing rate (per £)		
US dollar	1.56	1.61
Australian dollar	1.52	1.80
Euro	1.17	1.13
Canadian dollar	1.55	1.69
Brazilian real	2.59	2.81
Chilean peso	729.68	820.02
South African rand	10.27	11.92

Independent Auditors Report

Independent auditors report to the members of The Weir Group PLC

We have audited the Company financial statements of The Weir Group PLC for the 52 weeks ended 31 December 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 43, 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 and express an opinion on 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 31 December 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 52 weeks ended 31 December 2010.

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

Glasgow

8 March 2011

Company
Balance Sheet
at 31 December 2010

	Notes	31 December 2010 £m	1 January 2010 £m
Fixed assets			
Tangible assets	3	**0.3**	0.3
Investments	4	**1,138.9**	1,038.9
Total fixed assets		**1,139.2**	1,039.2
Current assets			
Debtors	5	**20.5**	31.2
Derivative financial instruments	10	**13.7**	10.2
Cash at bank & in hand		**5.5**	3.1
Total current assets		**39.7**	44.5
Creditors falling due within one year			
Creditors	6	**306.9**	305.0
Derivative financial instruments	10	**25.5**	21.1
Total current liabilities		**332.4**	326.1
Net current liabilities		**292.7**	281.6
Total assets less current liabilities		**846.5**	757.6
Creditors falling due after more than one year			
Loans	7	**391.4**	349.2
Derivative financial instruments	10	**28.2**	31.2
Total creditors falling due after more than one year		**419.6**	380.4
Provisions	8	**9.2**	10.3
Net assets excluding retirement benefits		**417.7**	366.9
Retirement benefits	9	**0.9**	0.8
Net assets including retirement benefits		**416.8**	366.1
Capital & reserves			
Share capital	11	**26.6**	26.6
Share premium	12	**38.0**	38.0
Treasury shares	12	**(6.8)**	(7.9)
Capital redemption reserve	12	**0.5**	0.5
Special reserve	12	**1.8**	1.8
Profit & loss account	12	**356.7**	307.1
Total equity		**416.8**	366.1

Approved by the Board of Directors on 8 March 2011 **Keith Cochrane,** Director **Jon Stanton,** 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, fixed rate notes, 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 £94.3m (2009: £20.7m). 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

	2010 £m	2009 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2009: 16.20p (2008: 13.85p)	**34.1**	29.1
Interim dividend for 2010: 6.00p (2009: 4.80p)	**12.6**	10.1
	46.7	39.2
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2010: 21.0p (2009: 16.20p)	**44.3**	34.1

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 44 to 51.

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 (2009: £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, are required to disclose such fees on a consolidated basis.

Notes to the Company Financial Statements (continued)

3. Tangible assets

	Office & computer equipment £m
Cost	
At 1 January 2010 & at 31 December 2010	**1.2**
Aggregate depreciation	
At 1 January 2010 & at 31 December 2010	**0.9**
Net book value at 1 January 2010	0.3
Net book value at 31 December 2010	**0.3**

4. Fixed asset investments

	Subsidiaries		
	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2010	**546.6**	**612.9**	**1,159.5**
Additions	**127.9**	**75.2**	**203.1**
Disposals / repayments	**(125.1)**	**(77.3)**	**(202.4)**
Written off	**-**	**(15.7)**	**(15.7)**
At 31 December 2010	**549.4**	**595.1**	**1,144.5**
Impairment			
At 1 January 2010	**99.5**	**21.1**	**120.6**
Disposals	**(99.3)**	**-**	**(99.3)**
Written off	**-**	**(15.7)**	**(15.7)**
At 31 December 2010	**0.2**	**5.4**	**5.6**
Net book value at 1 January 2010	447.1	591.8	1,038.9
Net book value at 31 December 2010	**549.2**	**589.7**	**1,138.9**

The principal subsidiaries and joint ventures of the Company are listed on page 134.

5. Debtors

	2010 £m	2009 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	**16.6**	26.2
Tax recoverable	**0.6**	0.3
Deferred tax recoverable	**1.3**	2.1
Other debtors	**1.5**	1.3
Prepayments & accrued income	**0.5**	1.3
	20.5	31.2

6. Creditors

	2010 £m	2009 £m
Bank overdrafts & short-term borrowings	**92.3**	76.6
Loans from subsidiaries	**196.1**	200.4
Amounts owed to subsidiaries	**2.2**	13.0
Other taxes & social security costs	**1.4**	0.9
Tax payable	**-**	4.4
Other creditors	**2.4**	2.3
Accruals & deferred income	**12.5**	7.4
	306.9	305.0

7. Loans

	2010 £m	2009 £m
Amounts due are repayable as follows		
Less than one year		
- bank loan	**1.0**	-
- loans from subsidiaries	**196.1**	200.4
More than one year but not more than two years		
- bank loans	**-**	107.9
- loans from subsidiaries	**30.8**	-
More than two years but not more than five years		
- bank loans	**203.1**	-
- fixed rate notes	**69.7**	-
- loans from subsidiaries	**0.1**	241.3
More than five years		
- fixed rate notes	**87.7**	-
	588.5	549.6
Less current instalments due on:		
- bank loan	**(1.0)**	-
- loans from subsidiaries	**(196.1)**	(200.4)
	391.4	349.2

8. Provisions

	Subsidiaries £m	Discontinued operations warranty & indemnity £m	Total £m
At 1 January 2010	**6.2**	**4.1**	**10.3**
Additions	**0.8**	**-**	**0.8**
Released - unutilised	**(1.9)**	**-**	**(1.9)**
At 31 December 2010	**5.1**	**4.1**	**9.2**

Subsidiaries

As at 31 December 2010, a provision of £5.1m (2009: £6.2m) 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 31 December 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.

	2010 £m	2009 £m
Present value of plan liabilities	(1.3)	(1.1)
Related deferred tax asset	0.4	0.3
Net pension liability	(0.9)	(0.8)

	2010 £m	2009 £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.

	2010 %	2009 %
Rate of increase in pensions in payment	3.1	3.3
Discount rate	5.4	5.7
Inflation assumption	3.4	3.6

The mortality assumptions used were as follows.

	2010 Years	2009 Years
Post-retirement mortality		
Current pensioners at 65 - male	20.9	20.9
Current pensioners at 65 - female	23.7	23.7
Future pensioners at 65 - male	23.8	23.8
Future pensioners at 65 - female	26.6	26.6

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 2040 (in 30 years time).

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

	2010 £m	2009 £m
Opening defined benefit obligations	1.1	1.1
Interest cost	0.1	0.1
Benefits paid	(0.1)	(0.1)
Actuarial losses	0.2	-
Closing defined benefit obligations	1.3	1.1

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

	2010 £m	2009 £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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	(1.3)	(1.1)	(1.1)	(1.1)	(1.1)
Deficit in the plans	(1.3)	(1.1)	(1.1)	(1.1)	(1.1)
Experience adjustments arising on plan liabilities	-	-	-	(0.1)	-
Changes in assumptions underlying plan liabilities	(0.2)	-	(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.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit method. The total contributions to the defined benefit plans in 2011 are expected to be £8.8m.

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 period was a gain of £56.5m (2009: £93.4m).

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

	2010 %	2010 £m	2009 %	2009 £m
Equities	7.7	143.7	8.0	137.2
Bonds	3.8	95.5	4.7	94.0
Insurance policy	5.4	326.5	5.7	301.6
Other	3.8	14.9	4.7	7.0
Fair value of plan assets		580.6		539.8
Present value of plan liabilities		(632.6)		(599.2)
Net deficit in the plans		(52.0)		(59.4)

	2010 £m	2009 £m
Recognised in the profit & loss account		
Current service cost	1.3	1.0
Expected return on plan assets	(32.5)	(29.0)
Interest cost on plan liabilities	33.4	29.4
Other finance costs	0.9	0.4
Settlement gain recognised	-	(1.5)
Taken to the statement of total recognised gains & losses		
Actual return on plan assets	56.5	93.4
Less: expected return on plan assets	(32.5)	(29.0)
	24.0	64.4
Other actuarial losses	(25.1)	(122.2)
Actuarial losses recognised in the statement of total recognised gains & losses	(1.1)	(57.8)

Notes to the Company Financial Statements (continued)

9. Retirement benefits (continued)

The major assumptions used by the actuary were as follows.

	2010 %	2009 %
Rate of increase in salaries	3.4	3.6
Rate of increase in pensions in payment		
Pre 6 April 2006 service	3.1	3.3
Post 6 April 2006 service	2.0	2.1
Discount rate	5.4	5.7
Inflation assumption	3.4	3.6

The mortality assumptions used were as follows.

	2010 Years	2009 Years
Post-retirement mortality		
Current pensioners at 65 - male	20.9	20.9
Current pensioners at 65 - female	23.7	23.7
Future pensioners at 65 - male	23.8	23.8
Future pensioners at 65 - female	26.6	26.6

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 2040 (in 30 years time).

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

	2010 £m	2009 £m
Opening defined benefit obligations	599.2	500.2
Current service cost	1.3	1.0
Interest cost	33.4	29.4
Benefits paid	(27.2)	(26.7)
Contributions by employees	0.8	0.9
Settlements	-	(27.8)
Actuarial losses	25.1	122.2
Closing defined benefit obligations	632.6	599.2

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

	2010 £m	2009 £m
Opening plan assets	539.8	487.7
Expected return on plan assets	32.5	29.0
Employer contributions	10.7	10.8
Contributions by employees	0.8	0.9
Benefits paid	(27.2)	(26.7)
Settlements	-	(26.3)
Actuarial gains	24.0	64.4
Closing plan assets	580.6	539.8

9. Retirement benefits (continued)

History of experience gains & losses

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of plan assets	**580.6**	539.8	487.7	586.8	586.4
Present value of defined benefit obligations	**(632.6)**	(599.2)	(500.2)	(550.3)	(581.1)
(Deficit) surplus in the plans	**(52.0)**	(59.4)	(12.5)	36.5	5.3
Experience adjustments arising on plan liabilities	**(2.8)**	(10.6)	(10.0)	(7.0)	(0.4)
Changes in assumptions underlying plan liabilities	**(22.3)**	(111.6)	70.7	49.0	17.3
Experience adjustments arising on plan assets	**24.0**	64.4	(119.8)	(21.0)	12.5

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £210.8m (2009: £209.7m).

10. Derivative financial instruments

	2010 £m	2009 £m
Current assets		
Derivative financial instruments due within one year		
Interest rate swaps	**-**	0.6
Forward foreign currency contracts	**12.3**	9.0
	12.3	9.6
Derivative financial instruments due after more than one year		
Forward foreign currency contracts	**1.4**	0.6
	13.7	10.2
Creditors falling due within one year		
Interest rate swaps	**-**	0.6
Cross currency swaps	**12.2**	10.4
Forward foreign currency contracts	**13.3**	10.1
	25.5	21.1
Creditors falling due after more than one year		
Cross currency swaps	**26.8**	30.7
Forward foreign currency contracts	**1.4**	0.5
	28.2	31.2

Notes to the Company Financial Statements (continued)

11. Share capital

	2010 £m	2009 £m
Allotted, called up & fully paid		
Ordinary shares of 12.5p each	**26.6**	26.6

	2010 Number Million	2009 Number Million
Shares allotted		
Issued during the period in respect of LTIP awards	**0.1**	0.1
Treasury shares		
At the beginning of the period	**2.5**	2.5
Issued during the period in respect of LTIP awards	**(0.4)**	-
At the end of the period	**2.1**	2.5
Equity settled share-based payments		
LTIP awards outstanding at the end of the period	**2.5**	2.4

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 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**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**94.3**	**94.3**
Actuarial losses on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Dividends	**-**	**-**	**-**	**-**	**-**	**(46.7)**	**(46.7)**
Cost of share-based payment net of deferred tax	**-**	**-**	**-**	**-**	**-**	**3.3**	**3.3**
Exercise of LTIP awards	**-**	**1.1**	**-**	**-**	**-**	**(1.1)**	**-**
At 31 December 2010	**38.0**	**(6.8)**	**0.5**	**-**	**1.8**	**356.7**	**390.2**

The profit and loss account above is stated after deducting an accumulated loss in respect of retirement benefits of £0.9m (2009: £0.8m).

13. Balance sheet - deferred tax

	Deferred tax asset £m
At 1 January 2010	**2.4**
Included in profit for the period	**(1.0)**
Credit for the period included in equity	**0.3**
At 31 December 2010	**1.7**

13. Balance sheet - deferred tax (continued)

	2010 £m	2009 £m
Included in debtors (note 5)	1.3	2.1
Included in retirement benefits (note 9)	0.4	0.3
	1.7	2.4
Other timing differences	1.3	2.1
Retirement benefits	0.4	0.3
	1.7	2.4

14. Operating lease commitments

	2010 £000	2009 £000
As at 31 December 2010, annual commitments under non-cancellable operating leases amounted to - office equipment	15	13
of which payable in respect of operating leases ending in the second to fifth years inclusive	15	13

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 31 December 2010 amounted to £88.3m (2009: net funds of £10.2m).

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	2010	0.1	0.4
	2009	-	0.3

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 2010
Subsidiaries		
American Hydro Corporation	USA	100
EnviroTech Pumpsystems Inc	USA	100
Linatex Rubber Products Sdn. Bhd.	Malaysia	100
Liquid Gas Equipment Ltd*	Scotland	100
Mesa Manufacturing Inc	USA	100
Multiflo Pumps Pty Ltd	Australia	100
Shengli Oilfield Weir Highland Pump Company Ltd	China	60
Specialised Petroleum Manufacturing Ltd	Scotland	100
SPM Flow Control Inc	USA	100
SPM Flow Control Ltd	Canada	100
Vulco Peru SA	Peru	100
Vulco SA	Chile	100
Weir Canada Inc	Canada	100
Weir do Brasil Ltda	Brazil	100
Weir Engineering Services Ltd	Scotland	100
Weir Floway Inc	USA	100
Weir Flow Control (Hong Kong) Ltd	Hong Kong	75
Weir Gabbioneta SrL	Italy	100
Weir Hazleton Inc	USA	100
Weir India Private Ltd (formerly Weir Engineering Services (India) Private Ltd)	India	100
Weir Minerals Africa (Pty) Ltd	South Africa	100
Weir Minerals Australia Ltd	Australia	100
Weir Minerals Europe Ltd	England	100
Weir Minerals France SAS	France	100
Weir Minerals Netherlands BV	Netherlands	100
Weir Power & Industrial France SAS	France	100
Weir Slurry Group Inc	USA	100
Weir Solutions FZE (formerly CH Warman Slurry Technologies FZE)	Dubai	100
Weir SOS Ltd	The Bahamas	75
Weir Valves & Controls UK Ltd*	England	100
Weir Valves & Controls USA Inc	USA	100
Ynfiniti Engineering Services SL	Spain	76
Joint ventures		
Weir Arabian Metals Company	Saudi Arabia	49
Wesco LLC	UAE	49

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

The Company has taken advantage of the exemption under Section 410 (2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the financial statements.

A complete list of subsidiary and associated undertakings is attached to the annual return of The Weir Group PLC filed at Companies House.

Group Products

WARMAN is a registered trademark of both Weir Minerals Australia Ltd and Weir Group African IP Ltd; CAVEX, HAZLETON and MULTIFLO are registered trademarks of Weir Minerals Australia Ltd; GEHO is a registered trademark of Weir Minerals Netherlands b.v.; ISOGATE is a registered trademark of Weir do Brasil Ltda; FLOWAY is a registered trademark of Weir Floway, Inc.; LEWIS PUMPS is a trademark of Envirotech PumpSystems, Inc.; TRICENTRIC is a registered trademark of Weir Valves & Controls USA, Inc.; BLAKEBOROUGH and HOPKINSONS are registered trademarks of Weir Valves & Controls UK Ltd; SPM is a trademark of S.P.M. Flow Control, Inc.; WEIR is a registered trademark of Weir Engineering Services Ltd; LINATEX is a registered trademark of Linatex Limited; DESTINY is a trademark of S.P.M. Flow Control, Inc.; AMERICAN HYDRO is a trademark of Weir American Hydro Corporation; GABBIONETA is a trademark of Weir Gabbioneta S.r.L.; BDK is a trademark of Weir India Private Ltd.

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. 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 2011 annual general meeting including the notice of the annual general meeting;
- the Code of Conduct;
- 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 Computershare 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.

Annual Report & Financial Statements 2010
Glossary

2006 Act	The Companies Act of 2006, the primary source of UK company law
Board	The Board of Directors of The Weir Group PLC
Combined Code	The Combined Code on Corporate Governance issued by the UK Financial Reporting Council in June 2008
Company	The Weir Group PLC
Director	A director of The Weir Group PLC
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and intangibles amortisation
EBITDA	Earnings before interest, tax, depreciation and intangibles amortisation
EBT	Employees benefit trust
Emerging markets	Asia-Pacific, South America, Africa and Middle East
EPS	Earnings per share
ESH	Environmental, safety and health
Free cash flow	Net cash flow generated from continuing operations excluding the cash impact in relation to acquisitions, disposals and net proceeds from / repayments of borrowings
Group	The Company together with its subsidiaries
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Independent auditors	Ernst & Young LLP
Input	Orders received from customers
like-for-like	On a consistent basis, excluding the impact of current year acquisitions
LTA	Lost Time Accident resulting in lost time of more than 4 hours
low carbon industries	Nuclear, wind, hydro, solar, biomass and geothermal industries
Non-GAAP measure	A measure of historical or future financial performance, financial position or cash flows which is adjusted to exclude or include amounts that would not be so adjusted in the most comparable measure prescribed by IFRS
OE	Original equipment
OEM	Original equipment manufacturer
Operating margin	Operating profit including our share of results of joint ventures divided by revenue
Ordinary shares	The ordinary shares in the capital of the Company of 12.5p each
Registrar	Computershare Investor Services plc
ROCE	Return on capital employed - calculated as EBIT for the period divided by average net assets excluding pension deficit
RPI	UK Retail Prices Index
subsidiary	An entity that is controlled, either directly or indirectly, by the Company
TSR	Total Shareholder Return comprising dividends paid on ordinary shares and the increase or decrease in the market price of ordinary shares
UK GAAP	United Kingdom Generally Accepted Accounting Practice
Weir Production System Lean Score	The Scores range from 0-40% means the site needs significant improvement, action is required, 41%-66% means relatively good practice but regular follow up and further improvements are required and 67%-100% is world class practice where process has taken root and needs to be maintained and improved

Financial
Calendar

Ex-dividend date for final dividend
4 May 2011

Record date for final dividend
6 May 2011
Shareholders on the register at this date will receive the dividend

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Annual general meeting
4 May 2011

Final dividend paid
2 June 2011

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.

Registered office & company number
Clydesdale Bank Exchange
20 Waterloo Street
Glasgow G2 6DB
Scotland
Registered in Scotland
Company Number 2934

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Printed by Royle Print

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