The Weir Group PLC
Annual Report and Financial Statements 2012

THE WEIR GROUP IS A GLOBAL ENGINEERING GROUP

We are focused on delivering engineering solutions to customers in the minerals, oil and gas and power markets. Operating in more than 70 countries and employing more than 14,000 people, we support our customers through a worldwide network of around 200 manufacturing and service facilities.

> Read more about the Company on page 2.

The equipment and support we provide, together with a commitment to excellence across the value chain, helps our customers to deliver resources upon which society depends.

> Read more about our performance from page 12.

Directors' Report
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Overview of Weir

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Company Information

Cover image: Lucivaldo Gonçalves dos Santos, foundry assembler, Weir Minerals Brasil.

2012 Highlights

Financial

Revenue
£2,538m
+11%

Profit before tax[2]
£443m
+12%

Operating profit[2]
£486m
+18%

Order input[1]
£2,397m
-2%

Dividend per share
38.0p
+15%

Earnings per share[2]
150.1p
+12%

Net debt
£689m

Financial and Strategic

Record pre-tax profits up 12% to £443m;

Record Group operating margin, supported by strong performance by Minerals;

Strengthening aftermarket input: 57% of total orders (2011: 52%);

Resilient Oil & Gas performance, supported by positive contributions from acquisitions;

Strategic progress: higher R & D investment; expanded product portfolio and service presence;

Full year dividend increased by 15% to 38.0p with further double digit increase planned in 2013.

1. 2011 restated at 2012 average exchange rates.
2. Continuing operations adjusted to exclude exceptional items and intangibles amortisation.

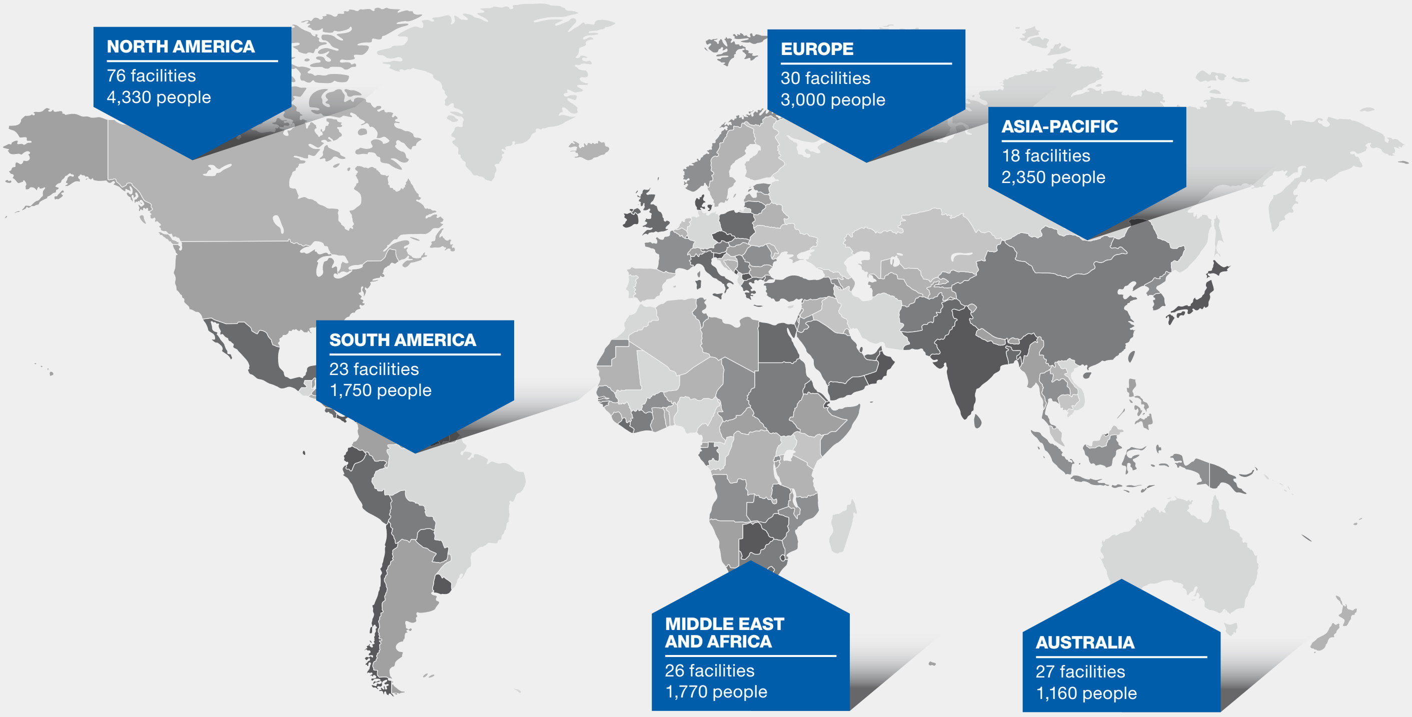
Weir at a Glance

Our divisions provide mission critical engineering equipment, services and support to customers in the global energy and natural resources markets.

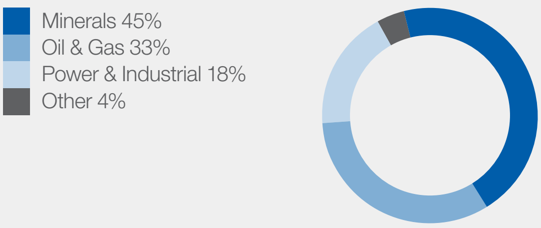
PARTNERS IN PRODUCTION WORLDWIDE

Our aim of extending our positions in the high growth, long cycle minerals, oil and gas and power markets is delivered through our strategic pillars of value chain excellence, innovation, collaboration and global capability.

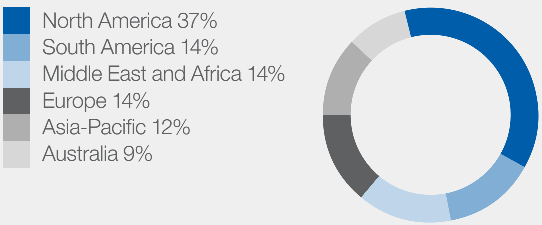
> Read more about strategy on page 6.



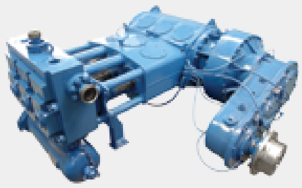
2012 Group input by market

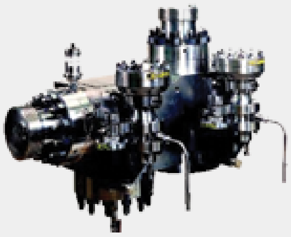


2012 Group input by geography



Minerals	Oil & Gas	Power & Industrial
Designing, manufacturing and supporting products used in mining and minerals processing. Weir Minerals is the global leader in slurry handling equipment.	Designing, manufacturing and supporting products used in upstream pressure-pumping, pressure control and downstream refining operations. Weir Oil & Gas is the market leader in pressure-pumping equipment in North America.	Designing, manufacturing and supporting valves, pumps and turbines for the conventional and renewable power and industrial and oil and gas markets.
Revenue £1,334m +12%	**Revenue** £844m +13%	**Revenue** £323m +7%
Operating profit £256m +21%	**Operating profit** £211m +14%	**Operating profit** £31m +20%
Key brands: Warman, Vulco, Cavex and Linatex	**Key brands:** SPM, Seaboard, Novatech, Mesa, Gabbioneta and Weir Oil & Gas Services	**Key brands:** Roto-Jet, Blakeborough, Atwood & Morrill, Batley Valve, BDK, Hopkinsons, Tricentric, Sarasin-RBSD, Sebim, Allen Steam Turbines, American Hydro and WEMCO
Main markets: Mining and minerals processing; oil sands; aggregates; flue gas desulphurisation and tunnelling and dredging	**Main markets:** Oil and gas drilling and completion; oil refining	**Main markets:** Nuclear and conventional power generation; water and wastewater; mid and downstream oil and gas; waste to energy; biomass; paper and pulp and foodstuffs
Major operational locations: US, Canada, Chile, Brasil, Peru, UK, Netherlands, South Africa, India, China and Australia	**Major operational locations:** US, Canada, UK, Middle East, China, Singapore and Australia	**Major operational locations:** US, Canada, UK, France, Spain, South Korea, Singapore, South Africa, India and China
Major customers: Major and Junior Mining Houses; EPCs (Engineering, Procurement and Construction Companies); National and International Oil Companies	**Major customers:** Oilfield Service Companies; National and International Oil Companies; EPCs	**Major customers:** Utility Companies; General Industrial Companies; EPCs
Employees: 7,900	**Employees:** 3,100	**Employees:** 3,170
Addressable market: £5.7bn	**Addressable market:** £4.5bn	**Addressable market:** £7bn





> Read more about Weir Minerals' performance from page 24.

> Read more about Weir Oil & Gas' performance from page 28.

> Read more about Weir Power & Industrial's performance from page 32.

Chairman's Statement
Lord Smith of Kelvin

The Weir Group continued to perform well during 2012, borne out by revenues which grew 11% to £2.5bn and record pre-tax profits from continuing operations, before exceptional items and intangibles amortisation, of £443m, a 12% increase on 2011.

We are proposing a final dividend payment to shareholders of 30.0p per share, making 38.0p for the full year, an increase of 15%. In 2013, we plan to continue the double digit dividend growth rate which we have delivered every year since 2005. This will be the 30th consecutive year of dividend growth for the Group.

The 2012 performance was delivered against a background of testing conditions in the North American oil and gas pressure-pumping sector, one of our main served markets, and a significant contributor to the Group's growth in recent years.

Focused, but diversified
To my mind, this tells us a number of important things about the Group. First, there are strong benefits in the diversity of our chosen markets, ensuring in 2012 that difficult upstream oil and gas pressure-pumping conditions could be offset by the performances of our Minerals and Power & Industrial divisions. This diversity extends not only to our markets and divisions, but also to our operating geographies and our ability to drive revenues from both original equipment manufacturing and aftermarket support. This provides stable and more predictable earnings even in times of market volatility.

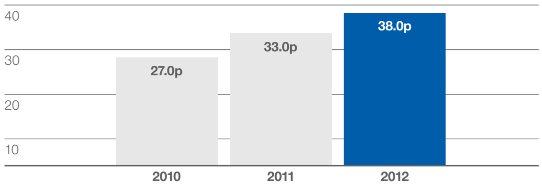
Secondly, it highlights the ongoing relevance of the Group's strategic pillars of innovation, collaboration, global capability and value chain excellence. This means that, despite operating in diverse sectors, all divisions benefit from an increasing number of cross-divisional technological and operational initiatives, providing consistency across the Group and ensuring a return greater than the sum of the parts as we reap the benefits of common supply chains and a Group-wide low cost footprint.

A STRONG PERFORMANCE FROM A FOCUSED, YET DIVERSIFIED GROUP

Dividend per share (p)

38.0p

+5p



Finally, in addition to organic initiatives, the Group continues to benefit from its strategy of accelerating growth through acquisition. In 2012, Seaboard and Novatech contributed positively with Seaboard establishing the Group's position in the pressure control market. In December, we announced the acquisition of Mathena, Inc, expanding our pressure control offering into the drilling phase of the wellcycle, and completed the sale of non-core LGE Process.

Strategic momentum has also continued in the important area of innovation during 2012 with a number of new product launches and also tangible evidence that the infrastructure put in place by the Group to develop new technology and establish a sustainable pipeline of innovation is bearing fruit. More details of the strategy in action during 2012 are given in the Strategic Review.

Our wider commitments

The Group makes a significant economic contribution to the communities where it operates. Since the launch of the new strategy in 2010, we have provided nearly 3,000 new jobs worldwide. Weir also supports businesses in 89 countries and every continent through its supply chain. And as Weir continues to grow, the Board is focused on ensuring that the Group's social and environmental responsibilities are met fully. How we support our own people and those in the communities which surround our operations, the actions we deploy to mitigate and minimise our environmental impacts and the example we set in the way we do business are fundamental to maintaining our licence to operate.

This year, the rollout of the Weir Environment, Health and Safety system marks an important step towards world class safety standards across the Group and the introduction of a behavioural safety system at the beginning of 2013 recognises the emphasis placed on establishing a strong culture of risk assessment across the business. Each of our businesses aims to mitigate greenhouse gas emissions through a number of initiatives. Our emissions by turnover remained constant on the 2011 performance. We remain committed to reducing our carbon intensity and an action plan developed towards the end of the year provides a strong platform to enable the Group to take the next steps on its sustainability journey. Finally, the Weir Code of Conduct continues to inform employees of the right way to do business: ethically and with integrity. Training on the Code is mandatory.

The Board's work programme during 2012 was extensive, providing a good overview of market conditions and operational priorities. As happens annually, we visit the Group's operations to develop further our understanding of the business. This year, we spent time in Texas at our largest pressure-pumping business, SPM. These trips are invaluable to every Non-Executive Director, providing a chance to truly get under the skin of the Group's activities. Once again, the quality and commitment of our people was self-evident, with a growing number taking advantage of the opportunities provided by the Group's recently introduced learning and development framework. The quality and commitment of Weir employees was also matched during the year by my fellow Board members. I would like to thank them for their contribution. Earlier this month, we announced the appointment of a new Non-Executive Director. Charles Berry joins the Board on 1 March 2013 and will add great experience and knowledge of international energy markets.

If 2012 has taught us anything, it is that a challenge in one of our markets does not prevent the delivery of a strong performance from the Group. Weir's geographic and market exposures, combined with the growing capability of the business, enable value creation in lower growth conditions. Together with a proven, tested strategy and business model, the Group approaches 2013 with confidence and a number of opportunities to continue to grow and develop the business.

Lord Smith of Kelvin
Chairman
27 February 2013

Our Strategy and Business Model

The Group's strategy is to strengthen and extend its addressable markets in the attractive minerals, oil and gas and power sectors and to deliver sustainable growth ahead of these markets.

We will achieve this by continuously building on more than 141 years of engineering excellence to **attain the status of 'partner of choice'** for innovative engineered products and services for customers in the global energy and natural resources markets that we serve. Attaining and maintaining this status is achieved by focusing on the four pillars which drive growth The Weir Way: **value chain excellence, innovation, collaboration and global capability.**

Through effective delivery of these pillars we seek to grow revenues faster than our markets, deliver top-quartile margins and increase returns on capital whilst retaining a solid financial base to pursue organic and acquisition-led opportunities.

Our key performance indicators, shown on pages 8 and 9 are designed to track our performance in delivering this strategy.

Global megatrends

- Emerging market growth
- Water security
- Environment
- Urbanisation
- Energy demand
- Resource scarcity

Our chosen markets

Chosen for growth
The Group has chosen to operate in long cycle markets with positive fundamentals. We believe these sectors are influenced by trends that enable long term sustainable growth ahead of global GDP.

- Minerals
- Oil & Gas
- Power

Driving growth The Weir Way

VALUE CHAIN EXCELLENCE

Investing in people, technology, safety performance and infrastructure to continue to develop our lean operating platform across the value chain.

Benefits to Weir
- Culture of continuous improvement
- Efficient operations
- Procurement and supply chain savings
- Increase profitability, cash and returns on capital

Benefits to our customers
- Product and service quality from a responsible partner
- Competitively priced solutions
- Increased speed of response

INNOVATION

Developing new products and technologies to provide the Group and our customers with competitive advantage. Innovation is also at the heart of developing our customer support activities and enhancing our functional capabilities.

Benefits to Weir
- Technological advantage
- Maintain market leadership
- Enable access to adjacent markets
- Increasing sales and returns through superior products and services

Benefits to our customers
- Lower operating costs
- Lower environmental impact
- Competitive advantage

COLLABORATION

Working closely with customers, suppliers and communities and across our businesses and divisions is of critical importance. This collaborative mindset ensures Weir gains a better understanding of the markets it serves and the associated technology and support requirements. Collaboration ensures effective delivery for the benefit of all stakeholders.

Benefits to Weir
- Customer intimacy
- Leveraging Group capability across all served markets
- Strong relationships with local communities
- Maximising returns on asset and intellectual capital base

Benefits to our customers
- Technology and solutions partnership
- Future needs anticipated
- Reduce operating complexity

GLOBAL CAPABILITY

Providing uniform capability and expertise, wherever our customers are, ensures Weir can become the solutions provider of choice. Mission critical applications demand products and services that can be rapidly provided to the point of customer need.

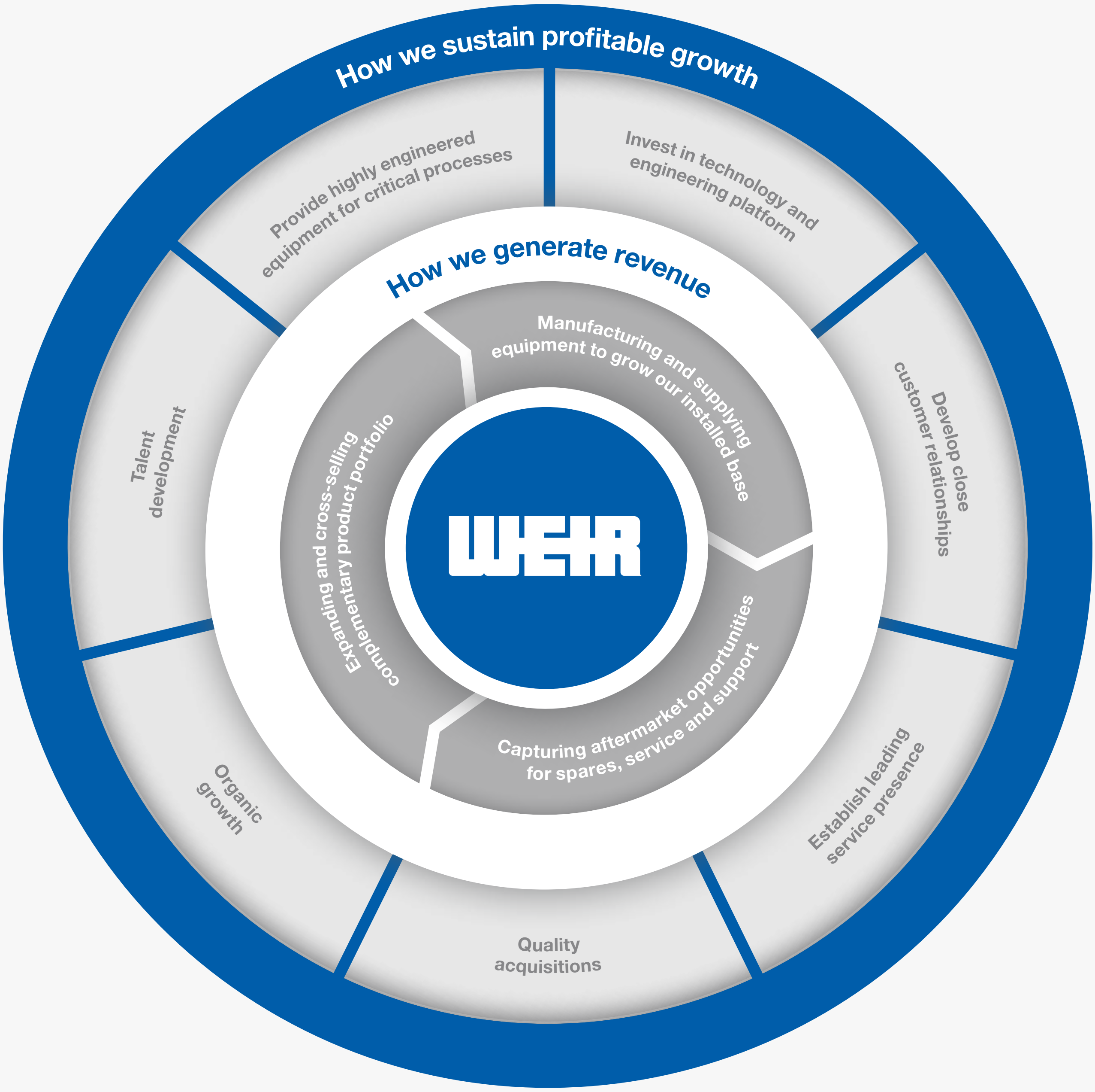
Benefits to Weir
- Worldwide routes to market
- Diversity of revenues
- Leveraging solutions across multiple geographies
- Sharing best practice across the Group

Benefits to our customers
- Global consistency of product and service
- Rapid support and shorter equipment lead times
- Partnerships with solutions experts

Principal Risks and Uncertainties
Information on how our business is affected by risk is contained later in this document.

> Read more about how we manage risk on page 42.

Our business model



Key performance indicators

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 Group strategy and operating priorities are set out below.

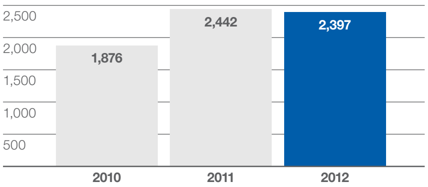
Strategic Priority	Input[1] (£m)	Operating margin[2] (%)	Free cash flow (£m)	Return on capital employed[3] (£m)	Inventory turns[5]	Total Incident Rate (TIR)[4]
1. Strengthen and extend addressable markets in minerals, oil and gas and power sectors	●			●		
2. Attain status of partner of choice for engineered products and services in our chosen markets	●	●	●			
3. Value chain excellence		●	●	●	●	●
4. Innovation	●	●	●			
5. Collaboration	●			●		●
6. Global capability	●	●		●	●	●

1. Calculated at 2012 average exchange rates.
2. Adjusted to exclude exceptional items and intangibles amortisation.
3. Continuing operations EBIT (excluding Seaboard and Novatech EBIT and exceptional items) divided by average net assets excluding net debt, pension deficit (net of deferred tax asset) and Seaboard and Novatech net assets.
4. 2012 average v 2011 average measuring medical treatment of any kind required by employees divided by 200,000 hours worked.
5. As reported 2011 excluding Seaboard.

Input[1] (£m)

£2,397m

-2%



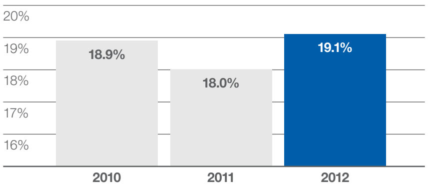
Input for the year fell by 9% on a like for like basis, reflecting end market conditions

- Group input fell as a result of a market downturn in pressure-pumping, Oil & Gas's largest end market; input in Minerals and Power & Industrial grew strongly during the year.
- Each division continued to broaden their portfolio through the development and launch of new innovative products.
- We extended our geographic presence with each division expanding their service network.

Operating margin[2] (%)

19.1%

+110bps



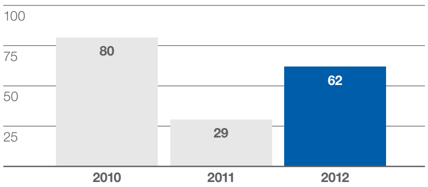
Margin improvement across all divisions

- Operating margins in 2012 were a record for the Group.
- Each division's performance improved in the period, despite the challenging end market conditions.
- This performance was supported by a continuing focus on lean principles and taking rapid action to align the cost base to reflect the changing end market conditions.

Free cash flow (£m)

£62m

+116%



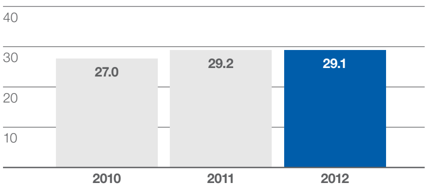
Continuing to invest to support growth over the long term

- Free cash flow grew despite increasing working capital and capital expenditure.
- Capital expenditure was committed to support the long term growth plans of each division, substantially ahead of depreciation.
- Working capital increased as a result of higher inventory, particularly within the Oil & Gas division.

Return on capital employed[3] (%)

29.1%

-10bps

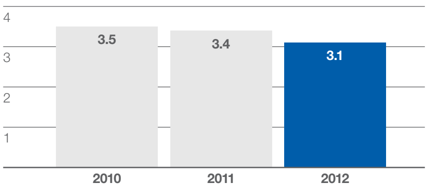


Generating strong returns on capital through the business cycle

- Return on capital employed was broadly in line year on year, with enhanced profitability offset by investment in fixed assets and working capital.
- Capacity expansions were completed in all divisions, providing the platform for future growth.
- Return on capital employed increased strongly at the Minerals division, supported by robust margin performance. Oil & Gas returns fell, reflecting lower activity levels.

Inventory turns[5]

3.1

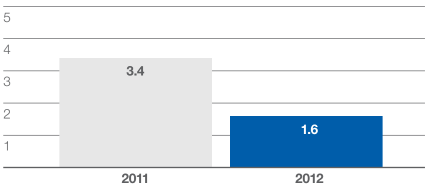


Inventory turns fell as stock levels increased faster than revenues

- Inventory turns fell to 3.1x.
- The sudden pressure-pumping market downturn resulted in the Oil & Gas division holding more inventory than expected.
- Initiatives were launched in the second half of 2012 to reduce inventory levels across 2013.

Total Incident Rate (TIR)[4]

1.6



Incident rate reduced by more than 50% over the course of 2012

- Introduction of new Weir EHS system supported substantial safety performance improvement.
- Audits of all plants were completed with resulting action plans addressed during 2012.
- New behavioural programme developed to further improve the safety culture across the organisation.

Understanding Our Markets

Weir operates in three key markets: minerals, oil & gas and power. Together, these markets contribute 90% of Group revenue.

Minerals

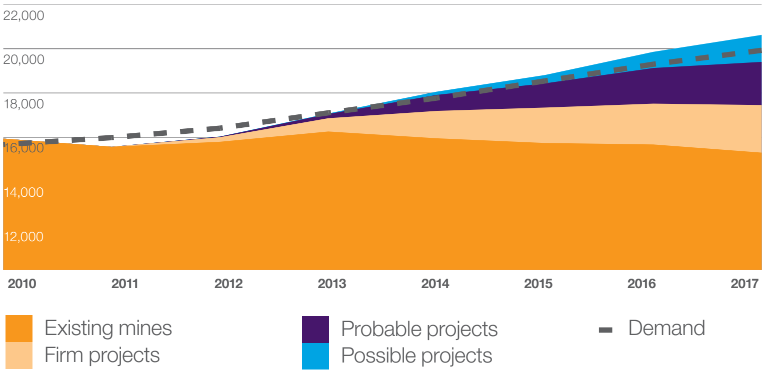
Weir operates primarily in the global minerals processing sector, with growing exposure to the Canadian oil sands, where oil is often recovered through a surface mining process. Our equipment and services are applied across the 'mill circuit', the surface process by which rock ores are broken down into end commodities such as copper, gold or iron ore. Our largest exposures are to those commodities with positive underlying fundamentals and which require the greatest amount of processing, such as copper and gold.

Growth drivers for minerals markets are population growth and urbanisation, driven particularly by emerging markets, resulting in growing infrastructure, industrial and consumer demand. Mining house capital expenditure in greenfield, brownfield and replacement projects drives original equipment revenues and grows our installed equipment base. Minerals production trends drive aftermarket revenues as the installed base of equipment is exposed to wear and abrasion and global ore grades decline, requiring more processing to produce the same amount of raw commodity.

Key links to business model and strategy:
- Highly engineered products used in critical processes
- High levels of aftermarket support provide resilience
- Strong service presence builds customer intimacy
- Leadership in core mill circuit technologies
- Broad product portfolio across mill circuit process flow
- Global industry: diversity of revenue and technological and operational leverage

Mining sector commodity mix[1]

Forecast copper demand versus supply[2] (Kt contained copper)



1. Source: Weir 2012 input estimates.
2. Source: CRU February 2013.
3. Source: US Energy Information Administration: Annual Energy Outlook 2013 Early Release Reference Case.
4. US Energy Information Administration, International Energy Outlook.

Oil & Gas

Weir operates in the conventional and unconventional upstream oil and gas markets, with a niche position supplying specialist pumps to downstream markets. The North American onshore unconventional market is our largest, with international unconventional opportunities beginning to emerge. We serve our markets in three main ways: pressure-pumping equipment and services, where cementing and hydraulic fracturing is used in onshore and offshore oil and gas wells; pressure control equipment and services, which ensure drilling, completion and production processes can be carried out efficiently and safely; and Weir Oil & Gas Services, where dedicated engineering support and spares are provided to Weir and third party onshore and offshore oilfield equipment, as well as for desalination plants.

The main growth driver in these markets is growing global oil and gas demand. The number of wells drilled determines demand for our equipment with rig count a readily available proxy for market activity, albeit each rig is expected to drill more wells per year due to improvements in technology and efficiency. The intensity and growing complexity of drilling and completion applications dictate aftermarket requirements. Our downstream business is influenced by refining activity levels.

Key links to business model and strategy:
- Highly engineered products used in critical processes
- High pressure abrasive applications increase aftermarket requirements
- Leading service presence in all shale plays; strong customer partnership
- Pump to wellhead capability; broad portfolio provides opportunities in conventional and unconventional markets
- Global manufacturing and service footprint to capture international opportunities

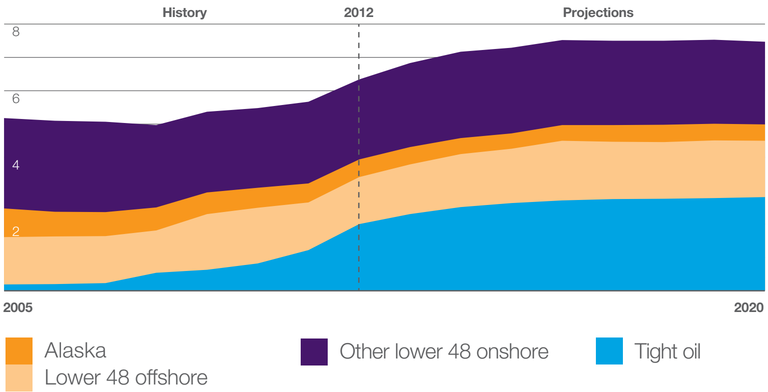
Power

Weir operates in the conventional, nuclear and renewables power generation, industrial and mid and downstream oil and gas markets. We serve these markets through the design and manufacture of valves, pumps and turbines and the provision of specialist support services.

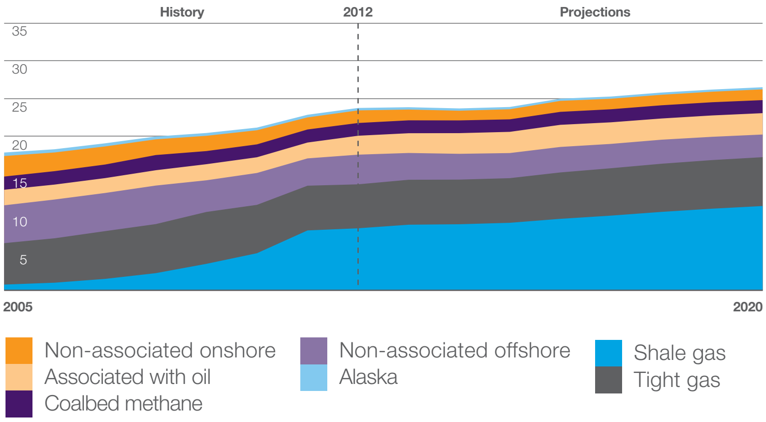
The main growth driver is growing global energy demand. Emerging market power needs, the replacement of ageing plant in developed countries and environmental regulations dictate power plant new build, maintenance and refurbishment programmes, investment in renewable energy projects and oilfield infrastructure development.

Key links to business model and strategy:
- Highly engineered products used in critical processes
- High temperature, high pressure applications
- Global manufacturing and service footprint to capture international opportunities
- Broad valves portfolio provides cross-selling opportunities

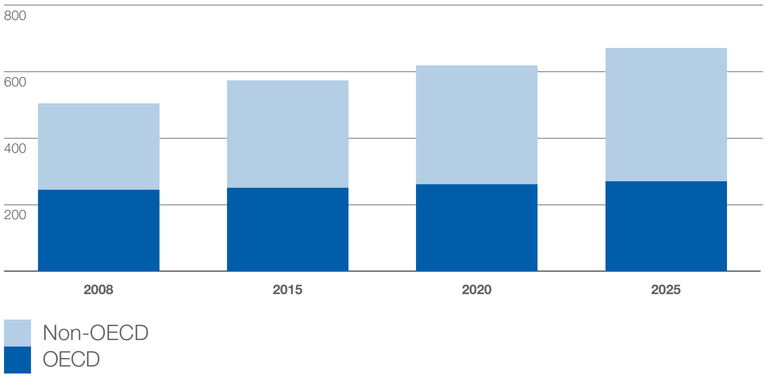
US domestic crude oil production by source, 2005–2020 (million barrels per day)[3]



US dry natural gas production by source, 2005–2020 (trillion cubic feet)[3]



Global power demand (quadrillion btu)[4]



Chief Executive's Strategic Review
Keith Cochrane

The Group has developed and enhanced its market presence in 2012, resulting in a good financial performance despite facing challenging conditions in upstream pressure-pumping markets.

This highlights the many levers available to the Group to create sustainable, profitable growth, with some key themes underpinning our 2012 performance: the strategic focus on broadening our product portfolio and offering this through an expanding sales and service network; the pace of new product introduction; the ability to successfully integrate acquisitions and quickly realise benefits; and, flexing capacity and leveraging the Group's collective skills and supply chain. Behind all these factors stands the contribution of Weir's 14,000 employees. I thank them all for their efforts this year.

Our markets in 2012

An uncertain macro-economic environment in 2012 contributed to commodity price volatility, with mixed conditions in Weir's principal end markets. In mining, emerging market commodity demand continued to grow, supporting ore production and historically high levels of capital spending. Despite second half customer caution on commitments to new greenfield projects due to lower commodity prices, existing committed projects continued, with strong ore production levels, particularly in those commodities to which Weir has greatest exposure, such as copper and gold. A softer market for iron ore and coal in the final six months of 2012 impacted projects in Australia and Brasil. In oil and gas, North American upstream markets were challenging as US natural gas prices fell heavily in the first quarter and remained at historically low levels for the full year, prompting a switch from dry gas to oil and liquids rich shale formations, resulting in a low double digit decline in US onshore rig count with a rising oil-focused rig count partially offsetting the large reduction in dry gas rigs. Lower pressure-pumping market demand, combined with forward ordering in late 2011 in anticipation of higher activity levels, resulted in excess frac pump capacity

A DEVELOPED AND ENHANCED PRESENCE

Revenue

£2,538m

+11%

Operating profit[1]

£486m

+18%

with aftermarket demand also affected by over capacity as well as lower utilisation rates and falling frac intensities. The pressure control market, where Seaboard operates, remained strong in the first half of the year, albeit activity slowed slightly in the second half as rig count fell in the US and Canada. Outside North America there were early signs of encouraging growth in international pressure-pumping markets and Middle East service markets were buoyant as Saudi Arabia increased production and the refurbishment of Iraq's oilfields continued. Power markets remained mixed, with global nuclear activity subdued as post-Fukushima safety reviews concluded. The low price for US natural gas has provided impetus to new gas fired power projects in North America while opportunities in the hydro renewables market improved in the later stages of the year. General industrial activity remained subdued in Europe and North America.

2012 performance

Overall order input in constant currency was down 2% with original equipment input down 13% as the fall in demand for frac pumps was offset by procurement for greenfield and brownfield mining projects and a first contribution from the Seaboard and Novatech acquisitions. Aftermarket input was up 9%, reflecting strong production levels in mining markets and market share gains across a broader aftermarket-focused product portfolio in minerals and oil and gas markets.

Group revenues were up 12% on a constant currency basis while the proportion of revenues from aftermarket sales increased to 55% with strong organic Minerals revenue growth offsetting the revenue impact of North American pressure-pumping markets. The Group produced another record profits performance in line with our mid-year guidance, illustrating the resilience of our business model and diverse end market focus. Operating margins improved due to the revenue mix, continued operational efficiencies and effective cost control as well as reacting quickly to changing market conditions by realigning capacity and reducing headcount in those businesses most affected. We delivered on the key priorities set out 12 months ago, expanding our reach and improving capabilities across the Group.

This financial performance was underpinned by good project activity in key mining equipment markets, particularly South America and Africa, despite a South African market affected by industrial unrest. Sales grew of the Minerals division's broader product portfolio, enhanced during the year by the development of our own screens range and new product introductions, including the innovative Multiflo Highwall dewatering pump. In Oil & Gas, despite the challenges in North American pressure-pumping markets, Seaboard performed well in the pressure control markets and Middle East Service operations delivered a strong performance. We also saw the first benefits from the restructuring of the downstream business. Despite a relatively subdued global power sector, strategic momentum in the Power & Industrial division delivered strong input, output and profit growth.

We continued to invest in our growth plans during 2012, carefully targeting those areas with potential for strongest short and medium term returns. At the same time, we have implemented cost reduction measures in certain areas without jeopardising the ability of the business to capture longer term growth opportunities when markets improve. Capital expenditure of £116m supported plans to expand foundry capacity in Minerals and aftermarket component production and servicing in Oil & Gas. In Power & Industrial, we invested in a new aftermarket facility for the hydro business in Montreal.

Working capital levels this year have been higher than those targeted at the beginning of 2012. A number of factors contributed to a build-up of inventory, the largest being the rapid change in North American pressure-pumping markets. To address this, initiatives were launched in the second half of the year, with significant benefits expected to be seen in the next year. Despite this, free cash flow from continuing operations was £62m and our return on capital employed was broadly flat on a like for like basis. Our balance sheet remains strong and we retain the financial flexibility to pursue organic and acquisition opportunities in line with our strategy.

>>

1. Continuing operations adjusted to exclude exceptional items and intangibles amortisation.

Chief Executive's Strategic Review continued

PARTNERS IN PRODUCTION WORLDWIDE
Better pump performance

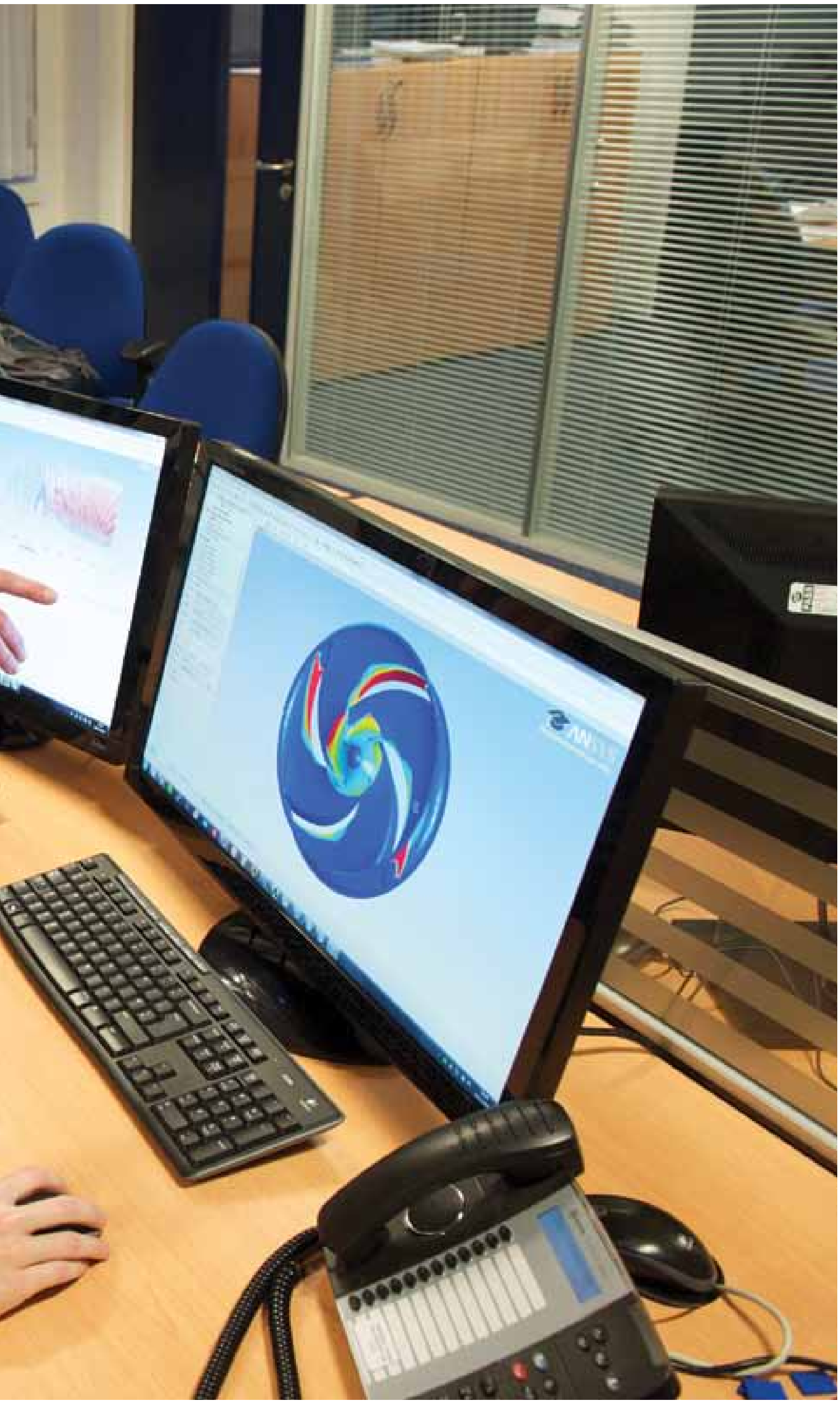
Processing and pumping abrasive material such as mining slurry needs to be carried out as effectively as possible.

This reduces the prospect of unplanned maintenance, minimises power use and enhances throughput for customers. A number of variables affect this – pressure and velocity distribution of the fluid used and the internal geometry of the pumps and associated equipment.

For a number of years, computational fluid dynamics (CFD) has proven effective when water is used in informing the design of pumping equipment. However, existing CFD software proves to be less accurate in measuring what happens to fluids within pumping plant when handling slurry.

At the Weir Advanced Research Centre, our engineers are working alongside leading University of Strathclyde academics to develop and apply the optimum CFD codes for slurry handling. An important part of the process involves closely monitoring equipment in the laboratory and in the field to validate the differences in performance. Through this fundamental research, Weir believes this will create the most accurate code to date for software that helps to design and produce ever greater efficiency and performance for our customers.

BETTER PUMP PERFORMANCE A QUESTION OF CRACKING THE CODE



Driving growth The Weir Way

The Group has successfully pursued its strategic priorities during the year, strengthening our ability to become a partner of choice for our global customer base. We have integrated Seaboard and Novatech into the Oil & Gas division, with both businesses performing well in challenging market conditions. Seaboard supports our strategy of diversifying the Group's upstream exposure to pressure-pumping into an adjacent market which will also benefit from the long term growth prospects for unconventional production. Growth opportunities for Seaboard have been validated and the product range is already being taken to international markets. The management team has been strengthened with senior additions to deliver on these opportunities. At the end of the calendar year, we extended our pressure control presence in the drilling phase of the well lifecycle through the acquisition of Mathena, Inc. Flow control production capacity was added at Weir SPM, with the development of a bundled product offering gaining traction in the second half of the year. An initial phase of planned foundry expansion increases our ability to serve global minerals and oil sands markets with capacity additions underway at our European foundry centre in the UK. The innovation framework developed in the last two years continues to bring new products to market. The highlight in 2012 has been the five new products launched for oil and gas customers, increasing our addressable market by some US$500m and leveraging market-leading technology from all our divisions into the North American upstream oil and gas sector.

Value chain excellence

In this year's report, value chain excellence is recognised as the fourth pillar driving Weir's growth. This acknowledges its critical importance in helping the Group achieve its strategic objectives as we increasingly focus on replicating the strong progress made in the continuous improvement of our operational performance across all areas of the organisation. This year, good progress has been made on supply chain and procurement initiatives and the ongoing development of the people who work for Weir. While more needs to be done as we continue to strive for zero accident workplaces, a strong improvement was also made in our safety performance this year. Gavin Nicol, Director of Operations Support and Development, and Pauline Lafferty, Director of Human Resources, provide more details on pages 20 to 23.

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Chief Executive's Strategic Review continued

PARTNERS IN PRODUCTION WORLDWIDE
Collaboration in action

The Gladiator Slurry Pump is the latest proof of what can happen when our divisions collaborate to focus pooled technological expertise on the needs of customers in one specific market.

These are the first pumps of their type produced by Weir for frac operations, blending and transferring a slurry mixture of water, gel and proppant. While developed for the oil and gas industry, these pumps owe their technological competitive advantage to the decades of expertise in slurry applications developed in our Minerals division.

Using similar technology to that which has been used to great success in our market-leading pumping products used in mining applications, they enhance our presence across the oil and gas surface equipment market, directly plugging in to our existing product footprint across the frac site.

The wear resistant spare parts of the Gladiator Slurry Pump are manufactured using the same alloy materials which are already proven to significantly extend equipment life in the world's harshest mining environments. Compared to known slurry pumps, the new hydrodynamic design also extends the life of the critical wear components as well as making the pump more robust and easy to operate. Conceived and delivered through collaboration between the Oil & Gas and Minerals divisions of the Weir Group, we believe that the Gladiator Slurry Pump can offer customers a longer operational life than existing alternatives.

The Gladiator Slurry Pump

COLLABORATION IN ACTION
THE GLADIATOR SLURRY PUMP

Innovation

Investment in research and development increased by 26% to £23m as the Group continues to invest in a pipeline of new products and product enhancements for our markets.

The Group has filed around 40 patent applications this year, matching last year's record number of new invention filings. In addition, in 2012 a number of collaborations have been formed with external companies to extend the technical capabilities of the Group.

Our innovation efforts reinforce the critical sources of our technological advantage, chiefly the intellectual property associated with developing wear and pressure resistant materials, engineered hydraulics and, increasingly, technology that enables our customers to more effectively plan maintenance requirements. Taken together, this technology focus addresses key factors affecting our customers' operational performance in Weir's end markets. Across the Group, we have a product and technology development organisation to meet both short and long term strategic business objectives. Shorter term product development activity, with a time horizon of one to two years, is carried out at our many worldwide Design Centres of Origin, where a specific product family is continuously developed. Core technology platforms, such as materials development, are the focus of our global technology centres. Finally, fundamental research work is carried out at the Weir Advanced Research Centre (WARC) in Glasgow, as well as at various universities worldwide. Our global technology centres have continued to focus on improved materials for our markets and more efficient and robust pump design. At WARC, good progress has been made on a major project that seeks to minimise wear, corrosion and erosion, increasing our understanding and helping to identify optimum solutions across manufacturing, materials selection, surface treatment and application processes and yielding patent pending technology related to fluid end design, a key component used in pressure-pumping.

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Chief Executive's Strategic Review continued

PARTNERS IN PRODUCTION WORLDWIDE
From country to continent

During 2012, the Power & Industrial business developed a strategic relationship with Minerals colleagues in South Africa, taking its products from a single country, power sector focus to growing sales across the African continent and to customers in other sectors.

Traditionally, the business had focused on power industry customers close to its facility in Johannesburg but dialogue between the two divisions in South Africa resulted in the Minerals sales team promoting Power & Industrial's range of valves. Weir Minerals boasts wide geographical coverage across the African continent, with access to a greater number of customers.

Cross-selling has benefited both divisions. Minerals has successfully introduced BDK industrial valves to the mining industry, while Power & Industrial has secured orders for Isogate slurry valves from local power stations.

Participation in sales conferences, training and joint marketing initiatives have all supported this effort and the Power & Industrial service centre in South Africa is now located on the Minerals division's Middelburg site where the facilities work hand-in-hand.

Tapping into the Group's broad capability in Africa has also extended beyond customer-facing activities. Power & Industrial is now part of a bigger entity with stock and inventory management transferred to Weir Minerals, meaning greater buying power and resource utilisation across the two businesses.

Development of this broadened capability has seen input from Power & Industrial South Africa increasing by almost 30% and output by nearly 70% in 2012. The business will continue to harness the Weir resources that exist across the region as it expands into new geographical territories and industries.

FROM COUNTRY TO CONTINENT
GLOBAL CAPABILITY DELIVERS RESULTS FOR P&I

Collaboration

Providing engineering solutions works best when delivered in partnership with customers. Weir seeks to achieve this by ensuring that the structures are in place to ensure all our end markets benefit from pooling the full potential of each of our divisions. During 2012 we have focused effort on reducing operational costs and complexity for customers, recognising the impact of more challenging economic conditions on their businesses. This has translated into a number of responses: providing greater depth of service and expertise closer to where it is needed to ensure minimum operational disruption; creating new delivery models to suit customer budgets, such as equipment rental contracts; and putting customers and Weir engineers together at an early stage as we develop new products, with extensive field testing carried out during the year, enabling first-hand customer feedback. Weir has also assisted clients in building skills capacity, for example working with Shell-operated PDO Oman to upgrade and manage their workshops, with Weir mentors training young Omanis to gain professional certification. Divisional collaboration efforts have also underpinned successful realignment of capacity in the US. Our Excellence Committees continue to serve the Group well, with functional cross-divisional teams ensuring the dissemination of best practice in those areas fundamental to strategic delivery: engineering, procurement, talent development and environment, health and safety.

Global capability

The Group has continued to grow its worldwide presence, ensuring that our ability to partner with customers wherever our solutions are needed is not constrained by capacity, expertise or technology. Investment began this year to expand Minerals' foundry capacity, providing a stronger manufacturing presence in every key global mining market and enhancing customer lead times. Our aftermarket activities continue to be supported by a growing service network, which now numbers more than 150 facilities, with additions on each continent. As well as adding new locations to this network, investment has been made in machining, tooling and technology to deepen our aftermarket capabilities, offering customers greater support and further developing our competitive advantage. Product localisation has been a strong feature of the year, with two examples being Weir International South Korea's contribution to the development of a global valves platform and the production in India of our own mechanical seals range. Across the Group, effective use has been made by all divisions of the shared global footprint, with Minerals facilities in South Africa and Australia being successfully used by Power & Industrial to gain a strong foothold in these markets.

Outlook

Across the medium term, the Group is positioned to benefit from the growth prospects of our end markets despite an uncertain global economic environment:

- Demand for the finite resources of minerals and oil and gas is underpinned by the continuing population growth and industrialisation of major developing economies.
- Development of the world's unconventional oil and gas resources will provide greater energy security for many countries and support industrial competitiveness.
- Power infrastructure in both the developed and developing world will require refurbishment and replacement due to environmental concerns and ageing plant, with new build power stations required to address predicted structural power shortages in developing markets.

In 2013, we aim to grow ahead of our end markets by:

- continuing to enhance supply chain performance to increase customer responsiveness and benefit from Group leverage;
- capturing North American and international pressure control growth opportunities;
- extending Minerals' presence in comminution markets;
- implementing and driving growth through an integrated global valves platform;
- delivering an enhanced IT platform to support collaboration;
- improving working capital performance to enhance returns.

In 2013, despite more challenging markets, the Group will continue to deliver profitable growth through new product introductions and a range of operational initiatives. Assuming a gradual economic and end market improvement, we expect to deliver low single digit revenue growth and broadly stable margins in 2013 with lower first half profits offset by growth in the second half. Alongside substantially higher cash generation the Group plans the eighth consecutive year of double digit dividend growth.

Keith Cochrane
Chief Executive
27 February 2013

Excellence Across the Value Chain

Gavin Nicol
Director of Operations Support and Development

From the ongoing identification of customer needs through our Weir Customer Experience Programme, to how we deliver equipment and services, our philosophy of delivering excellence throughout the value chain is a critical pillar of our strategy.

During 2012, in addition to the momentum in the innovation agenda outlined in the Chief Executive's Strategic Review, we have focused specifically on further improving our supply chain, operational and health and safety performance as we further develop our lean operating platform across every area of the Group.

Supply chain

In adopting a Group-wide approach to working in partnership with suppliers, Weir seeks to optimise its supply chain. This partnership will lead to greater effectiveness in cost, quality, delivery and responsiveness, all critical factors in improving the experience of our customers. The Group also stands to benefit from reductions in working capital.

In 2012 we analysed our supply chain and identified opportunities to employ best practice across common spend categories, aggregate demand and take our established lean approach into suppliers' own processes. Enhanced data management has been introduced to provide spend visibility across all business units, enabling savings to be leveraged across the Group. Experienced resource was also added during the year, providing additional capability and capacity to deliver our supply chain strategy.

Key supply chain achievements during 2012:
- Implemented the Weir Procurement System across the Group.
- Analysed total Group spend and introduced digital tools to engage our supplier base through a common portal.
- Established Centres of Excellence teams for key commodities and aligned sourcing strategies to growth targets.
- Increased 'best cost country' sourcing.
- Established and implemented an engagement framework with key suppliers.

Operations

A lean philosophy drives Weir's operational platform, with the principle of continuous improvement and minimum waste evident throughout our manufacturing operations and beyond the factory floor.

Our lean methodology is delivered through the Weir Production System (WPS). We raise our lean standards year on year, recognising that our operations can always be more efficient. Effectiveness is measured through a rolling audit process. During 2012 we have applied this lean audit process to supply chain activities across our operations.

Another key area of focus has been working capital management with improvement activities developed through the Group's innovation framework. A consistent Group-wide approach to inventory control and sales and operational planning has been embedded at every major site across the Group.

Safety performance

The Group operates in the belief that all incidents are preventable. We are committed to a zero accident workplace. Safety performance is reported based on Total Incident Rate (TIR). This measures medical treatment of any kind required by employees divided by 200,000 hours worked. The results for 2012 show significant improvement on the previous year. TIR has decreased from an average of 3.4 in 2011 to an average of 1.6 in 2012 with a continuing improvement trend.

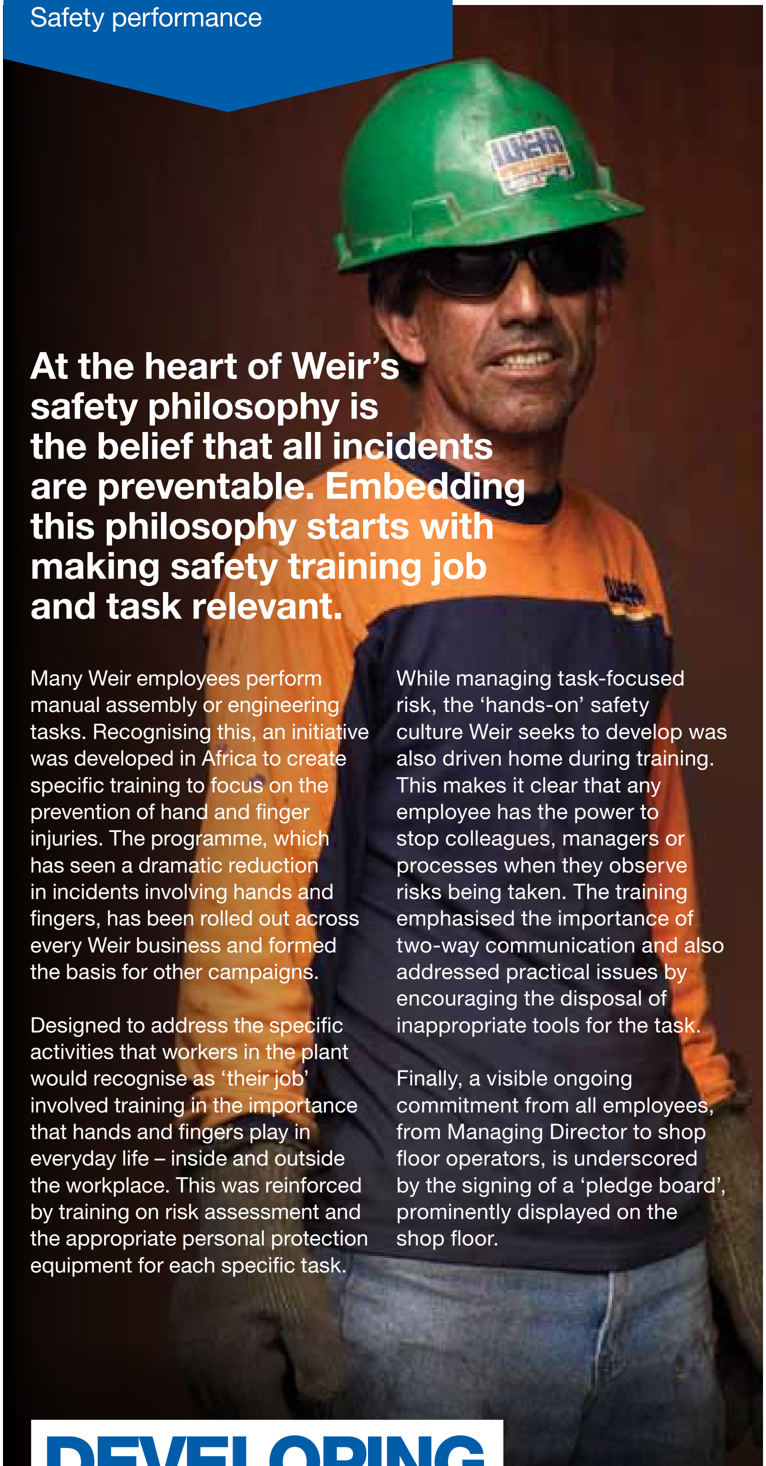
The Environment, Health and Safety (EHS) Excellence Committee leads on EHS issues across the Group. Having developed a Weir EHS system in 2011 to set global standards, this year the Committee set out a 'roadmap' for each business to achieve consistent, world class performance with five priority areas to progress over the next three years. Assisting in the delivery of the roadmap was face-to-face communication with every member of the Senior Management Group and video communications with all employees.

A rolling programme of rigorous internal safety audits was established to assess progress against priorities and to inform development plans at each business unit. The results of each audit and associated development plan are reviewed by the Group Executive.

Finally, to reinforce a strong culture of safety, the Weir behavioural safety system was developed throughout 2012 and began to roll out across the Group earlier this month. The key message behind the system is that to ignore unsafe workplace practice is to endorse it. Every Weir employee will receive training in the system.

For more information on Weir's EHS activities, please go to weir.co.uk.

PARTNERS IN PRODUCTION WORLDWIDE
Safety performance



At the heart of Weir's safety philosophy is the belief that all incidents are preventable. Embedding this philosophy starts with making safety training job and task relevant.

Many Weir employees perform manual assembly or engineering tasks. Recognising this, an initiative was developed in Africa to create specific training to focus on the prevention of hand and finger injuries. The programme, which has seen a dramatic reduction in incidents involving hands and fingers, has been rolled out across every Weir business and formed the basis for other campaigns.

Designed to address the specific activities that workers in the plant would recognise as 'their job' involved training in the importance that hands and fingers play in everyday life – inside and outside the workplace. This was reinforced by training on risk assessment and the appropriate personal protection equipment for each specific task.

While managing task-focused risk, the 'hands-on' safety culture Weir seeks to develop was also driven home during training. This makes it clear that any employee has the power to stop colleagues, managers or processes when they observe risks being taken. The training emphasised the importance of two-way communication and also addressed practical issues by encouraging the disposal of inappropriate tools for the task.

Finally, a visible ongoing commitment from all employees, from Managing Director to shop floor operators, is underscored by the signing of a 'pledge board', prominently displayed on the shop floor.

DEVELOPING EXCELLENCE IN SAFETY PERFORMANCE A HANDS-ON CULTURE

Our People
Pauline Lafferty
Director of Human Resources

The Group recognises that motivated, skilled and effective people are imperative to our business, with talent development an important element in extending our global capability and sustaining profitable growth. We are committed to attracting and retaining the best people and developing them to achieve their full potential.

The following principles guide our approach to our employees. We seek to:

- ensure no form of prejudice stands in the way of development or promotion opportunities;
- encourage, invest in and support our employees to achieve their potential;
- identify the training and development needs of employees and find ways to fulfil those requirements;
- 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 and actively discourage those who do not;
- work to maintain a business environment where individuals feel valued and respected;
- provide development opportunities to internationally mobile employees by encouraging overseas appointments;
- support individuals in developing and expanding their roles.

During 2012, a growing number of internal candidates made the transition to senior and middle management roles. This success is the first evidence that the important steps put in place in 2011 to establish a comprehensive management and leadership development framework for the Group is providing a talent pipeline capable of supporting the present and future needs of the business.

The framework identifies and targets three key career development phases. Programmes are delivered to employees at each relevant stage with development and management tools designed to support and enhance Weir's strategic objectives and organisational culture. Participants in the programmes are identified and selected by business unit and senior management based on alignment to The Weir Way values and behaviours. More information on these values is available at weir.co.uk. In addition to the Group-managed programmes listed below, many local learning and development programmes are rolled out on an ongoing basis.

Weir Leadership Programme

The Weir Leadership Programme (WLP) develops high performing leaders and strategic awareness, creating alignment with Weir's strategic agenda and leveraging its effective delivery. Programme participants are drawn from the Senior Management Group (SMG) with over 150 senior managers taking part so far. The SMG is a group of around 300 senior employees with frontline responsibility for the development and delivery of the Group's strategy. The programme is designed around practical business challenges. Peers from across the Group's operations collaborate and support each other in facilitated learning groups.

Weir Business Management Programme

Designed in conjunction with a leading business school, the Weir Business Management Programme (WBMP) develops the 2011 pilot Emerging Leaders Programme. The WBMP delivers core business management skills and covers critical areas including leading people in organisations, financial management, commercial awareness, operations management, innovation and project management. Completion of the programme leads to a postgraduate Certificate in Management and the opportunity to obtain a Masters in Business Administration. More than 50 managers from the Group's global operations have participated in this programme.

Graduate Development Framework

During 2012, Weir recruited a total of 75 graduates across the Group from a variety of professional disciplines. The Graduate Development Framework provides a consistent development programme to give graduates within Weir a broad knowledge and understanding of the business. In 2012, two groups of more than 20 graduates attended a six day induction course in Scotland.

Weir University

The Weir University was established in 2011 to provide all employees with online access to continuous professional development resources. This virtual resource is continuously enhanced and during 2012 modules were added in business ethics/Code of Conduct, project management, marketing and procurement. These are in addition to the range of courses and materials supporting Weir's areas of technological competitive advantage, including metallurgy, failure analysis, corrosion and finite element analysis. The Weir University enables the consistent application of identical learning opportunities worldwide with employee user numbers continuing to increase.

Succession planning

The leadership development initiatives rolled out in 2011 served to establish a robust management and leadership development framework. This framework contributed to the Group's succession planning process across its businesses. In 2012, 44% of senior management group appointments were internal.

In 2013, more staff will benefit from our talent development framework as we begin the rotation of our graduate programme throughout our global network. This process begins when we deliver the programme in Bangalore, India, allowing our graduates to see our Indian facilities and engage with our 200 strong Indian engineering science team.

We will also undertake Group-wide initiatives to better gauge the alignment and commitment of our employees to delivering the Group's objectives. The results will determine a range of actions to develop employee engagement and empower employees to continually improve customer satisfaction.

PEOPLE MATTER
Graduate Development Framework

ERICA SNIDER
ROTATIONAL ENGINEER

I joined the Graduate Development Framework at Weir SPM in January 2012, starting in sustaining engineering where I learned about our product line using computer models and doing hands-on assembly in pump school.

In field engineering I helped service our pumps at a frac site with the customer's crew and saw how our products are used in fracking operations. I am responsible for documenting the performance, operating conditions, and investigation findings of prototype fluid ends in field trials. I have completed investigative disassemblies and magnetic particle inspections of the trial units. I participated in the examination of selected fractures to determine initiation points and failure modes at the University of Strathclyde. I discovered the resources available to engineering teams within the Group through the Weir Advanced Research Centre.

While in Scotland, I attended the Weir Group Graduate Development Programme and participated in team-building and personal development activities with colleagues from six countries drawn from all three divisions of the Weir Group.

During that week, I saw the embodiment of Weir values in my colleagues: valuing people, working together, leadership, and integrity. I left with a greater understanding of how The Weir Way embraces innovation and collaboration across the global community.

As I approach completion of the first half of the programme, I have discovered the high level of support Weir offers for my personal development. Gaining exposure to so many areas of the company this early in my career has taught me two things. First, intellect, merit, and capability are valued by Weir. Second, the Weir values are upheld universally across all industries, locations, companies, and cultures. Looking ahead to my final year of the programme, I will be involved in aftermarket operations at an SPM service centre and I will gain cross-divisional exposure in research and development and new product introduction activities with the Minerals Division.

Operational Review
Weir Minerals
Dean Jenkins, Divisional Managing Director

During 2012, the division has continued to focus on leveraging its sector-leading market presence to drive sales of a broader range of solutions to customers, as technological innovation continued to develop our product portfolio.

Order input	Revenue	Operating profit
£1,322m	£1,334m	£256m
+7%	+12%	+21%

Key priorities and progress in 2012

Expand global production capacity

- Double digit capacity increases in Chilean and European foundry operations to support growth, with planning underway for further global foundry expansion.
- Capacity added in Europe, Mexico and South Africa to support the broader product range, with investment in infrastructure and tooling to support comminution products and rubber lining systems.
- Actions undertaken to align divisional capability with global customer demand.

Continue to drive market share in ancillary products and services

- Linatex product developments supporting increased cross-selling.
- Strong growth in slurry transportation ancillaries.
- Good revenue performance from organically developed screens range.

Take product innovation to new areas within the mill circuit

- Organic development of screen media and mechanical seals.
- Significant materials development for minerals and oil sands markets with new hard chrome white irons and oil sands hose technologies.
- New Multiflo Highwall pump launched for dewatering applications.

Build further on the collaborative successes of the Oil & Gas Forum to develop new products and services

- Gladiator Slurry Pump designed and launched with Minerals materials technology contributing to enhanced product wear life.
- Swellable packers for oil and gas downhole drilling applications developed using Minerals elastomer technology and gaining market acceptance.
- Linatex frac discharge hose designed for frac slurry transportation with independent testing showing greater abrasion resistance than competitor products.

Market input breakdown

- Minerals 81%
- Industrial 7%
- Oil & Gas 6%
- Power Generation 4%
- Other 2%

Geographic input breakdown

- South America 25%
- North America 20%
- Middle East/Africa 18%
- Australia 16%
- Europe 11%
- Asia-Pacific 10%

Market review

Global ore production increased by an estimated 3% in 2012, underpinned by continued demand growth in Chinese and emerging markets for key commodities such as copper. Average ore yields continued to fall, requiring greater levels of processing to maintain the same volume of refined commodity and further supporting aftermarket demand growth.

Capital expenditure in the mining sector in 2012 remained ahead of the historically high levels seen in 2011, with over £65bn committed to a number of greenfield developments and brownfield expansions, a 9% increase on 2011 despite new project activity cooling off from the peak seen in the first half of the year. Prices remained above incentive levels for most key commodities during the year. Second half macro-economic concerns over Europe and China resulted in commodity price falls, particularly in iron ore and coal markets, leading to the deferral of some project decisions in Australia and Brasil. Industrial unrest impacted activity in South Africa in the second half of the year. Elsewhere, conditions in key minerals regions were positive. Buoyant activity levels continued in South America and the rest of Africa, driven by copper and gold projects. Weir has benefited from its exposure to these process-intensive commodities.

The completion of existing oil sands projects and resulting increases in production levels supported activity in North America, although new project activity levels were low, reflecting the emerging price discount of Canadian heavy oil compared to the WTI benchmark price as a result of transportation constraints.

Operational performance

A record financial performance from the division was underpinned by broadly positive conditions in most mining markets and continued success in the delivery of its growth strategy. Capital investment levels supported further growth in the installed base of slurry pumps, with new project commissioning benefiting production volumes and increasing levels of aftermarket demand. Targeted capacity addition and product localisation has supported growth in the division's broad range of ancillary products and services. This growth has been supported by expansion of the sales and service footprint, a key source of market differentiation, with 13 new sites opened worldwide. Service capability has also been enhanced through investment in local machining capability and technical skills to support the growing product portfolio. The division enhanced its differentiated technology position during the year with a number of advances in materials technology at our global research centres which will contribute to prolonged wear resistance in customers' critical applications. Minerals research and development efforts were also at the heart of major product launches for oil and gas markets.

Order input increased by 7% to £1,322m (2011: £1,239m). Original equipment orders grew 3% with growth weighted to the first half of the year. Aftermarket orders grew 10%, with the growth rate recovering in the fourth quarter following third quarter destocking in Australia and Brasil. Aftermarket orders represented 60% of total input (2011: 58%).

Linked to new project activity, the division continued to experience good levels of demand for slurry pumps. Aftermarket input strengthened across a range of commodities with the benefits of a large and growing installed base reflected in 10% order growth in slurry pump spares and strong input trends across a larger aftermarket portfolio including several multi-million pound orders for cyclones and valves in South America and Canada and a multi-million pound hose contract for a Latin American project. The division also grew its presence in the screen machine and screen media market, benefiting from investment in localised manufacturing. The first major contract awards for Linatex wear resistant lined valves and cyclones were received for one of the world's largest mineral sands projects in East Africa, a highlight of a strong overall 2012 performance in the African market. Emerging markets accounted for 53% of input (2011: 47%) with order growth from South American and African markets rising by 18% and 30% respectively.

Revenue increased by 12% to £1,334m (2011: £1,195m). Original equipment sales increased 9% and accounted for 40% of revenues (2011: 41%) with second half sales broadly matching the prior year record. Production-driven aftermarket revenues increased by 13%.

Operating profit increased by 21% to £256m (2011: £211m) as the division benefited from strong revenue growth and margin expansion.

Operating margin increased to 19.2% (2011: 17.7%) and was ahead of expectations reflecting the strengthening aftermarket revenue mix alongside benefits from procurement initiatives, productivity gains and effective cost control. In the second half of the year margins were also supported by targeted cost and headcount reductions in Brasil and Australia, the markets hardest hit by falling coal and iron ore prices, with total one-off costs of £4m incurred in the year (2011: £1m).

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Operational Review
Weir Minerals continued

PARTNERS IN PRODUCTION WORLDWIDE
Material matters

Harsh mining environments test processing equipment to its limits. Poor material selection and hydraulic design leads to shortened product life and loss of productivity, often directly affecting the customer's bottom line.

Improving the wear life of materials is a daily focus at Weir Minerals Technology Centres. These R&D centres focus on extending customer productivity by creating new materials such as wear resistant alloys and elastomers. They also strive to develop the deepest technical understanding in the market of the factors that affect material wear.

At the heart of many Weir Minerals' products are High Chrome White Irons – twice as hard as stainless steel with many times the wear resistance in abrasive mining applications. At our Materials Development Technology Centre in Sydney, Australia, one of the world's foremost chrome-iron materials scientists is leading the development of a new ultra-wear resistant alloy alongside other leading experts.

Materials scientists developing chrome irons at the Materials Development Technology Centre.

Our scientists have found new ways to incorporate carbides significantly harder than chromium carbide, a breakthrough in creating alloys with substantially improved wear resistance. And we're also addressing the one Achilles heel of chrome irons – their brittleness – by developing a process to create material that has greater ductility than ever before. This creates the possibility of using truly wear resistant alloys in applications that traditionally required a compromise between wear resistance and toughness. This research work directly supports the Group's goal of lowering customers' total cost of ownership.

Other recent innovations include the development of A238, which is a member of the hyperchrome alloy family. Designed specifically for the Canadian oil sands, this new alloy has already been successfully trialled in an aggressive application in one of the world's harshest mining environments.

WHEN A DAY'S LOST PRODUCTION COSTS MILLIONS OF POUNDS, MATERIAL MATTERS

Revenue

£1,334m

+12%

2012	1,334
2011	1,195
2010	894

Operating profit

£256m

+21%

2012	256
2011	211
2010	174

2011 and 2010 restated at 2012 average exchange rates.

Investment

The division has invested throughout 2012 in value chain development with the focus on enhancing production capacity and aligning global capability to customer needs and divisional growth plans. Capital expenditure was £50m (2011: £49m) as investment was made in foundry and wear resistant lining production, as well as expansion of the leading global sales and service footprint. Research and development spend increased by 22% to £13m as the division continued to develop its materials technology positions and supported collaborative innovation efforts across the Group.

In Chile, foundry expansion added 25% extra capacity to capture growth opportunities in South American markets in core products and wear resistant linings. In Europe, an extension of the UK foundry operation is newly complete, with the installation of a fast-loop employing hi-tech manufacturing processes adding around 15–20% additional production capacity to support the broader product portfolio and global demand. In Malaysia, agreement was reached to acquire a low cost foundry to support demand in Asia-Pacific while planning advanced for further investment in North American foundry capacity.

Investment in the organic growth of a screens range and screen media has continued, with expansion of a screens design centre in South Africa. In India, the local design and production of mechanical seals commenced, providing a valuable low cost product source for the division.

There were new service centres added to the Minerals service footprint during 2012 in the US, South Africa, Russia, Scandinavia, Spain, Turkey, the Netherlands, Colombia and Australia, extending opportunities to better support customers and provide ancillary products and services.

Weir Minerals has also added around 250 employees during the year to support growth plans.

Outlook

Weir Minerals remains well positioned to benefit from the strong long term market fundamentals in mining and minerals processing, underpinned by urbanisation in emerging markets and their demand for raw materials. This ongoing demand, coupled with declining ore grades, supports continued substantial investment above historic levels by miners over the coming years, although the medium term nature of capital investment may increasingly focus on brownfield and production optimisation projects with absolute industry capital expenditure levels expected to remain above 2010 levels. Global ore production is expected to grow by over 3% per annum through to 2015, supporting aftermarket products and services growth.

In 2013 we expect mining capex to decline relative to 2012 but remain at levels supportive of the continued expansion of the installed base. While fewer greenfield projects are expected to reach order point compared to the run rate in the first half of 2012, we expect a number of brownfield expansions as miners focus on maximising returns from existing production assets. With the order mix continuing to shift towards aftermarket products and services, market forecasts of positive ore production volume growth and a continuing focus on increasing our market share of ancillary products and services mean that we anticipate good growth in shorter cycle aftermarket orders. Together with delivery of a strong opening order book, this is expected to result in higher 2013 revenues and operating profits. After a stronger than expected second half 2012 margin performance, operating margins are expected to be at a broadly similar level to 2012 as the business balances the benefits from the growing aftermarket mix alongside sensible cost control and continued investment in its growth plans.

Key priorities in 2013:

Develop global foundry capacity to meet aftermarket demand

Invest in comminution process knowledge and materials wear technology

Reduce lead times and working capital through global supply chain initiatives

Continue development of Minerals and Oil & Gas product portfolios through collaboration and innovation

Operational Review
Weir Oil & Gas
Steve Noon, Divisional Managing Director

The division continued to successfully pursue its strategic objectives in 2012 despite challenging pressure-pumping market conditions.

Order input	Revenue	Operating profit
£677m	£844m	£211m
-22%	+13%	+14%

The completed integration of Seaboard diversifies the division's exposure within the upstream sector and Novatech enhances the aftermarket offering delivered by Weir Oil & Gas through a growing, market-leading service network. Mathena, Inc, acquired at the end of the calendar year, extends the pressure control capability to the drilling phase of the well lifecycle, enabling the division to provide drilling, completion and production solutions and to benefit from the technology requirements of increasing environmental and safety regulation.

Key priorities and progress in 2012

Delivering on capacity expansion

- Expanded flow production capacity in the US and Canada, with aligned investment in broadening and deepening the North American service offering.
- Completed rapid response manufacturing centre in Dubai and built a dedicated facility in Abu Dhabi to meet expected demand growth in tubular repairs and valves.
- Opened API and ISO accredited service facility in Basra to cater for the growing oilfield equipment market needs of international oil companies in Iraq.

Acquisition integration and effectively capturing synergy opportunities

- Integration activities completed on schedule for Seaboard and Novatech, with Seaboard's North American and international growth opportunities validated and detailed action plans in place.

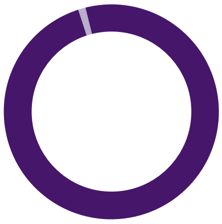
New product development

- Launched five new products for upstream markets, developed by the Oil & Gas Forum, focused on meeting customer demand for longer life products in shale applications, including the Stampede swellable packer and SPM Duralast fluid end.
- Broadened pressure control portfolio with the development by Weir Oil & Gas Dubai of a DNV certified manifold for major oilfield service customers.
- Successful launch of bundled aftermarket offering, reducing operational complexity for customers.

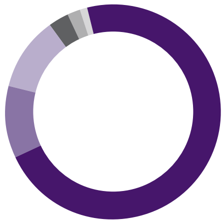
Completion of downstream restructuring

- Production of all overhung and single stage vertical pumps underway at fully operational Polish value engineering centre.
- Low cost supply chain established.

Market input breakdown



Geographic input breakdown



Market review

In North American pressure-pumping markets, the dual effects of US natural gas prices falling below economic incentive levels and relatively high, stable oil prices resulted in a shift of drilling and completion activity from dry gas to oil and liquids rich shale formations. Over the year, US horizontal gas-directed rig count declined by 43% while horizontal oil and liquids rig count increased by around 28% with total US land rig count falling by 13%. A decline was seen in customer activity over the final quarter of the year as 2012 drilling and completion budgets were exhausted.

Advances in technology continue to reduce the time required to drill and complete a well, with the number of wells drilled outstripping the movement in average rig count, supporting demand for pressure control equipment providers. In pressure-pumping, analysts estimate that frac equipment utilisation rates had fallen to around 75% by the end of 2012[1] with total North American frac demand of around 13 million horsepower at the end of 2012 at similar levels to H1 2011.

Aftermarket activity was also impacted, with overstocking of fluid ends in anticipation of higher activity and lower equipment utilisation and service intensity, leading to pricing pressure in specific product categories. Demand in international pressure-pumping markets grew strongly during the year with 38% growth in the frac fleet outside North America to 4.4m[1] horsepower.

Middle East services markets grew strongly, with increased Saudi production and the ongoing rebuilding of Iraqi oilfield infrastructure. In downstream markets, pricing pressure in original equipment markets began to ease with good market opportunities in the FPSO (Floating Production, Storage and Offloading) sector.

Operational performance

The division has delivered a resilient financial performance, maintaining overall margins despite fast changing market conditions. In a challenging North American upstream environment, operational capability and capacity was rapidly aligned to market needs. The division grew its market share in certain product segments despite lower overall activity levels, and the integrations of the Seaboard and Novatech acquisitions were completed, with plans developed to internationalise both businesses and to enter the frac flowback market. Weir's pressure-pumping-focused operations (SPM, Mesa and Novatech) responded quickly to changing market conditions by reducing headcount, in-sourcing machining and implementing lean initiatives and cost reduction programmes. Total annualised cost savings from these initiatives were c.US$25m. The expanded aftermarket pressure-pumping portfolio has enabled the successful bundling of SPM, Mesa and Novatech products for customers, with annual commitments secured from a number of large service companies. Outside North America, international opportunities continue to progress, with like for like upstream international input growing by over a third during the year. Good progress was made by the Middle East Service operations with the award of a number of significant contracts including a multi-million pound rotating equipment maintenance contract for the refurbishment of the Rumaila oilfield in Iraq. Downstream operations delivered a much improved performance on last year due to the first benefits of the completed restructuring of the operations.

Order input at £677m (2011: £870m) was 22% lower and 41% lower like for like due to weakness in pressure-pumping markets. Original equipment input fell 44% and 66% like for like as pressure-pumping demand fell sharply as a result of frac pump overcapacity. Aftermarket input was up 5% but down 12% like for like with strong growth in Services offset by lower aftermarket pressure-pumping orders.

Like for like upstream business input (SPM and Mesa) fell 51% to £359m (US$569m), with quarterly order levels broadly flat since the second quarter against the background of a declining rig count. A total of US$139m of 2011 orders were cancelled in the year and reflected as an opening orderbook adjustment. Input from Seaboard was up on the equivalent pre-acquisition period although growth moderated in the second half as market activity levels fell.

Strong input growth was achieved at downstream and Service operations, with Middle East Services benefiting from an enhanced operational presence and increased activity levels in Saudi Arabia and Iraq. Improving conditions in downstream markets contributed to higher original equipment orders including a strategic contract in the FPSO market.

Revenue increased 13% to £844m (2011: £747m), but was down 10% like for like with equivalent upstream revenues of £511m (US$810m) (2011: US$982m) in line with expectations. Seaboard revenues increased 10% on the pre-acquisition period while Novatech revenues declined, reflecting pressure-pumping market conditions. Service and downstream revenues grew by 25%.

Operating profit including joint ventures increased by 14% to £211m (2011: £185m) but fell 12% on a like for like basis. Seaboard and Novatech contributed £45m before integration costs of £3m (2011 acquisition and integration costs: £5m), 10% higher than the equivalent pre-acquisition period. Total one-off costs of £4m were incurred in the year (2011: £11m). Good profit progression at Service operations and a positive downstream profit performance also contributed.

1. Source: Pac West February 2013.

Operational Review
Weir Oil & Gas continued

PARTNERS IN PRODUCTION WORLDWIDE
Cradle to grave asset management

When equipment used in the upstream oil and gas markets needs to be replaced, it has to happen quickly or it affects the customer's bottom line.

Through its focus on equipment used for critical applications, Weir understands this better than most. We don't simply manufacture the equipment, we ensure by working in partnership with customers that it can enhance the application and we provide service and engineering expertise to optimise performance throughout the life of the installed base of equipment. The aim is to lower operational cost and complexity for our customers.

Weir Oil & Gas has built the leading service presence in North American shale plays, recognising that customer proximity is critical in an industry where downtime can cost millions. During 2012, the development of a focused aftermarket pressure-pumping team has taken the full offering of SPM, Novatech and Mesa to market through one dedicated regional contact. This provides customers with the best local response and range of aftermarket products and services delivered through the largest service and sales network in the North American market. By leveraging the large installed base of SPM pumps and incorporating Novatech and Mesa into the pressure-pumping service network, the team has enjoyed success by 'bundling' pump expendables from the full aftermarket product portfolio and growing sales at the point of use. The ongoing development of the Weir business model in upstream markets has enabled us to gain market share in tough conditions, grow aftermarket revenues and, most importantly, improve our agility in responding to customer demands.

CRADLE TO GRAVE ASSET MANAGEMENT
DEVELOPING A LEADING BUSINESS MODEL IN THE 'NEED IT NOW' UPSTREAM MARKETS

Revenue

£844m

+13%

2012	844
2011	747
2010	449

Operating profit

£211m

+14%

2012	211
2011	185
2010	114

2011 and 2010 restated at 2012 average exchange rates.

Operating margin of 25.0% (2011: 24.8%) increased year on year, with upstream margins resilient despite challenging pressure-pumping markets, an improved performance in downstream and Service businesses, and lower one-off costs. On a like for like basis, margins of 25.1% were down 40bps and in line with expectations. The division reacted quickly to the changing pressure-pumping market conditions by introducing a range of efficiency and cost reduction measures to preserve profitability. Underlying margins at Seaboard and Novatech were in line with the divisional average, representing a 180bps improvement on the equivalent pre-acquisition period.

Investment

Weir Oil & Gas supported its growth plans during 2012 with capital expenditure of £52m (2011: £32m). Weir SPM invested in flow capacity expansion and the division also invested in integration projects at Seaboard and Novatech. In response to the lower demand environment in North America, the previously announced US$75m expansion of Weir SPM was reduced to less than US$60m.

The division continued to invest in extending its manufacturing and service footprint, completing rapid response manufacturing centres in Canada and Dubai and opening new service centres in Williston, North Dakota; Pleasanton, Texas; Singapore; and Basra, Iraq.

Overall spending on research and development increased by 46% to £8m as the division seeks to maintain the strong new product development momentum established in 2012.

Employees have been added across the division at those businesses with strongest opportunities for growth, although headcount at the pressure-pumping focused operations was reduced in response to the lower demand environment. The division continues to attract quality people from the oil and gas industry as well as developing and promoting internal talent. Leadership development, business management and rotational graduate programmes have effectively supported the talent pipeline, matching skills needs to growth plans.

Outlook

The medium term outlook for global pressure-pumping and pressure control markets remains positive, with continued investment in North American shale plays by national and international oil companies. A relatively high and stable oil price should support continuing North American production increases as the US pursues energy independence. Low US gas prices are expected to support increased US gas fired power and industrial demand as US businesses benefit from the competitiveness of lower energy input costs. International shale development is expected to continue to grow, with Russia, China, Argentina, North Africa, Saudi Arabia and Australia becoming larger markets over the next two to three years.

Pressure-pumping markets are expected to remain competitive in 2013 and our pressure-pumping business unit (SPM, Mesa and Novatech) entered the year with a considerably lower orderbook than the prior year period. Minimal levels of original equipment capex are expected throughout 2013 with material overcapacity continuing to affect frac pump demand. With low single digit rig count growth forecast, aftermarket input is expected to progressively increase as customers work through inventory levels.

In pressure control, Seaboard is expected to make good progress, as the business seeks to benefit from the organic growth opportunities available in frac rental, frac flowback and international markets. Additional geographic growth opportunities also exist for Mathena's product range through the division's leading service network.

At the Middle East Services businesses Iraqi and Saudi Arabian markets are expected to be particularly strong. A continuation of the improved downstream performance is forecast.

In total, divisional revenues including Mathena are expected to be slightly lower year on year with underlying operating margins broadly in line with 2012 as exposure to pressure-pumping falls to around 50% of divisional revenues (c.15% of Group revenues).

Key priorities in 2013

Develop aftermarket business model and bundling strategy in pressure-pumping unit

Continue momentum in new product development

Capture Seaboard domestic and international growth opportunities

Capitalise on growth opportunities in Saudi Arabia and Iraq

Integrate and realise the benefits expected from the Mathena acquisition

Enhance pressure control offering in North American upstream markets

Increase supply chain flexibility and reduce working capital

Operational Review
Weir Power & Industrial
Kevin Spencer, Divisional Managing Director

Despite depressed markets in 2012, Weir Power & Industrial demonstrated good progress during the year, as momentum built behind the division's recent strategic initiatives.

Order input	Revenue	Operating profit
£361m	£323m	£31m
+18%	+7%	+20%

Key priorities and progress in 2012

Improving cost competitiveness through increased product localisation in India, South Korea and China

- Selected valve product transfers to India and China well underway.
- South Korean input more than doubled.
- Over 30% of valve output sourced from low cost countries.

Capitalising on a broader product range and increased routes to market through a fully integrated sales structure

- Overall input up 18%.
- Emerging market sales hub input up 73%.
- Consistent customer relationship management system established, enhancing communication, collaboration and sales and operational planning.

Expanding presence in oil and gas end markets

- Oil and gas market revenues up 28%.
- Joint marketing initiatives with Weir Oil & Gas established.

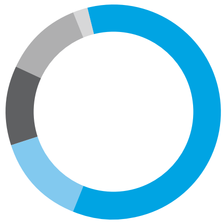
Developing competitive advantage through product innovation

- Input from new product initiatives more than doubled.
- Order secured for design, manufacture and qualification of pressure relief valves for the world's first fourth generation nuclear reactor in China.
- Differentiated design developed in nuclear severe service and control and choke valve ranges.
- A new range of steam safety valves, STARSTEAM, developed for overpressure protection of power boilers.

Market review
Nuclear new build activity in the US and Europe remained on hold as post-Fukushima safety reviews concluded, with activity throughout the year centred on Asia-Pacific, Eastern Europe and the Middle East, where Korean EPCs won a number of major projects. Nuclear maintenance and repair markets were positive in the US and the UK, which, together with increased CCGT (Combined Cycle Gas Turbine) new build activity in North America, provided some mitigation against lower nuclear new build activity. In North America, low economic growth and power prices led to project cancellations and difficult trading conditions in general industrial, power and hydro markets although a number of hydro project opportunities emerged towards the end of the year. While European renewables markets continued to be subdued, the division gained traction towards the end of the year in international projects.

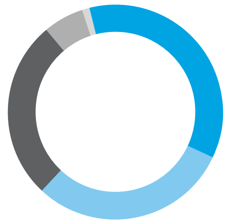
Market input breakdown

Power 60%
Industrial 14%
Oil & Gas 12%
Other 12%
Minerals 2%



Geographic input breakdown

North America 36%
Europe 30%
Asia-Pacific 27%
Middle East/Africa 6%
South America 1%



Operational performance

The strategic focus of the division during 2012 has been driving input and orderbook growth, with restructuring of the valves businesses undertaken in order to develop a strong and unified global platform for the valves portfolio. At the same time, initiatives to enhance operational performance and improve margins have gained momentum, with further leverage of the low cost supply chain and additional supply chain actions underway across the manufacturing operations.

Order input increased by 18% to £361m (2011: £306m) with strong growth from valves and service operations. Nuclear input of £72m (2011: £71m) included a multi-million pound project award from a Korean EPC for nuclear service control valves in new build reactors in the Middle East. Overall, control valve orders more than doubled, benefiting from momentum in strategic growth initiatives and a strong first full year performance by Weir International. Low levels of activity in North America affected the US commercial valve business in the second half of the year while Weir American Hydro secured a number of multi-million dollar orders from major North American power companies for rehabilitation, turbine runner replacement and related field service work, including the Nine Mile Dam hydro project towards the end of the period. European input was up year on year despite difficult economic conditions in the eurozone. Aftermarket input of £168m (2011: £146m) benefited from valve and service opportunities. The proportion of orders from power markets was 60% (2011: 57%), with input from the oil and gas market growing by 12% year on year. Input from the Middle East, Africa and Asia increased by over 30%.

Revenue increased by 7% to £323m (2011: £301m) with a strong full year contribution from Weir International in South Korea. Like for like revenues were up 5% with revenues from emerging markets increasing by 11% as the division benefits from its increased routes to market.

Operating profit increased by 20% to £31m (2011: £26m), 1% like for like, benefiting from strong revenue growth in the valve operations and a first full year contribution from Weir International.

Operating margin increased to 9.7% (2011: 8.7%) benefiting from measures to improve cost competitiveness alongside a reduction in one-off costs, which totalled £1m (2011: £5m).

Investment

Capital expenditure of £19m (2011: £13m) included a new Montreal service centre for North American hydro operations and the consolidation in July of the US valve production facilities in a single facility at Ipswich, Massachusetts supporting the creation of a unified global valves platform. The opening of a sales office in Seoul, South Korea provides additional traction within the Asia-Pacific region for our control valve, service and speciality pump businesses. Investment in research and development was £2m.

Outlook

Global macro-economic concerns continue to slow the recovery of general industrial markets with an expected improvement in global power markets leading to increased service and aftermarket demand. Several major Korean nuclear and conventional domestic power plant projects are proceeding in 2013 and Korean EPCs continue to successfully capture global opportunities. Weir is well positioned to benefit through its global presence and its broadened valve range, including good control valve opportunities. As the business continues to expand internationally we see an increasing range of opportunities for the renewables operations. The division also expects to benefit from targeting the aftermarket opportunities of the large valve installed base outside North America. Strategic initiatives are expected to support increased organic growth, particularly in Asia-Pacific and the oil and gas sector.

The financial performance in 2013 is expected to benefit from a strong opening orderbook, steadily improving power markets, continuing momentum in strategic initiatives and ongoing operational excellence actions resulting in revenue and profit growth with margins broadly in line with 2012.

Key priorities in 2013

Embed global valve structure and drive global sales hub performance

Further leverage valve aftermarket opportunities

Develop operational capabilities to support higher activity levels

Internationalise hydro, wind and power service offerings

Continue expansion in oil and gas markets

Continue new product development and product extension

>>

Operational Review
Weir Power & Industrial continued

PARTNERS IN PRODUCTION WORLDWIDE
Global capability

DESIGNED IN THE UK. BUILT AND DELIVERED BY WEIR'S GLOBAL CAPABILITY

Revenue

£323m

+7%

2012	323
2011	301
2010	241

Operating profit

£31m

+20%

2012	31
2011	26
2010	26

2011 and 2010 restated at 2012 average exchange rates.

As drilling for oil ventures into deeper waters and power station technology becomes more efficient, operating pressures rise.

Weir's severe service control valves cope with the demands placed on equipment by the high pressure drops required to reach the correct processing conditions in power stations and oil and gas drilling.

The X-Stream trim for severe service valves was launched in late 2011. Designed to provide greater control of pressure drops whilst reducing noise and erosion, the process of taking this innovation to market demonstrates the value of Weir's global capability.

Product development was undertaken at the division's UK valve facility in Elland, with sourcing of material and manufacturing methods drawn from around our global operations. Flow testing took place on a custom-designed rig in the engineering laboratory of the University of Huddersfield with the outcome validating the product's position in the high value, high end technical performance control valve segment.

The product has been launched through the division's recently established global sales hubs, with more than 100 orders received for installations worldwide, including in North and South America, Europe, the Middle East and Asia-Pacific. A customer-focused innovation delivered through global expertise.

The X-Stream trim

Financial Review
Jon Stanton

The Group performed strongly over 2012, despite the uncertain macro-economic environment, generating an operating profit (before exceptional items and intangibles amortisation) of £486m, an increase of 18% on the previous year.

This result demonstrates the strength of our operating model and the diverse markets and geographies in which we operate with the impact of challenges in North American Oil & Gas operations offset by strength in Minerals and the contributions from our recent acquisitions.

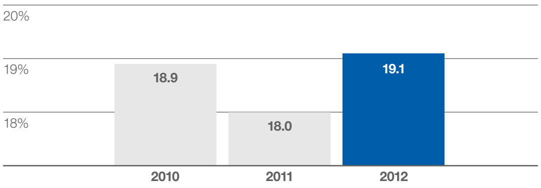
Order input at £2,397m on a constant currency basis decreased 2% and was 9% lower on a like for like basis (excluding the impact of acquisitions and transaction and integration costs). Original equipment orders were down 13% (down 23% like for like) with the impact of North American pressure-pumping market weakness partly offset by growth in most key Minerals markets and very good input growth at Power & Industrial. Aftermarket orders were up 9% (up 4% like for like) with double digit increases in Minerals and Power & Industrial. Aftermarket orders represented 57% of overall input (2011: 52%). Minerals order input for 2012 was £1,322m, an increase of 7% on 2011, both in constant currency and like for like. Input in Oil & Gas of £677m was 22% down on 2011 (down 41% like for like) with the performance of our recent acquisitions, Seaboard and Novatech, broadly in line with our expectations. Finally, input in Power & Industrial showed strong growth from valves and service operations, reporting an overall 18% increase to £361m (up 13% like for like, excluding the impact of Weir International).

BUILDING ON OUR RECORD FINANCIAL PERFORMANCE

Operating margins[1] (%)

19.1%

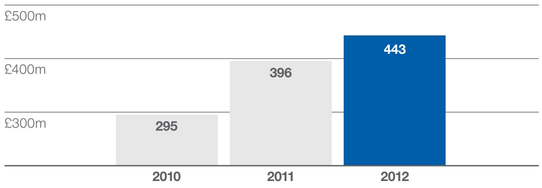
+110bps



Profit before tax[1] (£m)

£443m

+12%



1. Continuing operations excluding exceptional items & intangibles amortisation.

Revenue grew by 12% to £2,538m on a constant currency basis, up 4% like for like. Original equipment represented 45% with aftermarket revenues accounting for 55%, a 200 basis point increase over the prior year. Emerging markets revenues increased by 23% with the proportion of total revenues coming from these markets increasing to 37% (2011: 34%). Minerals revenues were 12% higher at £1,334m (2011: £1,195m) on both a constant currency and like for like basis. Oil & Gas revenues, including the contribution from Seaboard and Novatech, increased by 13% to £844m but were down 10% like for like with equivalent upstream revenues of £511m (US$810m) (2011: US$982m) in line with expectations. Power & Industrial revenues grew from £301m in 2011 to £323m in 2012, an increase of 7% (up 5% like for like). Together, the acquisitions made in 2011 and 2012 (Weir International, Seaboard and Novatech) contributed £182m of revenue against a 2011 equivalent proforma figure of £172m. Revenues from other Group companies (LGE Process) were £37.7m in the year (2011: £26.3m).

Operating profit from continuing operations before exceptional items and intangibles amortisation increased by 18% to £485.6m (2011: £412.7m) after a net negative currency translation impact of circa £1m. The increase in underlying performance was driven by strong revenue growth and margin expansion in Minerals, a positive contribution from acquisitions and reduced one-off costs, offset partly by second half weakness in upstream Oil & Gas operations. One-off costs of £9.3m were incurred in the period (2011: £16.6m) of which £4.0m (2011: £8.8m) related to acquisition transaction and integration costs. The 2011 and 2012 acquisitions contributed £47.5m to operating profit against a 2011 equivalent proforma contribution of £41.2m, excluding transaction and integration costs. The profit contribution from other Group companies was £2.5m (2011: £3.0m) while central costs were £14.9m (2011: £14.1m), a modest increase reflecting the loss of rental income of circa £2m following disposal of the Cathcart property in 2011 offset by cost management initiatives.

Operating margin (also from continuing operations before exceptional items and intangibles amortisation) was 19.1%, an increase of 110 basis points on the prior year (2011: 18.0% and 18.1% on a constant currency basis), reflecting a strong second half improvement in Minerals and continued margin resilience in Oil & Gas. On a like for like basis, the operating margin was 18.8% (2011: 18.5%). On a constant currency basis, the Minerals divisional operating margin was 19.2% (2011: 17.7%), ahead of expectations reflecting the strengthening aftermarket revenue mix alongside benefits from procurement initiatives, productivity gains and effective cost control. The Oil & Gas operating margin was 25.0% (2011: 24.8% constant currency) with upstream margins resilient despite challenging markets, an improved performance in downstream and service businesses and lower one-off costs. Excluding the impact of acquisitions, the Oil & Gas divisional margin was 25.1% (2011: 25.5%). The operating margin in Power & Industrial was 9.7% (2011: 8.7% constant currency) and, excluding the impact of acquisitions, was 9.3% (2011: 9.7%).

Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA')

Depreciation and impairment of property, plant and equipment and investment property in the year was £49.4m (2011: £37.7m) resulting in operating profit from continuing operations before depreciation and intangibles amortisation of £535.0m (2011: £450.4m).

Exceptional items and intangibles amortisation

Total Group operating profit for the year of £469.1m (2011 restated for fair value acquisition accounting: £407.9m) includes an exceptional credit of £20.2m (2011: £19.0m) and intangibles amortisation of £36.7m (2011 restated: £23.8m). The exceptional credit in the current year comprises the net of three items, the largest of which is the gain on sale of LGE Process of £30.5m which was completed on 28 December 2012. Offsetting this are (i) a charge of £4.5m representing the uplift of inventory to net realisable value on acquisition being charged against profits as the inventory is sold (as recorded at the half year); and (ii) an uplift of £5.8m to the net present value of contingent consideration payable in respect of the acquisition of Weir International in light of updated financial projections for the business. The exceptional credit of £19.0m in the prior year represented a past service gain recognised under IAS19 on the change to providing CPI-linked instead of RPI-linked benefits on the Group's UK pension plans. Intangibles amortisation has increased year on year as a direct result of the recent acquisitions.

Net finance costs

Net finance costs were £45.1m in total (2011: £17.1m) due to the increase in net debt following the Seaboard and Novatech acquisitions and the related US private placement issue.

Financial Review continued
Jon Stanton

The total net finance charge comprises four components, the most significant of which is the interest cost of £46.5m (2011: £19.4m) on the Group's net borrowings (including amounts in relation to derivative financial instruments). The balance comprises finance income of £5.2m (2011: £4.3m), a £1.2m charge (2011: £1.3m charge) in relation to the Group's defined benefit pension plans and an exceptional cost of £2.6m (2011: £0.7m) being the unwinding of the discount on the contingent consideration liability for the Weir International acquisition in 2011. This cost has increased on the prior year for two reasons: firstly, the prior year comparative related to the six month period post acquisition compared to the full year in 2012; and secondly, the contingent consideration payable has been reassessed in the current year as noted above, this increasing the level of discount unwind recorded. The total contingent consideration recorded on the balance sheet in respect of all acquisitions is £24.8m (2011: £24.6m), the marginal increase year on year being the net of the increase relating to Weir International and the payment of £8.4m.

Net finance costs (excluding retirement benefit related amounts and exceptional items) were covered 11.8 times by operating profit from continuing operations (before exceptional items and intangibles amortisation) (2011: 27.3 times).

Profit before tax from continuing operations but before exceptional items and intangibles amortisation increased by 12% to £443.1m (2011: £396.3m) and 4% on a like for like basis. Reported profit before tax from continuing operations increased by 8% to £424.0m (2011 restated: £390.8m) after intangibles amortisation of £36.7m (2011 restated: £23.8m) and the net exceptional credit of £20.2m (2011: £19.0m).

The tax charge for the year of £124.2m (2011: £114.2m) on profit before tax from continuing operations before exceptional items and intangibles amortisation of £443.1m (2011: £396.3m) represents an underlying effective tax rate of 28.0% (2011: 28.8%), reflecting a reduction in US state taxes as a result of the changing profile of our business within the US and the reduction of the rate of UK corporation tax. The Group's policy with regard to tax matters is discussed in a later section of this report.

Discontinued operations
The income statement for 2012 includes income from discontinued operations of £3.3m (2011: £19.9m) representing the release of unutilised provisions in relation to previous disposals on expiration of the tax warranty periods. This amount was reported in the first half of the year. The income from discontinued operations of £19.9m in the prior year related to the net gain on disposal of the former Weir Pumps facility at Cathcart, Glasgow to Clyde Union, subsequently acquired by SPX Clyde UK Limited.

Earnings per share
Earnings per share from continuing operations before exceptional items and intangibles amortisation increased by 12% to 150.1p (2011: 133.6p). Reported earnings per share including exceptional items, intangibles amortisation and profit from discontinued operations was 148.6p (2011 restated: 141.2p). The weighted average number of shares in issue increased to 212.2m (2011: 211.2m).

Cash flows
Cash generated by operations before working capital movements increased by 13% to £515.5m (2011: £457.9m). Working capital outflows of £116.9m (2011: £155.3m) were driven by higher than expected inventory levels and a subsequent reduction in payables due to lower materials purchases in upstream Oil & Gas, partly offset by an overall improvement in receivables. The initial benefits of a number of supply chain initiatives resulted in second half working capital inflows of around £10m. Net cash generated from operations increased by 32% from £302.6m to £398.6m representing an EBITDA to cash conversion ratio of 75% (2011: 67%).

Net capital expenditure increased from £91.4m in 2011 to £116.3m in 2012 principally to add capacity in the Minerals division and investment in expanded flow capacity in SPM. The settlement of financing derivatives resulted in a net cash outflow of £11.0m (2011: £10.9m). Additional pension contributions of £7.5m (2011: £6.6m) were paid in the period in respect of agreed special contributions to the UK schemes. The year on year increase is a result of increased special contributions to the executive scheme being agreed during the year. Special contributions in 2013 will be £12.1m, falling to £9.6m in 2014 and thereafter following completion of the triennial funding valuation of the main UK staff scheme in December 2012.

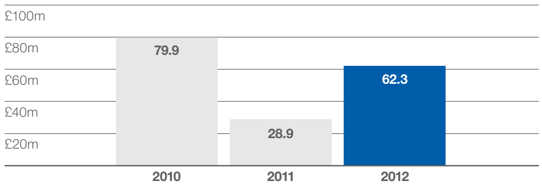
Free cash flow from continuing operations was £62.3m (2011: £28.9m). Outflows in respect of acquisitions were £125.2m with cash generation from disposals of £22.9m giving a year end net debt of £688.9m (2011: £673.2m, £679m constant currency). On a reported basis, the ratio of net debt to EBITDA was 1.3 times and on a proforma basis including the Mathena acquisition was 1.5 times.

Return on capital employed ('ROCE')
The Group's ROCE of 29.1% for 2012 on a like for like basis (excluding Seaboard and Novatech) was broadly in line with the prior year (2011: 29.2%).

Free Cash Flow

£62.3m

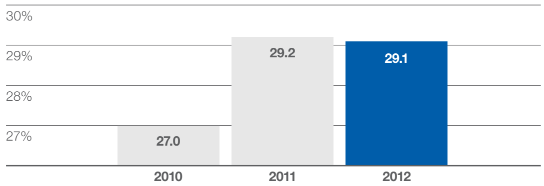
+116%



Return on Capital Employed[2]

29.1%

-10bps



2. Continuing operations EBIT (excluding exceptional items and Seaboard and Novatech EBIT) divided by average net assets excluding net debt, pension deficit (net of deferred tax asset) and Seaboard and Novatech net assets

Dividends

The Board is recommending a 15% increase in the full year dividend, the 29th consecutive year of dividend growth, with a final dividend of 30.0p (2011: 25.8p) making a total of 38.0p for the year (2011: 33.0p). Dividend cover (being the ratio of earnings per share from continuing operations before exceptional items and intangibles amortisation to dividend per share) of 4.0 times is in line with 2011. If approved, the final dividend will be paid on 31 May 2013 to shareholders on the register on 3 May 2013. The Board also plans a further double digit increase in the full year dividend in 2013.

Acquisitions and disposals

On 22 February 2012, the Group completed the acquisition of Novatech LLC for an equivalent enterprise value of £111m (US$176m). This business has been successfully integrated into the Oil & Gas division and is performing in line with expectations given current upstream market conditions. The post-acquisition trading of Novatech is included in these results with 2012 also representing the first financial year to include a contribution from Seaboard, the acquisition of that business having completed at the end of 2011.

On 28 December 2012, the Group completed the disposal of LGE Process to Babcock International Group plc for an enterprise value of £23m.

Finally, on 20 December 2012, the Group announced its agreement to acquire Mathena, Inc a leading provider of pressure control rental equipment and services for onshore oil and gas drilling applications, for an initial consideration of US$240m with a maximum further payment of US$145m based on achievement of profit targets. This acquisition was completed on 31 December 2012 and accordingly there is no impact on these financial statements.

Tax policy

The Group's strategic tax objectives are to:

– comply with all applicable tax laws and regulations, including the timely submission of all tax returns and tax payments; and
– develop and maintain strong working relationships with local tax authorities and undertake all dealings with tax authorities in a professional and timely manner.

The Group has strong controls and clear policies and procedures covering tax, which must be followed by all finance personnel. We take a conservative approach to all tax planning with the overarching aim of paying the right amount of tax at the right time in each tax jurisdiction. As a large multi national, we conduct our business affairs in a way which is efficient from a tax perspective however, we do not undertake tax planning for its own sake.

In terms of cash tax, the Group paid income tax of £104.9m in 2012 across all of its jurisdictions compared to £97.3m in 2011. In line with the proportion of the Group operating in North America, the amount of tax paid in that geography is the highest across the Group. Net cash tax paid in the UK in 2012 across corporation tax, VAT and payroll taxes was approximately £43m (2011: £38m).

Treasury management

The Group is financed through a combination of bank debt, fixed rate private placement 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 yet 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 and 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 16 February 2012, the Group made a placing of attractively priced long term debt with the private placement markets in the US, to the value of US$1bn. The weighted average all-in rate is 4.16% with the weighted average term 9.6 years. The proceeds were used to fund the Novatech acquisition and repay certain borrowing facilities, including Seaboard acquisition facilities. With regard to the revolving credit facilities in place, £148m was drawn down under these at the end of the year leaving an undrawn facility of £347m. In addition, the Group has an amortising term loan of US$300m (£153m at the end of the year) which matures in 2014.

All covenants were met at 28 December 2012 with significant headroom under each financial ratio.

The Group held net cash balances of £384.2m at the end of 2012 (2011: £108.6m) representing operating balances held by the Group's subsidiaries. Of this total, £313.5m was held in the UK (2011: £48.5m). As at 28 December 2012, the available funding headroom was partly in place for the acquisition of Mathena Inc, due to take place post year end. The acquisition completed as planned on 31 December 2012 at which time required cash and debt resources were utilised from the available headroom.

Financial Review continued
Jon Stanton

The Group has additional committed and uncommitted bonding 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. There is no significant concentration of credit risk. Credit worthiness checks are undertaken before entering into contracts with new customers and credit limits are set as appropriate. We also 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 on 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. As at the end of 2012, the proportion of the Group's debt at fixed rates was 71% compared to 20% as at the end of 2011 due to the further private placement issuance noted previously.

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 carried out for all material economic exposures, only two subsidiaries applied cash flow hedge accounting under IAS39, one of which was LGE Process which was disposed of at the end of the year.

The Group manages a proportion of the potential currency translation exposures from US dollar denominated net investments through a combination of US dollar borrowing, forward foreign currency contracts and cross currency swaps. The strengthening of sterling relative to 2011 against most main currencies, offset by a weakening against the Chilean Peso, resulted in a net loss on translation of net assets of £46.3m, including the effect of the balance sheet hedging programme. The fair value of derivatives designated as net investment hedges at 28 December 2012 was a liability of £0.8m (2011: £27.6m) reflecting primarily the settlement of floating rate cross currency swaps during the year.

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 pension plans, the largest of these being the two UK plans. The Group has sought to pro-actively manage its exposure to its pension plans and more than half of the liabilities of the main UK scheme are hedged via insurance policies, providing significant protection against changes in market conditions. Over the last year, the discount rate applied to the pension liabilities has decreased from 4.8% to 4.3% with RPI inflation reducing from 3.1% to 2.9%. This has resulted in a slight increase in the net deficit in the Group's retirement benefit obligations from £84.7m at the end of 2011 to £90.4m at the end of 2012, although this represents a decrease of £13.9m on the position at the end of June.

Net assets
Net assets at the end of 2012 were £1,310.3m, an increase of £192.8m on the 2011 level of £1,117.5m (restated for acquisition fair value accounting as explained in note 2). This increase is driven by the total net comprehensive income for the year of £260.5m less dividends paid of £71.7m.

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. 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.

There are 917 asbestos related claims outstanding in the US (2011: 585) against Group companies. There are 25 such claims in the UK (2011: 24). All actions are robustly defended.

On 6 February 2013, an Opinion & Order was filed with the United States District Court, Southern District of New York dismissing the claim against the Company (being one of many companies targeted) relating to a civil action for damages arising from the UN Oil for Food programme which was raised in the US. Subsequently the Iraqi Government filed notice of appeal and at the time of writing there has been no ruling by the Court on this appeal. We will continue to defend this action vigorously.

I

II

III

IV

Critical accounting policies

The financial statements have been prepared in accordance with IFRS and the material accounting policies are set out on pages 89 to 95 of this report. There have been no significant changes to the accounting policies adopted in 2012.

In the process of applying the Group's accounting policies, management has applied certain judgements, assumptions and estimates. These estimates and assumptions are based on historical experience, information available at the time and other factors considered relevant. Those with the most significant effect on the amounts recognised in the financial statements are set out below. Further judgements, assumptions and estimates are set out on page 89.

Intangible assets

On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired, provided they meet the recognition criteria. The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cash flows, 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 as well as annually for goodwill and other intangible assets with indefinite lives and so not subject to amortisation. This testing includes exercising management judgement about future cash flows and other events which are, by their nature, uncertain.

Retirement benefits

The assumptions underlying the valuation of retirement benefits assets and liabilities are important and based on actuarial 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 arrangements, 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
27 February 2013

How We Manage Risk

The Weir Group faces a wide spectrum of risks across our global footprint. Effective management of those risks is at the heart of how we conduct our day-to-day business.

Risk management framework
We can take decisions with confidence, because we know that, as a Group, we are identifying risks at an early stage and taking proportionate steps to mitigate those risks. We have a Risk Management Policy and Framework which provides a consistent approach to risk management across the Group on a continual cycle.

Risks identified at operating company level, which potentially may have a wider impact on the divisions and the Group, are escalated through defined and regular reporting mechanisms. Where required, feedback is provided to the operating companies on their risk assessment and approach to risk mitigation. In addition, division and Group-wide risks are shared with the operating companies. This allows the operating companies to consider the local implications of such risks. Our integrated bottom-up and top-down approach to risk management provides visibility and accountability for risks throughout the Group.

Our integrated bottom-up and top-down approach to risk management provides visibility and accountability for risks throughout the Group.

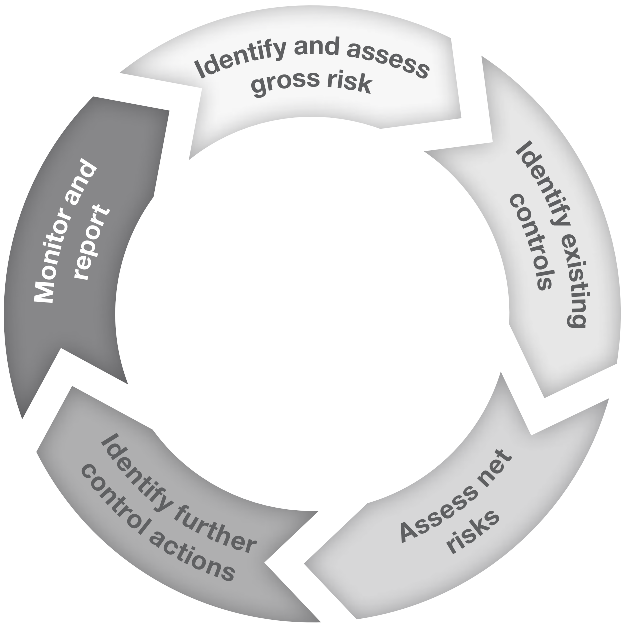
Risk management framework

Risk management cycle

Risks are assessed in terms of impact and likelihood of occurrence before, and after, control mitigation, i.e. gross and net risk. This allows the business to review the relative cost/benefit of control actions to ensure the risk mitigation is proportionate. We recognise that not all risks are within the control of the Group, a key example being political and social unrest within the territories in which we operate. However, our approach to risk management ensures we have controls in place to reduce the impact of such risks, should they occur.

Risk roles and responsibilities

The Board is ultimately responsible for the Group's risk and internal control frameworks. It has set out the decisions, and hence the level of risk, which can be delegated to the Group Executive, divisional and operational company management without requiring escalation to the Board. This is achieved through a series of Group policies and delegated authority matrices including reference to, for example, capital expenditure, sales and quotations, gifts and hospitality, employee appointments, expansion into new territories, appointment of external sales agents, and operational purchases.



Risk management cycle

Risk roles and responsibilities

How We Manage Risk
continued

Principal risks and uncertainties

As in any business, there may be unforeseen issues which could impact the Group's ability to achieve its objectives in the future. However, we believe the Group's risk management framework makes this less likely. The key risks set out below are those which we believe have the greatest potential to impact our ability to achieve the Group's strategic objectives.

Risk	Why we think this is important	How we are mitigating the risk
Global and economic conditions		
Changes in key markets and/or political conditions have an adverse impact on customers' expenditure plans.	We need to remain sufficiently flexible to allow us to meet growth in demand when our customers' markets are buoyant and therefore capital investment is high, and equally foresee downturns and/or instability in territories, to allow us to adjust our operations accordingly. Otherwise, we are at risk of not maximising our potential for growth in buoyant markets, and incurring unnecessary costs during downturns.	– We maintain regular engagement with our customers to understand their needs and challenges. – Our strategic planning utilises extensive market intelligence to assist in forecasting opportunities and dips in markets, as well as potential political and social instability in regions. – We maintain contingency plans for downturns and exits from unstable regions.
Technology and innovation		
We fail to drive innovation to ensure that the business continues to deliver sustainable and attractive solutions for our customers.	The strength of our business is built upon a history of delivering innovative and sustainable solutions for our customers. If we fail to keep abreast of market needs or to innovate solutions we are at risk of losing market share to our competitors and reducing margins as demand decreases.	– Continual investment in research and development, including the Weir Advanced Research Centre in conjunction with the University of Strathclyde. – Global design centres of origin, dedicated technology centres for pump and materials development and a commitment to creating patent protected technologies. – We have dedicated governance teams (Engineering and Manufacturing Excellence Committees) focused on the delivery of our strategic objectives for technological advances and innovation in manufacturing practices to meet the needs of our customers.
Environment, health and safety (EHS)		
We fail to adequately protect our people and other stakeholders from harm associated with a breach in EHS standards.	We have a fundamental duty to protect our people and other stakeholders from harm whilst conducting our business. As well as the personal impact on our people resulting from a failure to meet this obligation, we would also be at risk of: – reputational damage leading to a loss of customers; – legal action from regulators including fines and penalties; and – exclusion from markets important for our future growth.	– The Weir behavioural safety system is in place to reduce the risk of safety incidents. In addition, there are initiatives to prevent the most common accident types. The Weir global EHS standards are continually reviewed. – The EHS Excellence Committee is responsible for monitoring performance and compliance with Group objectives, policies and standards relating to EHS. – There is a formal EHS assurance programme with issues escalated as required through the reporting structures.

Risk	Why we think this is important	How we are mitigating the risk
Ethics and governance		
Interactions with our people, customers, suppliers and other stakeholders are not conducted with the highest standards of integrity, which devalues our reputation.	We are unwilling to accept dishonest or corrupt behaviour from our people, or external parties acting on our behalf, whilst conducting our business. If we fail to act with integrity we are at risk of: – reputational damage leading to a loss of customers; – increased scrutiny from regulators; – legal action from regulators including fines, penalties and imprisonment; and – exclusion from markets important for our future growth.	– The Code of Conduct, supplemented with Group policies on related topics, provides a clear benchmark for how we expect our business will be conducted. – Regular training is provided using a range of mechanisms including 'Town Hall' style sessions, on-line and induction training. – The financial control framework is continually monitored for effectiveness. – Internal Audit's remit includes regular review of the anti-bribery and corruption and financial controls across the Group. The Group Legal team is responsible for monitoring compliance with the Code of Conduct.
Supply chain		
We fail to adequately manage the supply chain thereby reducing our ability to meet customer demand in an economic and efficient manner.	Our supply chain is dependent upon a number of factors including sufficient manufacturing capacity, access to raw materials and key components, integrated sales and production planning, and skilled people. If we fail to meet the delivery targets agreed with customers as a result of a failure in the supply chain we risk: – damaging our reputation and as a consequence losing customers and market share; – incurring penalties as a result of late delivery contractual clauses; and – reducing margins by incurring unnecessary additional costs associated with late remedial actions taken to avoid missing delivery targets.	– Established engagement framework in place with key suppliers. – Regular KPI monitoring of the supply chain throughout the organisation. – The Purchasing Excellence Committee monitors performance and compliance with Group objectives, policies and standards relating to procurement. Centres of Excellence are established for key components to drive efficiencies and enhance delivery standards whilst maintaining quality. – Consistent Group-wide approach to inventory control and sales and operational planning.
Acquisitions and expansion into new territories		
Inadequate planning and management of the integration and expansion processes impacts the ability to generate growth opportunities, synergies and cost savings within expected timescales.	Acquisitions and expansions into new territories are only undertaken after rigorous review and identification of expected synergies, cost savings and growth opportunities. However, there is a risk that these benefits may not be achieved, or may not be achieved within the anticipated timescales, thereby tying up the Group's funds in investments with insufficient return. There is also a risk that we could be left liable for past acts or omissions of the acquired businesses without adequate right of redress.	– The strategic planning process includes market and competitive position assessments to drive the acquisition agenda. – Comprehensive due diligence is performed on all potential acquisitions. – We have a formal 100 day integration plan with dedicated integration directors and managers appointed to oversee and manage the full integration programme.

Sustainability Review

The Group considers sustainability to be a key part of its strategy and recognises its importance in delivering shareholder value. Our sustainability approach is embedded in our business through six key areas.

Sustainability matters to Weir because our employees, customers, suppliers and investors want to work for, do business with, supply and own a business that operates safely, ethically, fairly and in a way that minimises environmental impact.

Sustainability is an important part of how the Group operates and we seek to deliver our strategy and business model in a way that can contribute to reducing negative environmental impacts and assists the communities in which we do business.

The Group has six sustainability priorities:

ENVIRONMENT
To reduce our energy use and carbon footprint

EMPLOYEES
To attract and retain the best employees

HEALTH & SAFETY
To maintain a safe and healthy workplace

COMMUNITIES
To invest in the communities where we operate

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

ETHICS
To conduct our business responsibly and ethically

To find out more about these six areas, including detailed case studies, visit weir.co.uk/sustainability

Environment

ISO 14001

All our continuing operations are ISO 14001 accredited, or will be by the end of 2013, apart from new acquisitions where a plan is put in place to achieve accreditation during the integration process. ISO 14001 is an internationally recognised specification for an environmental management system which helps organisations to meet environmental and economic goals as well as assisting in the implementation of environmental policy. It provides assurance that our environmental performance meets and will continue to meet legal and environmental policy requirements.

Carbon footprint

The Weir Group is an energy intensive business, due to its requirement for electricity and gas for industrial manufacturing and service operations across a global footprint.

Since 2011, the Group's operating companies have been identifying and implementing three carbon emission reduction projects on a rolling basis, adding new projects as each is completed.

Our carbon emissions are reported in accordance with the principles of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard ('GHG Protocol') developed by the World Business Council for Sustainable Development and the World Resources Institute. The GHG Protocol categorises emissions as follows:

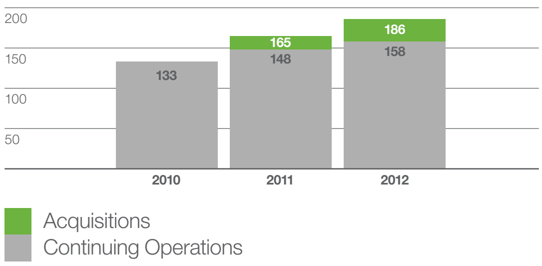
- **Scope 1 – Direct emissions**
  These are emissions for which businesses are directly responsible.
- **Scope 2 – Electricity indirect emissions**
  These are emissions from the electricity that a company buys to use in its equipment or operations.
- **Scope 3 – Other indirect emissions**
  These are emissions from activities that are relevant to a company, but not within its direct control, for example, transport in vehicles not owned by the company.

The Weir Group reports on its Scope 1 and 2 emissions, as defined in the GHG Protocol. Scope 3 is an optional reporting category. Emissions are reported as tonnes of carbon dioxide equivalent ('tCO_2e').

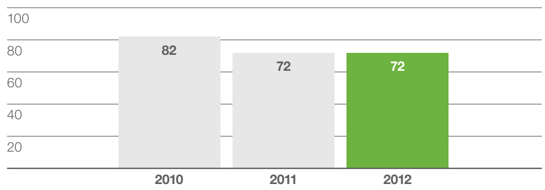
A proportion of our data is derived, or partly derived, from estimates and we are always working to improve the accuracy and completeness of our data. In 2013, the Group intends to undertake a review of its greenhouse gas policy and reporting practices, taking into consideration the mandatory reporting requirements due to be introduced under the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013.

The Group's total carbon footprint from 2010 to 2012 is shown on the opposite page. The Group's absolute emissions have increased year on year. However, since 2010 the Group has made some significant acquisitions, including Weir Linatex, Seaboard and Novatech. The impact of acquisitions on the emissions of the Group as a whole can be seen in the chart, with acquisitions since 2010 representing 16% of the 2012 total. The increase in emissions is also attributable to the growth of the Group during the period and its increased output. The Group's emissions by turnover remain constant with 2011. This is, in part, due to the activity mix of our business with high demand in the primary manufacturing areas of foundry production and machining during 2012.

Total emissions
CO_2 tonnes ('000)



Total emissions by turnover
tCO_2e/£m

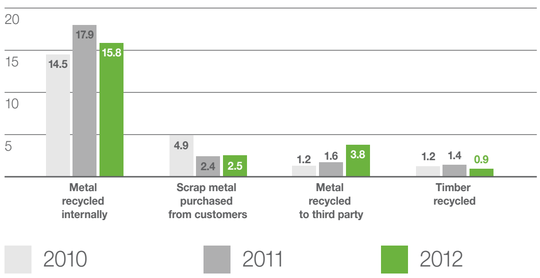


The majority of the Group's greenhouse gas emissions come from electricity and gas use at our facilities, with electricity accounting for 67% of the total emissions in 2012 (2011: 67%). Our foundries, the most energy intensive areas of our operations, produced 64,000 tCO_2e in 2012, which equates to 35% of the Group's total emissions.

Foundry recycling

The Group's five foundries recycled nearly 16,000 tonnes of metal in our foundry operations in 2012. This means that around 51% of the metal poured at our foundries is recycled.

Foundry recycling ('000 tonnes)



Health and safety

The Environment, Health and Safety Excellence Committee drives good Group-wide health and safety practice. The Group is committed to a zero accident workplace. For more information on health and safety, see page 21 or go to weir.co.uk/sustainability.

Employees

Recruiting, retaining and developing the best people is at the heart of Weir's sustainability as a business. This is encouraged through access to opportunities to progress, competitive and fair working conditions, and an open culture where issues can be raised, discussed and addressed. For more information, see Our People on page 22.

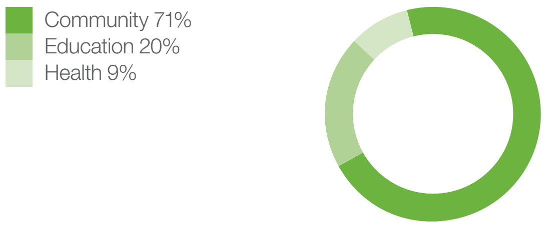
Communities

We believe we have an enduring obligation to invest in local communities and minimise any environmental impact on the areas where we operate. As a global business, our operating businesses have the discretion to invest in their local communities in the areas of greatest need. Broadly, the Group seeks to support health and education projects, given their potential to provide lasting benefits. For recent examples of these projects, go to weir.co.uk/sustainability.

Charitable donations

The total charitable donations of Group companies during the financial year was £503,011 (2011: £422,300), as shown below.

Charitable donations



The Weir Code of Conduct prohibits political contributions and no political donations were made during the period.

Products and technology

Our products and services aim to meet customer demands and their corporate sustainability goals, through reducing energy and water usage and the production of waste materials. Many of the Group's products and services are used in low carbon applications such as nuclear and renewables power generation. The Engineering Excellence Committee continually seeks to enhance energy efficiency through the design, research and manufacturing process and product usage in customer operations.

Ethics

The Weir Code of Conduct establishes clear guidelines and standards of business behaviour for employees. Supporting the Code is the ethics hotline and anti-bribery and corruption training. The Code also explains the high human rights standards to which the Group works. More information on the Group's activity to promote ethical behaviour is on pages 63 to 65 of the Corporate Governance report.

Board of Directors

Name and title	**Lord Smith of Kelvin** **Chairman (68)**	**Keith Cochrane** **Chief Executive (48)**	**Alan Ferguson** **Non-Executive Director (55)**	**Melanie Gee** **Non-Executive Director (51)**
				
Nationality	British	British	British	British
Date of appointment	Non-Executive Director since February 2002 and Chairman since July 2002.	Joined the Group as Finance Director in July 2006 and appointed Chief Executive in November 2009.	December 2011.	May 2011.
Committee membership	Chairman of the Nomination Committee.	Member of the Nomination Committee.	Chairman of the Audit Committee.	Chairman of the Remuneration Committee; member of the Audit Committee.
Expertise	Lord Smith 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 Chancellor of the University of the West of Scotland and Patron of the Scottish Community Foundation. He is a chartered accountant and a past president of the Institute of Chartered Accountants of Scotland.	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.	Alan was Chief Financial Officer and a Director of Lonmin plc, one of the world's largest producers of platinum group metals, from 2007 until 2010. Prior to his role with Lonmin, he held the position of Group Finance Director with the BOC Group plc. Before this he spent 22 years working for Inchcape plc in a variety of roles, including six years as Group Finance Director. He is a chartered accountant and a member of the Institute of Chartered Accountants of Scotland.	Melanie is a Senior Adviser for Lazard & Co. Limited, having worked for them since 2008. Formerly, she spent a number of years with S.G. Warburg (now part of UBS) and was appointed a Managing Director of UBS in 1999. Between 2006 and 2008 she was a Senior Relationship Director of UBS. She has been an alternate member of The Takeover Panel – LIBA (CFC) since 2006.
Key external appointments	Chairman of SSE plc (formerly Scottish & Southern Energy plc). Chairman of UK Green Investment Bank plc. Chairman of Glasgow 2014 Limited, the organising committee for the Commonwealth Games. Non-Executive Director of Standard Bank Group Ltd in South Africa.	Non-Executive Director of Royal Scottish National Orchestra Society Ltd.	Non-Executive Director and Audit Committee Chairman of Johnson Matthey plc. Non-Executive Director and Audit Committee Chairman of Croda International plc.	Non-Executive Director of Drax Group plc.

Richard Menell Non-Executive Director (56)	John Mogford Non-Executive Director (59)	Lord Robertson of Port Ellen Non-Executive Director and Senior Independent Director (66)	Jon Stanton Finance Director (45)
			
South African	British	British	British
April 2009.	June 2008.	February 2004.	April 2010.
Member of the Nomination and Remuneration Committees.	Member of the Audit Committee.	Member of the Nomination and Remuneration Committees.	None.
Richard worked as an investment banker before joining Anglovaal Group in 1992. He was appointed Chief Executive of Anglovaal Mining in 1996 then Executive Chairman in 2002. In 2005, he left to become President and Chief Executive of TEAL Exploration & Mining Inc. He was 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 a Senior Advisor to Credit Suisse and serves as a Director on a number of unlisted companies and non-profit organisations. He is a fellow of the Geological Society (London) and of both the Australasian and South African Institute of Mining and Metallurgy.	John is currently a Managing Director for First Reserve, a large global energy focused private equity firm. As part of this role he sits on several 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. He is a fellow of the Institution of Mechanical Engineers.	Lord Robertson is Senior International Advisor to Cable and Wireless Communications plc and a Senior Counsellor with The Cohen Group (USA). He was the UK 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). A member of Her Majesty's Privy Council, he is Chairman of the Ditchley Foundation and of the Commission on Global Road Safety. He is honorary Professor of Politics at Stirling University, an honorary Fellow of the Royal Society of Edinburgh, an Elder Brother of the Corporation of Trinity House and Chancellor of the Order of St Michael and St George.	Jon 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 multinational clients. He is a chartered accountant and a member of the Institute of Chartered Accountants in England and Wales.
Non-Executive Director of Gold Fields Ltd and Sibanye Gold Limited, both South African companies listed on the Johannesburg Stock Exchange and the New York Stock Exchange. Non-Executive Director of Rockwell Diamonds Inc., a South African company listed on both the Johannesburg Stock Exchange and the Toronto Stock Exchange.	Chairman of CHC Helicopters SA in Luxembourg, Amromco Energy LLC in Romania and White Rose Energy Ventures LLP in the UK. Non-Executive Director of Deep Gulf Energy LP in America, DOF Subsea AS in Norway and Midstates Petroleum, Inc a US company listed on the New York Stock Exchange.	Deputy Chairman and Audit Committee Chairman of TNK-BP Ltd. Non-Executive Director of Western Ferries (Clyde) Ltd.	None.

Group Executive

Name and title	**Dean Jenkins** **Minerals Divisional Managing Director (41)**	**Steve Noon** **Oil & Gas Divisional Managing Director (48)**	**Kevin Spencer** **Power & Industrial Divisional Managing Director (57)**
			
Biography	Dean is the Minerals Divisional Managing Director based in Melbourne, Australia. He joined the Group in November 2010, becoming Power & Industrial Divisional Managing Director in 2011. He was appointed to his current role in August 2012. Dean 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 is the Oil & Gas Divisional Managing Director based in Fort Worth, USA. He joined the Group in 2007. He 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.	Kevin is the Power & Industrial Divisional Managing Director based in East Kilbride, Scotland. He joined the Group in 2005. Prior to his current appointment in August 2012, he was European Regional Managing Director of the Group's Minerals Division. Kevin is a mechanical engineer who worked in the mining industry for 17 years, before moving into the mining supply industry.

Name and title	**Keith Ruddock** **General Counsel and Company Secretary (52)**	**Pauline Lafferty** **Director of Human Resources (47)**	**Gavin Nicol** **Director of Operations Support and Development (51)**
			
Biography	Keith is General Counsel and Company Secretary based at the Group's Head Office in Glasgow. He joined the Group in April 2012 from Royal Dutch Shell plc, where he was General Counsel for Upstream International, Shell's largest business unit, based in The Hague. He has extensive international commercial and legal experience, having worked in the Middle East, North America, Africa, Australasia and Europe, and was a member of Shell's Upstream International leadership team.	Pauline is the Director of Human Resources based at the Group's Head Office in Glasgow. She joined the Group in 2011. Pauline was previously in executive search with Miles Partnership and Russell Reynolds Associates in the UK and Australia. Prior to this, she held business planning and operational roles for 11 years with Motorola and Digital Equipment Corporation (DEC) in Scotland, Australia and Hong Kong, ultimately becoming Asia Pacific Director of Supply for DEC.	Gavin is the Director of Operations Support & Development based at the Group's Head Office in Glasgow. He was previously President of Weir SPM for two years, based in Fort Worth, Texas. Gavin joined Weir in 2005 and was managing director of the Weir Pumps business prior to its sale in 2007. Before joining Weir, he worked for a number of multinationals including the Terex Corporation, PWC and Coats Viyella.

Keith Cochrane and Jon Stanton are also members of the Group Executive. Their biographical information can be found on pages 48 and 49.

Corporate Governance Report
Chairman's Introduction

The Board's approach to governance begins with the recognition that it is a framework supporting the values and behaviours which define how our company operates.

We do not regard governance as a prescriptive set of rules but a set of principles which should guide behaviour, processes and actions which inspire trust and support the way we do business. We believe that effective corporate governance consists of a set of actions which ripple from the boardroom to the shopfloor. The Weir Way means we achieve growth by not only doing the right thing strategically but also doing it the right way. In achieving this, good governance throughout the organisation is clearly very important. I speak on behalf of all my colleagues on the Board when I describe Weir as having an 'open' culture. It is a business where, in my experience, all employees feel able to contribute and challenge and a business where the Executive Directors and senior management recognise that this is fundamentally important.

The UK Corporate Governance Code, the principles of which we fully support and under which we report, tasks the Board with providing the leadership necessary to promote the long term success of the Company. This leadership must be provided within the context of an effective framework of controls and, as Chairman, it is my principal role to provide Board leadership that ensures Board effectiveness. To do this, I strive to replicate the wider corporate culture at Weir by creating a boardroom culture where all relevant information for decision-making is shared openly. Each voice around the table is accorded equal weight and contribution and challenge is encouraged. I hope and believe that we have a Board where nobody is fearful of asking what I call the 'daft laddie or lassie' questions, which can often be those which provide the greatest insights into the problems or opportunities in any business. Careful thought is put into the balance of the Board, with relevant expertise and diversity being key factors which guide our succession planning. I believe that we have a Board with considerable skill and experience and that our shareholders are well served by the quality of thought and discussion around the boardroom table. Our committee chairmen hold themselves to the same high standards. The key skills and experience of the Board members are outlined later in this section.

In September 2012, the Financial Reporting Council published a new edition of the UK Corporate Governance Code, effective from the Company's next financial year (the 'New Code'). The changes largely relate to Accountability, Part C of the Code, which covers areas such as financial and business reporting, audit committees and auditors. The intention of the Board is that the Company will fully comply with the changes introduced in the New Code in 2013.

During the year there have been a number of other developments impacting on the Company's present and future disclosure requirements, namely:

- government changes on narrative reporting;
- mandatory greenhouse gas reporting;
- government proposals on executive remuneration;
- Lord Sharman's proposals on going concern and liquidity risk; and
- consultation on Internal Control: Guidance to Directors (formerly the Turnbull Guidance).

These changes will affect the Group's disclosures and we have attempted to go some way towards reflecting these changes in this year's Annual Report.

Lord Smith of Kelvin
Chairman

Corporate Governance Report
Continued

Corporate Governance Code
The UK Corporate Governance Code (formerly the Combined Code) sets out standards of good practice in relation to issues such as board composition and effectiveness, the role of board committees, risk management, remuneration and relations with shareholders. The UK Corporate Governance Code is published by the Financial Reporting Council from whom paper and downloadable versions can be obtained via its website at www.frc.org.uk. For the 52 weeks ended 28 December 2012, the Board considers that the Company has complied fully with the UK Corporate Governance Code 2010 ('the Code'). This report, in addition to the Remuneration Report, details how the Company has applied the main principles of the Code.

Leadership
The role and responsibilities of the Board
The names of the current Directors of the Company can be found in the table below. Their relevant experience and significant appointments are detailed in their biographical information on pages 48 and 49 and in the Board composition section below. At the Company's Annual General Meeting ('AGM') on 9 May 2012, Stephen King, Michael Dearden and Alan Mitchelson resigned as Directors of the Company.

Table of the Board of Directors

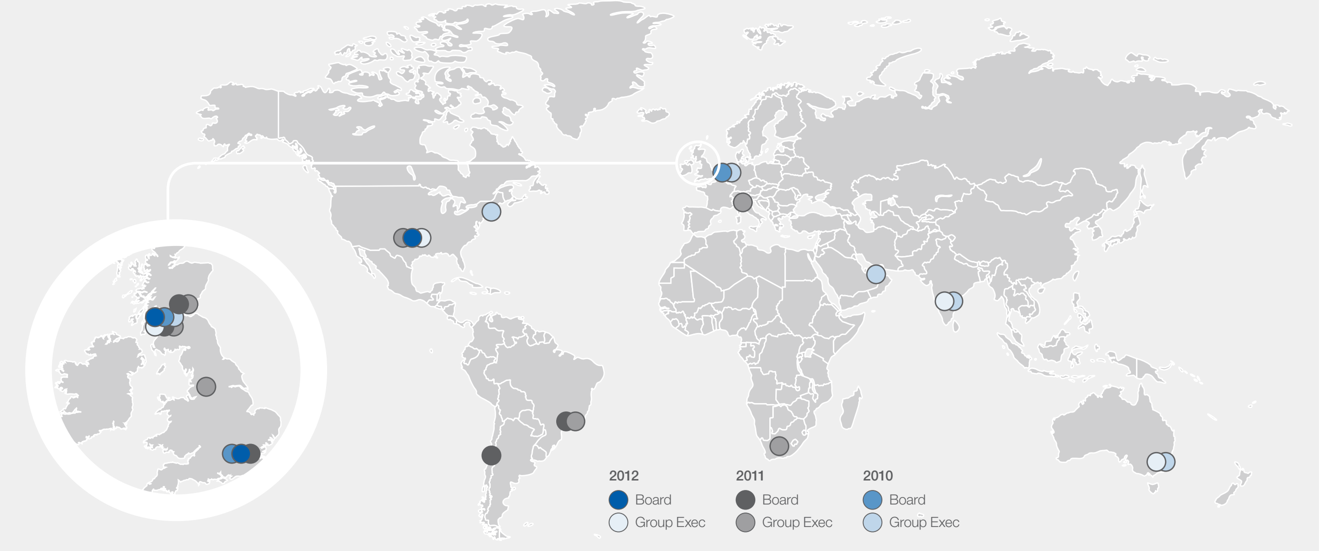
Name	Designation	Date of appointment	Date of most recent re-election
Lord Smith	Chairman	6 February 2002	9 May 2012
Keith Cochrane	Chief Executive	3 July 2006	9 May 2012
Alan Ferguson	Non-Executive Director	13 December 2011	9 May 2012
Melanie Gee	Non-Executive Director	4 May 2011	9 May 2012
Richard Menell	Non-Executive Director	1 April 2009	9 May 2012
John Mogford	Non-Executive Director	1 June 2008	9 May 2012
Lord Robertson	Non-Executive Director	1 February 2004	9 May 2012
Jon Stanton	Finance Director	19 April 2010	9 May 2012

Keith Ruddock was appointed as Company Secretary on 9 May 2012, replacing Alan Mitchelson in this role.

Charles Berry is due to join the Board as a Non-Executive Director on 1 March 2013.

The Board of Directors has a collective duty to promote the long term success of the Company for its shareholders. The Board sets the Group's strategy and ensures that the necessary resources are in place to achieve the agreed strategic priorities. In determining the long term strategy and objectives of the Group, the Board is mindful of its duties and responsibilities not just to shareholders but also to customers, employees and other stakeholders. It reviews management and financial performance, monitoring the delivery of strategy and achievement of business objectives, and works within a robust framework of internal controls and risk management. The Board both develops and promotes the collective vision of the Group's purpose, culture, values and behaviours.

Board and Group Executive meeting locations for 2010-2012



Board composition

Chairman and Chief Executive

The Board is chaired by Lord Smith of Kelvin. The Chairman is responsible for creating the conditions for overall Board and individual Director effectiveness. He provides leadership, demonstrating the values and behaviours encompassed by the Weir Way. He also, in consultation with the Chief Executive and the Company Secretary, sets the agenda for the Board's meetings.

Keith Cochrane is the Chief Executive and is responsible for the day-to-day management of the Company. He provides leadership to the Group to successfully plan and execute the objectives and strategy agreed by the Board. The Chief Executive is supported in his role by the Group Executive and various management committees, known as 'Excellence Committees'.

The roles of the Chairman and Chief Executive are separate with each having clearly defined duties and responsibilities.

Non-Executive Directors

The Non-Executive Directors help the Executive Directors by contributing independent challenge and rigour to the Board's deliberations and assisting in the development of the Company's strategy. In addition, they are responsible for monitoring the performance of the Executive Directors against agreed goals and objectives. Their views are essential in overseeing the performance of the Company and ensuring the integrity of the financial information, controls and risk management processes. In order to carry out these functions appropriately the Non-Executive Directors meet regularly with senior management and make periodic site visits. Senior managers are also regularly invited to Board meetings to make business presentations to the Board.

Senior Independent Director

Lord Robertson is the Senior Independent Director of the Company, having taken on the role after Mike Dearden's retirement on 9 May 2012, and as such works alongside the Chairman and is available to serve as an intermediary for the other Directors if necessary. He is also available to shareholders if direct contact with the Chairman, Chief Executive or other Executive Directors has failed to resolve the concerns of shareholders or for which such contact is inappropriate. As Senior Independent Director he also leads the annual review of the performance of the Chairman.

Board meetings

During the year the Board scheduled eight meetings, held two additional meetings and also met at the Group conference in Perthshire, Scotland, during April. In October 2012, the board meeting was held in Fort Worth, Texas, on a board knowledge-gathering visit to our US upstream operations. More information on this can be found on page 59. In addition to the formal board meetings, the Board maintains an open dialogue throughout the year and contact by telephone occurs whenever necessary.

The table below details the attendance at board meetings of each of the Directors during their term of office for the 52 weeks to 28 December 2012.

Name	Attendance
Keith Cochrane	10 of 10
Michael Dearden[1]	5 of 5
Alan Ferguson	9 of 10
Melanie Gee	10 of 10
Stephen King[1]	3 of 5
Richard Menell	10 of 10
Alan Mitchelson[1]	5 of 5
John Mogford	10 of 10
Lord Robertson	10 of 10
Lord Smith of Kelvin	10 of 10
Jon Stanton	10 of 10

Note
1. Michael Dearden, Stephen King and Alan Mitchelson retired from the Board on 9 May 2012.

During the year the Chairman, supported by the Company Secretary, continued the practice of maintaining a rolling 12 month agenda for board and committee meetings. Agenda items included standing items such as progress reports from the Executive Directors and the Company Secretary, as well as periodic items such as updates from committee Chairmen, a review of the risk register and internal controls, strategy and succession planning. In this manner, the Chairman and the Board can have confidence that the meetings cover all the matters required to be discussed by them and also allows sufficient time for discussion by the Board of each matter, at the most appropriate meeting in the year, enabling them to discharge effectively their duties as Directors. Additional meetings can be held throughout the year as business needs arise; with there being two such meetings in 2012.

Directors' indemnities

The Company has granted indemnities to each of its Directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Articles of Association. In addition, Directors and officers of the Company and its subsidiaries and trustees of its pension schemes are covered by Directors and Officers liability insurance.

Corporate Governance Report
Continued

Matters reserved for the Board
The Board recognises that to ensure the long term success of the Company, certain specific matters should be reserved for the consideration and decision of the Board alone. Other matters may be delegated by the Board to its committees or executive management. Decisions specifically reserved for approval by the Board are formally recorded in a document *Matters Reserved to the Board*, and include:
- annual and interim accounts and financial statements;
- dividend policy;
- board appointments;
- group strategy and the annual operating budget;
- changes relating to the Group's capital structure;
- changes to the Group's management and control structure;
- major capital expenditure, acquisitions and disposals;
- treasury policies;
- risk management strategy;
- group corporate governance policy;
- environmental, health and safety and sustainability policies.

Board committees
The Board has established a number of committees to assist in the discharge of its responsibilities. The principal committees are the Nomination Committee, the Audit Committee and the Remuneration Committee. The responsibilities of these board committees are set out in the individual Terms of Reference of each committee, which are available on the Company's website. The role and responsibilities of the committees are discussed further below. The Company Secretary acts as secretary to the committees.

Only the members of each committee are entitled to attend its meetings, although other Directors, professional advisors and members of the senior management team attend when invited to do so.

When the need arises, separate ad hoc committees may be set up by the Board to consider specific issues.

The Nomination Committee

Lord Smith, Chairman

Current members
Lord Smith (Chairman)
Keith Cochrane
Richard Menell
Lord Robertson

Name	Attendance
Keith Cochrane	3 of 3
Michael Dearden[1]	2 of 2
Richard Menell[2]	1 of 1
Lord Robertson	3 of 3
Lord Smith	3 of 3

Notes
1. Michael Dearden retired from the Committee on 9 May 2012.
2. Richard Menell was appointed to the Committee on 14 June 2012.

The Nomination Committee consists of the Chairman, the Chief Executive and two of the Non-Executive Directors and is chaired by Lord Smith, except when the matters under consideration relate to him or his position. Similarly, should a matter under discussion relate to any of the other Committee members they would excuse themselves from the meeting. Michael Dearden resigned as a member of the Committee on 9 May 2012 and has been replaced by Richard Menell. The Company considers that the composition of the Committee is in accordance with the Code. Senior members of management and advisors are invited to attend meetings as appropriate.

The Committee has responsibility for considering the size, structure and composition of the Board of the Company, for reviewing senior management succession plans, retirements and appointments of additional and replacement Directors and making appropriate recommendations so as to maintain an appropriate balance of skills and experience on the Board.

The Committee has established a process for Board appointments that it considers to be formal, rigorous and transparent and involves the use of external executive recruitment agencies. This process includes drawing up a description of the role and capabilities required for the particular appointment together with a review of the skills, knowledge and experience of the existing Directors. The existing balance of the Board and the time commitment required are also taken into consideration when assessing candidates.

The Audit Committee

Alan Ferguson, Chairman

Current members
Alan Ferguson (Chairman)
Melanie Gee
John Mogford

Name	Attendance
Alan Ferguson	3 of 3
Melanie Gee	3 of 3
Stephen King[1]	2 of 2
John Mogford	3 of 3

Audit Committee attendees

Lord Smith	Group Chairman	Attends by invitation
Keith Cochrane	Chief Executive	Attends by invitation
Jon Stanton	Group Finance Director	Attends by invitation
Keith Ruddock	Group Counsel & Company Secretary	Attends as secretary to the Committee
Lindsay Dixon	Group Financial Controller	Attends by invitation
Sarah Caldwell	Head of Internal Audit	Attends by invitation
Ernst & Young		Attends as auditor to the Group

1. Stephen King retired from the Committee on 9 May 2012.

The Audit Committee is chaired by Alan Ferguson and consists of three members. Stephen King retired as a member of the Committee on 9 May 2012. All the members of the Audit Committee are independent Non-Executive Directors. Alan Ferguson was previously Chief Financial Officer of Lonmin plc and Group Finance Director with BOC Group plc and Inchcape plc and as such is considered by the Board to have recent and relevant financial experience. Each of the other Non-Executive Directors on the Committee has, through their other business activities, significant experience in financial matters. As detailed above, the Group Chairman, senior members of management and advisors are invited to attend meetings as appropriate.

The Committee meets according to the requirements of the Company's financial calendar. There have been three meetings in the period ended 28 December 2012. At least one meeting a year, or for part of one meeting each year, the Audit Committee meets with the internal and external auditors without any executive management present. This provides the opportunity for any issues of concern to be raised with the auditors.

The Committee has the ability to call on Group employees to assist in its work and to obtain any information required from Executive Directors in order to carry out its roles and duties. The Committee is also able to obtain outside legal or independent professional advice if required.

The Committee is responsible for reviewing the accounting principles, policies and practices adopted in the preparation of the Interim Report and Annual Report and Financial Statements and for reviewing the scope and findings of the audit. In particular, it reviews the judgements and estimates with the most significant effect on the amounts recognised in the financial statements which include, but are not limited to, accounting for acquisitions, the impairment testing of intangible assets, retirement benefit obligations, the effective tax rate and tax provisioning, other provisions and exceptional items. Further details of the judgements and estimates are set out in the Financial Review on page 36. The Committee reviews and approves the internal audit function's remit and ensures there are the necessary resources and access to information available in order for it to fulfil its mandate.

The Committee assists the Board in achieving its obligations under the Code in areas of risk management and internal control, focusing particularly on compliance with legal requirements, accounting standards and the Listing Rules, and ensures that an effective system of internal financial and non-financial controls is maintained. The Committee's role with regard to risk is to look at the process in formulating the risk matrix and the assurance provided around mitigating factors. The ultimate responsibility for reviewing and approving the Annual Report and Financial Statements remains with the Board.

The Committee maintains a policy on the appointment and role of the auditor, as well as reviewing their independence, effectiveness and remuneration, details of which can be found in the Accountability section on page 60.

Corporate Governance Report
Continued

The Terms of Reference of the Audit Committee, outlining the main role and responsibilities of the Audit Committee are available to view and download on the Company's website. These are reviewed annually.

In the course of 2012, the Committee discussed the following matters:
- the Annual Report and Financial Statements, the Interim 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 2011 internal audit report and the internal audit scope and approach for 2012;
- the Group accounting policies;
- the Group's risk process and the results of the compliance scorecard;
- the audit planning, independence, performance and fees for Ernst & Young LLP for 2012;
- the anti-bribery and corruption assurance framework;
- non-audit fee policy and fees for Ernst & Young LLP;
- the Audit Committee Terms of Reference.

The Remuneration Committee

Melanie Gee, Chairman

Current members
Melanie Gee (Chairman)
Lord Robertson
Richard Menell

Name	Attendance
Michael Dearden[1]	2 of 2
Melanie Gee[2]	3 of 3
Lord Robertson	5 of 5
Richard Menell	5 of 5

Remuneration Committee attendees

Lord Smith	Group Chairman	Attends by invitation
Keith Cochrane	Chief Executive	Attends by invitation
Keith Ruddock	Group Counsel & Company Secretary	Attends as secretary to the Committee
Pauline Lafferty	HR Director	Attends by invitation

Notes
1. Michael Dearden retired from the Committee on 9 May 2012.
2. Melanie Gee was appointed to the Committee on 9 May 2012.

Melanie Gee joined the Committee as Chairman on 9 May 2012, replacing Michael Dearden who retired as a Director at the 2012 AGM. There were five meetings held during the 52 weeks to 28 December 2012, and the attendance of the individual members of the Committee is detailed in the table above. All members of the Remuneration Committee are considered to be independent Non-Executive Directors. Executive Directors and senior management attend committee meetings at the invitation of the Committee Chairman. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters decided by the Committee.

The Committee determines, within agreed terms of reference, specific remuneration packages for each of the Chairman, the Executive Directors and Company Secretary of the Company and the other members of the Group Executive. This includes implementation of Group share incentive plans. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration. The Terms of Reference of the Committee are available on the Company's website.

Further information on the activities of the Committee is set out in the Remuneration Report on pages 66 to 80. A resolution to approve the Remuneration Report will be proposed at the forthcoming Annual General Meeting.

General Administration Committee

The General Administration Committee is a sub-committee of the Board which comprises any two Directors of the Company, at least one of whom must be an Executive Director. The principal duties of the Committee include attending to administrative and procedural matters in relation to existing bank and finance facilities and the issue and allotment of shares under Group share plans. It also attends to other matters of a routine manner relating to the Company's share capital, including the administration of unclaimed dividends and the Company's Dividend Reinvestment Plan. The Committee is responsible to the Board as a whole and meets as required.

Group Executive

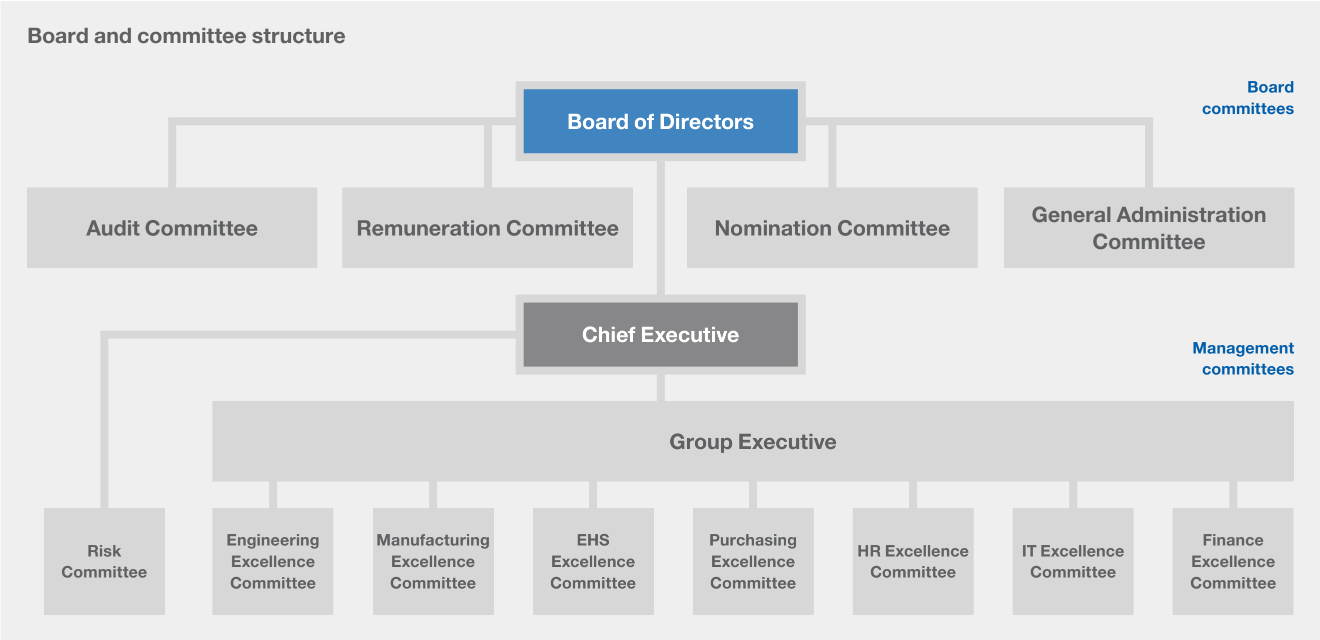
The Group Executive comprises the Chief Executive, the Finance Director, the General Counsel and Company Secretary, the three Divisional Managing Directors, the Director of Operations Support and Development and the HR Director. Biographical details of the members of the Group Executive can be found on page 50. The Group Executive is chaired by the Chief Executive, Keith Cochrane.

In the 52 weeks ended 28 December 2012, the Group Executive met 12 times. The Group Executive 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 Group Executive'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.

Management committees

In addition to the above committees, several management committees have been created to deal with specific areas and to which the Executive Directors can further delegate their responsibilities. These Excellence Committees have clearly defined remits and work across the Group promoting best practice. They report to the Group Executive and to the Board as required.

The diagram below illustrates the management structure within the business.



The matters reserved for the Board, terms of reference and delegated authority matrices combine to create a clear authority matrix across the Group for timely and effective decision-making.

Corporate Governance Report
Continued

Effectiveness
Board composition
Between the start of the period and 9 May 2012, the Board comprised three Executive Directors, the Chairman and seven independent Non-Executive Directors. Since this date, the number of Executive Directors on the Board reduced to two and the number of independent Non-Executive Directors reduced to five with an additional Non-Executive Director due to be appointed on 1 March 2013. The key skills, experience, independence and knowledge on the Board is as follows:

		Skills and experience							
	Independence	Executive	Banking & Finance	Governance	International	Leadership	Mining	Oil & Gas	Power
Lord Smith			X	X	X	X			X
Keith Cochrane		X	X		X	X			
Alan Ferguson	X		X		X		X		
Melanie Gee	X		X		X				X
Richard Menell	X		X		X		X		
John Mogford	X			X	X	X		X	X
Lord Robertson	X			X	X	X			
Jon Stanton		X	X		X				

The Board considers that it has the right combination of skills, experience, independence and knowledge to be useful and effective in meeting the needs of the business. More than half of the Board are independent Non-Executive Directors. All the Non-Executive Directors are considered by the Board to be independent in character and judgement.

This combination of individuals and skills ensures that the Board is sufficiently balanced such that no individual or group of individuals can dominate decision-making and allows for an effective division of responsibilities within the Board and its committees. The positions of Chairman and Chief Executive are held separately. Each Director devotes sufficient time and attention as is necessary in order to perform their duties.

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.

Diversity
The Board considers itself diverse in terms of the background and experience each individual member brings to the Board. To maintain this, the considerations to be taken into account in each appointment to the Board are stipulated in the terms of reference of the Nomination Committee which are available on the Company's website. Specifically, the Nomination Committee must 'consider candidates on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender' in identifying and recommending candidates.

Currently one member of the Board is female. This appointment was made on the basis that Melanie Gee was the best-qualified candidate to provide the Board with the necessary support and expertise in corporate finance, international financial markets and banking.

In the absence of binding regulation, the Nomination Committee will continue to recommend appointments to the Board based on the existing balance of skills, knowledge and experience on the Board, on the merits and capabilities of the nominee and on the time they are able to devote to the role in order to promote the success of the Company.

Induction and ongoing training

When a new Director joins the company he or she is provided with information on the Group's structure, operations, policies and other relevant documentation. New Directors are able to attend the Group's induction programme which provides an insight into the Group's key processes and controls. In addition, the Board meets once a year at one of the Group's manufacturing sites, which includes presentations from key senior employees and the opportunity to meet employees across the global operations. Directors are informed of relevant material changes to laws and regulations affecting the Group's business and their duties as Directors. The Company Secretary advises the Board on governance matters and is available to all Directors for advice as required.

Additional induction and training is also available to new committee members as required.

FACT-FINDING TRIPS

As part of the continued development of the Board of Directors, one board meeting each year is held in tandem with a site visit to one of the Group's operations, usually outside of the UK. In October 2012, the Board meeting was held in Fort Worth, Texas. The Board visited the Weir SPM facilities, receiving a tour of both the plant and the new head office building which was under construction at the time. They had the opportunity to meet with Weir SPM staff during their visit. The Board also visited a frac site to see how Weir equipment is used in customer operations.

During its two day visit, the Board received presentations from senior US based managers on the Oil & Gas business in the US, as well as updates on the recent acquisitions of Novatech and Seaboard.

The Group Executive members joined the Board on the site visits and were also able to attend the various updates and presentations over the course of the two days.

"As a relatively new Board member, seeing the business operations first-hand was invaluable in developing a greater understanding of the Company."

Alan Ferguson
Non-Executive Director

Corporate Governance Report
Continued

Directors and their other interests
Under the Companies Act 2006, a Director of a company must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the company. The Company has a formal procedure in place to manage the disclosure, consideration and, if appropriate, the authorisation of any such possible conflict. Each Director is aware of the requirement to notify the Board, via the Company Secretary, as soon as they become aware of any possible future conflict or a material change to an existing authorisation. Upon receipt of any such notification, the Board, in accordance with the Company's Articles of Association, will consider the situation before deciding whether to approve the perceived conflict. Only Directors who have no interest in the matter being considered are able to take the relevant decision and Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. The Director in question will then be notified of the outcome.

The Executive Directors have contracts of service with one year's notice, whilst Non-Executive Directors' appointments can be terminated at any time with six months' notice. 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.

None of the Non-Executive Directors have any material business or other relationship with the Company or its management.

Details of the Directors' service contracts, emoluments, the interests of the Directors in the share capital of the Company and options to subscribe for shares in the Company are shown in the Remuneration Report.

Board evaluation
In 2011, the Board engaged PricewaterhouseCoopers LLP ('PwC') to facilitate the external evaluation of the Board via a series of one-to-one interviews with each individual Director. Their findings were reported to the Board in January 2012.

The collated information was reviewed by the Board and the appropriate committee, and overall it was concluded that the performance of the Board as a whole, its principal committees and individual Directors was such that each Director performs at the optimum level for the benefit of the Company. Recommendations provided in the review were followed up by the Chairman throughout the course of 2012.

Following external reviews in both 2010 and 2011, it was considered appropriate that the Board evaluation would be conducted in-house in 2012. This was facilitated through the completion of questionnaires which focused on areas such as the role and composition of the Board, the content and process of meetings and the roles of the committees. In addition, the Chairman conducted individual discussions with each Non-Executive Director. The Chairman conducted the process, assisted by the Company Secretary. As is customary, Lord Robertson as Senior Independent Director oversaw the review of the Chairman.

The overall responses generally reflected a very high level of satisfaction with the current working of the Board and its committees. The Board considered the evaluation at its January 2013 meeting and has decided to consider allotting additional time to certain areas to improve its effectiveness further. In particular, the Board may apply additional focus to reviewing talent development and related trends across the Company, and in considering risk and strategy matters in even more depth.

In line with the Code, the Board intends to undertake another externally facilitated evaluation within the next two years.

Re-election
All Directors on the Board at 28 December 2012 will seek re-election at the Company's AGM on 1 May 2013 in compliance with the Code. Following his appointment to the Board on 1 March 2013, Charles Berry will retire and seek election as a Director of the Company at the AGM.

Accountability
As previously detailed, the Board has an established Audit Committee. Further information on the Committee and its roles and responsibilities can be found on page 55.

Auditors
The Audit Committee maintains a policy on the appointment and role of the auditors. This includes keeping under review the auditors' independence by providing guidelines on any non-audit services that are to be provided by the auditors. The auditors confirm their independence at least annually. A formal policy exists which ensures that the nature of the advice to be provided could not impair the objectivity of the auditors' opinion on the Group's financial statements. This policy was made more robust during the period and only allows the auditors to be engaged for non-audit services subject to Committee approval being obtained prior to any such appointment where the expected cost of non-audit services provided by the appointed external auditors is in excess of £75,000.

Non-audit fee work conducted by Ernst & Young LLP over the past year for assurance services amounted to 15% of the total fees including audit fees. The Committee considers that the level and nature of non-audit work does not compromise the independence of the external auditors.

Fees payable to Ernst & Young LLP in respect of audit and assurance services of £1.7m (2011: £1.8m) in respect of 2012 were approved by the Audit Committee.

During 2011, the Committee conducted an in depth review of the performance of the external auditors which considered, inter alia, the team, the scope of the audit and overall value for money provided. One output from this review was the introduction of a second Group audit partner who was in post for the 2011 year end reporting cycle and provided continuity at a senior level following rotation of the lead audit partner at the end of their five year period in post.

In accordance with applicable ethical and professional standards, the external auditors are required to periodically rotate partners at a Group, divisional or country level in order to maintain their independence and objectivity with the lead partner required to rotate every five years. Following a review of the selection of the new lead partner in 2011, a new lead partner was appointed in 2012 for a term of five years.

Having considered the relationship with the independent auditor, their qualification, expertise, resources and effectiveness, in particular noting the rotation of audit partner during the period, the Committee concluded that the external auditors remain independent and effective and recommended to the Board that Ernst & Young LLP be re-appointed as the Company's external auditors for 2013. There are no contractual obligations restricting the Group's choice of external auditors and the Committee also keeps under review the value for money of the audit.

A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

So far as each of the Directors is aware, there is no relevant audit information (as defined by section 481 of the Companies Act 2006) of which the Company's auditors are unaware.

Each of the Directors has taken all of the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Internal control and risk management

The Group's high level approach to managing risk and the key risks to delivery of its strategy are set out on pages 42 to 45.

The key roles and responsibilities for risk management are set out below.

	Risk management responsibilities
Board Overall responsibility for the Group's risk management and internal control frameworks, and strategic decisions within the Group.	– Annual review of the effectiveness of the risk management and internal control frameworks. – Review of risks which have the potential to impact the delivery of the Group's strategic objectives. – Taking decisions in accordance with the delegated authority matrices.
Audit Committee Delegated responsibility from the Board to review the effectiveness of the Group's risk and internal control frameworks.	– Annual assessment of the effectiveness of the risk management and internal control frameworks. – Review of reports from the internal and external audit teams. – Review of the results from the six-monthly self-assessment compliance scorecards.
Risk Committee Executive committee responsible for governance of the Group's Risk Management Policy and Framework.	– Review of the design and operation of the Group Risk Management Policy and Framework. – Identification and assessment of the key risks facing the Group, identification of the key controls mitigating those risks, and identification of further actions where necessary. – Review of the Divisional Risk Dashboards considering the appropriateness of management's responses to identified risks, and assessing whether there are any gaps. – Reporting key Group and divisional risks to the Board.
Group Executive Executive committee with overall responsibility for managing the Group to ensure we achieve our strategic objectives.	– Managing risks which have the potential to impact the delivery of the Group's strategic objectives. – Monitoring business performance, in particular key performance indicators relating to strategic objectives. – Taking strategic decisions in accordance with the delegated authority matrices. – Escalating issues to the Board as required.

Corporate Governance Report
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	Risk management responsibilities
Excellence Committees Engineering Environment, Health & Safety Finance HR IT Manufacturing Purchasing Executive committees with representatives from across the Group in the respective areas of focus. The committees govern activities and performance in the respective areas of focus.	– Monitoring the management of key risks across the Group associated with the respective remits of the Excellence Committees. – Monitoring performance and compliance with Group objectives, policies and standards related to the respective remits of the Excellence Committees. – Taking decisions in accordance with the delegated authority matrices. – Escalating issues to the Group Executive as required. – Reviewing the results from relevant assurance activities.
Divisional management Responsible for managing the businesses within the divisions to ensure divisional strategic objectives are achieved and there is compliance with Group policies and standards throughout their division.	– Managing risks which have the potential to impact the delivery of the divisions' strategic objectives. – Monitoring performance and compliance with Group objectives, policies and standards within the divisions with regard to the outputs from the Excellence Committees. – Taking decisions in accordance with the delegated authority matrices. – Escalating issues to the Group Executive as required. – Reviewing the results from relevant assurance activities.
Operating company management Responsible for ensuring company objectives are achieved and business activities are conducted in accordance with Group policies and standards.	– Managing risks which have the potential to impact the delivery of their company's strategic objectives. – Monitoring performance and compliance with Group objectives, policies and standards within their company. – Taking decisions in accordance with the delegated authority matrices. – Escalating issues to divisional management and Excellence Committees as required. – Reviewing the results from relevant assurance activities.

Internal control
In accordance with *Internal Control: Guidance to Directors* (formally known as the *Turnbull Guidance*) the Group has an ongoing process for identifying, evaluating and managing the significant risks through an internal control framework. This process has been in place throughout 2012. More information can be found on risk management on page 42.

Our internal control framework has four key layers:

- **Frontline and functional controls**
  This includes a wide spectrum of controls as seen in most organisations, including, for example, standard operating procedures and policies; a comprehensive financial planning and reporting system, including quarterly forecasting; regular performance appraisal and training for employees; restricted access to financial systems and data; delegated authority matrices for review and approval of key transactions; protective clothing and equipment to protect our people from harm; IT and data security controls; business continuity planning; and assessment procedures for potential new recruits.

- **Monitoring and oversight controls**
  There is a clearly defined organisational structure within which roles and responsibilities are articulated. There are monitoring controls at operating company, regional, divisional and Group level, including standard key performance indicators, with action plans to address underperforming areas.

  A compliance scorecard self-assessment is completed and reported by all operating companies twice per annum. The scorecard assesses compliance with Group policies and procedures.

  Financial monitoring includes comparing actual results with the forecast and prior year position on a monthly and year-to-date basis. Significant variances are highlighted to Directors on a timely basis allowing appropriate action to be taken.

- **Ethics and cultural environment**
  We are committed to doing business at all times in an ethical and transparent manner – 'doing it right'. This is supported by the Weir Values which are the core behaviours we expect our people to live by in their working lives. The Weir Code of Conduct also contributes to our culture, providing a high benchmark by which we expect our business to be conducted. Any examples of unethical behaviour are dealt with robustly and promptly. The Ethics section below provides more details on the Group's activities to promote ethical behaviour.

- **Assurance activities**
  We obtain a wide range of assurance to provide comfort to management and the Board that our controls are providing adequate protection from risk and are operating as we would expect. Sources of assurance include: External Audit, Internal Audit, EHS audits, Intellectual Property audits, IT audits, Procurement audits, and Production System Lean audits.

  The various audit teams plan their activities on a risk basis, ensuring resources are directed at the areas of greatest need. Issues and recommendations to enhance controls are reported to management to ensure timely action can be taken, with oversight provided from the relevant governance committees, including the Audit Committee and the Excellence Committees.

The Group's internal control procedures described in this section do not cover joint venture interests. We have board representation on each of our joint venture companies where separate, albeit similar, internal control frameworks 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;
- 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 or her knowledge that:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue to operate 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 127 to 135. Each of these items has been considered in relation to the Group's banking facilities described on pages 113 and 114.

Ethics

The Weir Code of Conduct provides a clear framework for decision-making, highlighting the values and behaviours we expect our people to demonstrate whilst making those decisions. It provides details on how we expect our people to conduct themselves on a day-to-day basis and guidance on where to go for help.

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The Code of Conduct covers a wide range of topics including anti-bribery and corruption, developing our people, health and safety, use of company property and resources, and conflicts of interest. It is available in numerous languages and has practical examples to assist interpretation.

Regular training is provided on the Code of Conduct to all our people. A mandatory e-learning programme is aimed at those employees who are deemed to have a higher risk of exposure to bribery and corruption. The higher risk is as a consequence of their decision-making responsibilities in regard to third parties including customers, suppliers, and sales agents. Such 'at risk' employees include:

- the Senior Management Group;
- Sales and Marketing employees;
- Purchasing employees; and
- Finance employees.

The 'at risk' group of employees is also required to complete a quarterly online certification process to confirm that they are in compliance with the Code of Conduct.

Over 2,500 employees completed the e-learning modules rolled out in 2012. The completion of the e-learning and quarterly online certification is monitored by the Company Secretary.

Topics from the Code of Conduct are built into 'Town Hall' meetings conducted within operating companies across the Group. These present an opportunity for employees to ask questions, as well as providing real life examples of how the Code of Conduct should be implemented. In addition, the Code of Conduct is a key topic in the induction training provided to all employees.

The Code of Conduct is also reinforced through communications, for example within:

- the Group, regional and functional conferences;
- Senior Management Group training courses such as Leadership Development; and
- 100 day integration plans for new acquisitions.

Ethical relationships with our suppliers
We source raw materials, components and services across the globe. Our suppliers play a critical role in our business and our relationships with them are based on achieving best performance, product, delivery, service and total cost in an ethical and sustainable manner.

The Group recognises that its responsibilities do not end at our factory doors and that they extend to our supply chain. We have a Supply Chain Policy which sets out the minimum standards we expect our suppliers to abide by in connection with:

- how they treat their workforce;
- legal and regulatory compliance;
- health and safety;
- business ethics; and
- environmental standards.

In addition, the Code of Conduct is issued to our key suppliers. Assessments are undertaken with regard to compliance with Group standards as part of the vetting process for new suppliers. We also audit our key suppliers annually to assess ongoing compliance with the Supply Chain Policy and other relevant Group standards. Wherever possible, we work with our suppliers to support them to address weaknesses identified. The Weir Group is committed to working only with third parties, including customers, sub-contractors, suppliers and joint venture and strategic alliance partners, whose business ethics and behaviours are consistent with our own Code of Conduct.

Each operating company is responsible for agreeing the business terms and conditions with suppliers, including the terms of payment. It is Group policy that payments to suppliers are made in accordance with the agreed terms. At 28 December 2012, the Group had an average of 68 days' purchases outstanding in trade creditors.

External sales agents
The Group engages a number of external sales agents across the globe to act on its behalf in locations where it does not have a permanent sales presence, or in regard to specific projects. There is a sales agents' manual which sets out the Group requirements with regard to appointing and reappointing agents, as well as the ongoing monitoring requirements. Due diligence is performed prior to all appointments and reappointments by the legal department. The standard Weir contract must be used, the terms of which include stipulation that agents must comply with the Code of Conduct. The agents are required to confirm in writing their compliance with the Code of Conduct.

Gifts and hospitality

We recognise that gifts and hospitality have the potential to create a conflict of interest, or the perception of a conflict of interest. As a result, there are Group policies with regard to receiving and giving gifts and hospitality from, and to, third parties. In no circumstances should gifts or hospitality be solicited, and they should not place the recipient under any obligation.

All gifts and hospitality above the minimum threshold must be pre-approved using an online gifts and hospitality register. Internal Audit assesses compliance with the Group's gifts and hospitality policies during audit visits and undertakes monthly reviews of the register.

Reporting issues

The Group encourages our people to discuss any ethical concerns they may have with local management or the legal department. In addition, an independent and confidential telephone helpline and an online reporting tool (the Weir Ethics Hotline) are available for our employees, partners and third parties to call or email with any concerns that they have concerning unethical behaviour. Calls to the helpline are free and lines are open 24 hours a day, seven days a week. Reports can be made in a wide range of languages reflecting our global footprint.

Nineteen reports were submitted and investigated in 2012. Following suitable investigation, no action was required in ten cases, and the remaining cases were appropriately addressed through further training, policy or communication improvements or disciplinary process. Subject to confidentiality considerations, the outcome of each investigation is provided in so far as is possible, via the Ethics Hotline, to the complainant.

Remuneration

Details of the Weir Group's Remuneration Committee can be found on page 56. Further information on the Committee, along with information on the Group's overall remuneration structure, is contained in the Remuneration Report on pages 66 to 80.

Relations with shareholders

The Board recognises the importance of establishing and maintaining good relationships with all of the Company's shareholders. During the period under review, the Chief Executive, Group Finance Director, Group Chairman and Remuneration Committee Chairman have met with analysts and institutional shareholders to keep them informed of significant developments and report to the Board accordingly on the views of these stakeholders.

Each of the other Non-Executive Directors is also offered the opportunity to attend meetings with major shareholders and would do so if requested by any major shareholder. The Company's investor relations programme includes formal presentations of full year and interim results and meetings with individual investors as appropriate. Through this programme, the Company has directly engaged with 599 investors in 2012 either face-to-face or via telephone or video-conferencing. Independent feedback from these meetings is provided to the Board. The Company Secretary is also charged with bringing to the attention of the Board any material matters of concern raised by the Company's shareholders, including private investors.

The Interim Report and the Annual Report and Financial Statements are the primary means used by the Board for communicating during the year with all of the Company's shareholders. The Board also recognises the importance of the internet as a means of communicating widely, quickly and cost-effectively and a Group website is maintained to facilitate communications with shareholders. Information available online includes copies of the full and half year financial statements, press releases and Company news, corporate governance information, key dates in the financial calendar and the terms of reference for the Audit, Nomination and Remuneration Committees.

The Board is committed to the constructive use of the Annual General Meeting as a forum to meet with shareholders and to hear their views and answer their questions about the Group and its business. The 2013 AGM is to be held on Wednesday 1 May 2013 at the Radisson Blu Hotel, Glasgow. The Chairmen of the Remuneration, Nomination and Audit Committees will be available to answer questions relevant to the work of those Committees. It is the Company's practice to propose separate resolutions on each substantive issue at the AGM. The Chairman will advise shareholders on the proxy voting details at the meeting.

Notice of the AGM is sent to shareholders at least 20 working days before the meeting and is also available to download from the Company's website. The Company conducts the vote at the AGM by electronic poll and the result of the votes (including proxies) is published on the Company's website after the meeting. Electronic proxy voting is available and details of this are included in the Notice of the AGM.

Keith Ruddock
Company Secretary
Signed and approved for and on behalf of the Board
27 February 2013

Remuneration Report
Remuneration Committee Chairman's Introduction

This is my first report to shareholders following my appointment as Chairman of the Remuneration Committee at the 2012 AGM. I would like to thank Mike Dearden, my predecessor, who retired from the Board at that time, for his support to me in my new role. This report covers the 52 weeks ended 28 December 2012 and sets out the changes that we have implemented in respect of 2013. Since my appointment I have spent time with management understanding the purpose and detail of each element of our remuneration strategy. I have also met with a number of our major shareholders and their representative bodies to get their views on remuneration structures in the changing environment. I would like to thank them for sharing their views at these introductory meetings.

At the beginning of 2012, the Department of Business, Innovation and Skills ('BIS') announced a series of executive remuneration reforms for consultation. The principal drivers are 'pay for performance, not failure', improved transparency (in particular the link between remuneration and Group strategy) and an increased ability for shareholders to hold companies to account in respect of executive pay. Weir supports, in principle, what the proposed reforms are trying to achieve and has contributed to the consultation process during the course of 2012.

As debate continued around the reforms, the Association of British Insurers ('ABI') and Research, Recommendations and Electronic Voting ('RREV'), together with a small number of major institutions, updated or issued their own principles of remuneration, with a common theme of simplification. Weir again supports this objective, provided this is not inconsistent with the promotion of value creation and rewarding success fairly.

We look forward to continuing to engage with our shareholders, their representative bodies and BIS during the course of 2013, as we review our existing arrangements and prepare to implement the new rules in 2014.

In delivering a record financial performance in 2012, the Group has dealt well with difficult conditions in its principal markets. As set out in the Chief Executive's Strategic Review, the beginning of the year saw a major and unexpected downturn in the upstream pressure-pumping markets and, in the second half, a slowdown in demand for iron ore and coal, with some associated project deferrals. These were in addition to the continuing challenging global economic environment, all of which continued into 2013.

The management team identified the slowdown in upstream pressure-pumping markets early and reacted by rapidly introducing efficiency measures and realigning capacity to the strongest growth opportunities. In mining markets, the strategy to embrace diverse commodity exposure, high product quality and superior aftermarket capability of the Minerals Division, underpinned a good performance.

At the same time as taking early action to deal with market challenges, the management team has continued to focus on driving the Group's long term value. Investment in technological innovation, supply chain capability and talent development across the Group have been features of 2012, as Weir continues to enhance its sources of competitive advantage.

It was against this background that the Remuneration Committee reviewed the overall structure of our executive remuneration, including the balance between fixed and variable pay, the pay policy of the Group as a whole and cost to shareholders. Specific items considered included the salaries of the Chief Executive and the Finance Director, some minor amendments to the annual bonus scheme in 2013 and the 2013 Long Term Incentive Plan ('LTIP') awards.

The Committee believes that our overall remuneration policies and practices support our business strategy, including promoting the long term success of the business and our talent strategy.

Further details of, and commentary on, the salary increases for the Chief Executive and the Finance Director, amendments to the bonus scheme and the LTIP, and fees for Non-Executive Directors and the Chairman are set out later in this Report. The key elements are briefly summarised below:

– base salary increase for the Chief Executive from £700,000 to £725,000, an increase of 3.6 per cent and in line with the commitment made in 2010;
– base salary increase for the Finance Director from £420,000 to £440,000, an increase of 4.8 per cent;
– review of the bonus scheme with the introduction for Executive Directors of 20 per cent of total bonus potential to be contingent on meeting personal objectives, 80 per cent (previously 100 per cent) to remain contingent on the achievement of normalised Profit Before Tax and Amortisation ('PBTA');
– changes to the earnings per share ('EPS') range for the LTIP to reflect the current environment that represent challenging and motivational targets for executives;
– base fees increase for the Non-Executive Directors from £50,000 to £55,000; and
– fees increase for the Chairman from £250,000 to £275,000.

The Committee believes that the salary increases, which for the Chief Executive is in line with previous guidance, are justified by superior personal performance and that the amendments to the bonus scheme will further increase the alignment of remuneration with strategy. The Committee is confident that the targets for both the 2013 bonus scheme and LTIP are appropriately challenging.

During the course of this year, the Remuneration Committee will continue to review the Group's overall remuneration structure and engage with shareholders and their representative bodies as we formulate our remuneration policies for consideration at the AGM in 2014.

Melanie Gee
Chairman of the Remuneration Committee

Remuneration Report
Continued

Membership and activities of the Remuneration Committee
Melanie Gee became Chairman of the Committee on 9 May 2012 taking over from Michael Dearden. The other members of the Committee are Lord Robertson and Richard Menell. During 2012, Keith Ruddock took on the role of Secretary for the Committee from Alan Mitchelson following his retirement during the year.

All members of the Committee are considered independent Non-Executive Directors and no individual plays a part in the determination of their own remuneration.

Remuneration Committee membership	Appointed to the Committee	End of tenure on Committee
Michael Dearden (outgoing Chairman)	11 May 2005	9 May 2012
Melanie Gee (incoming Chairman)	9 May 2012	–
Lord Robertson	8 December 2008	–
Richard Menell	29 July 2011	–

The Committee determines, within agreed terms of reference, specific remuneration packages for each of the Chairman, the Executive Directors and Company Secretary of the Company and the other members of the Group Executive. The Committee also has regard to pay and conditions amongst the wider employee population. The Committee's Terms of Reference can be found on the Group's website. The Executive Directors are not involved in any discussions or debate regarding their own remuneration.

Advisors to the Remuneration Committee
The Committee undertook a selection process to appoint new advisors during 2011 and appointed PwC with effect from December 2011. PwC demonstrated a good track record in working with FTSE 100 companies, in shareholder engagement and advising on the wider regulatory environment. In the course of 2012, the Remuneration Committee reviewed the quality of the advice and was comfortable that PwC should continue to provide independent external advice to the Committee in relation to the Group's executive remuneration policy and its implementation.

The Committee recognises the need to obtain independent advice and given that PwC provides additional services to the Group, the Remuneration Chairman has discussed this with PwC and management. The Committee is confident that any potential conflicts are managed appropriately by the Company and PwC. For information, the additional services provided by PwC include advice on pension schemes, taxation, company secretariat services and global mobility services. PwC also provided internal audit services, due diligence and corporate finance advice in relation to acquisitions and advice in relation to the Group's carbon emissions and sustainability strategy.

Remuneration Committee agenda 2012
The Committee met five times in 2012. The annual agenda usually covers the undernoted topics. However, any other non-cyclical agenda items that occur within the Committee's Terms of Reference may also be included. For example, in 2012 the agenda included the BIS consultation on remuneration reform as an additional item.

Committee meeting	2012 agenda items
January 2012	Approve 2011 bonus payments for the Group Executive. Note the remuneration of the Group Executive for 2012. Update on responses to the 2012 remuneration changes letter sent to investors.
February 2012	Note details of the 2011 bonus payments to be paid to senior executives. Approve the vesting of the 2009 LTIP based on performance testing. Approve the participants and performance conditions of the 2012 LTIP award. Approve Deferred Bonus Plan share awards from 2011 bonus to senior executives. Consider the Remuneration Report to shareholders.
July 2012	Review of interim LTIP awards for new joiners. Update on BIS consultation on remuneration reform.
September 2012	Review of remuneration climate and the new proposed requirements under the BIS legislation. Performance updates under the LTIP for existing awards.
December 2012	Proposed amendments and targets for 2013 annual bonus plan. Proposed performance measures and award levels for the 2013 LTIP. Review salary proposals for wider Group. Review salaries for Executives Directors for 2013. Feedback from 2012 AGM and recent shareholder meetings. Review proposed changes in light of overall business and remuneration strategy. Review of Terms of Reference.

Remuneration policy for Group executives

The Group's overarching remuneration policy is designed to ensure that remuneration supports the Group's strategy and business objectives. The policy has been developed to support the creation of value for shareholders, drive appropriate behaviours and incentivise outperformance while being clearly linked to individual and corporate performance. The Remuneration Committee is mindful of a broad range of stakeholders in setting this policy and considers best practice guidelines from shareholders and their representative bodies. The Committee has adopted a set of principles which are used as the basis upon which the remuneration arrangements are reviewed each year.

The Group's remuneration principles are that reward should enable the Group to:

- attract, motivate and retain senior executives with the necessary abilities to manage and develop the Group's activities successfully for the benefit of shareholders;
- clearly align remuneration outcomes with the long term interests of the Group and its shareholders;
- drive appropriate behaviours that are in line with the culture of the Group and focus executives on the critical business objectives by rewarding them against challenging performance criteria; and
- provide a significant part of potential reward through performance based incentive plans for all senior executives.

During the course of 2013, the Remuneration Committee will review proposals for the Group's overall remuneration structure and its application in 2014 and beyond. The Committee will engage with shareholders and their representative bodies as the Company develops an enduring remuneration policy that will operate effectively through the business cycle.

To ensure the interests of management remain aligned with those of shareholders, Executive Directors are expected to build up a shareholding in the Company of 100% of base salary over a five year period. This may be achieved by purchasing shares or retaining a proportion of share awards that vest. An element of the annual bonus must be deferred into shares.

Further details of each element of the reward framework for Executive and Non-Executive Directors are set out on the following pages.

Remuneration Report
Continued

Elements of remuneration for Executive Directors in 2012
The following table sets out how each element of the Executive Directors' reward package operated in 2012 and changes for 2013.

Purpose	Operation	Maximum potential value	Performance metrics, weightings and period	Key changes in 2013
Base salary				
To attract and retain talented leaders.	Reviewed annually by reference to personal performance, the wider employee context, economic and labour market conditions, and similar sized companies.	–	–	Chief Executive's salary will increase from £700,000 to £725,000 (3.6%). Finance Director's salary will increase from £420,000 to £440,000 (4.8%).
Pension and benefits				
To provide a market aligned benefits package.	Benefits include: car allowance; Group healthcare; travel allowance; and death in service insurance. The Group makes no provision for Executive Directors' pensions.	–	–	No change.
Annual bonus				
To reward the achievement of stretching Group performance for the current year.	Based on in-year performance against targets. Targets are approved by the Remuneration Committee prior to the beginning of the performance year. 30% of bonus is compulsorily deferred into shares under the LTIP. Additional 25% of bonus may be voluntarily deferred into shares for the Chief Executive and 20% for other Executive Directors.	150% of salary for Chief Executive. 100% of salary for other Executive Directors.	100% of the annual bonus is based on the achievement of normalised PBTA targets measured over the financial year, subject to overall Group performance during that period.	20% of overall bonus based on personal performance targets. 80% remains based on normalised PBTA.
Long Term Incentive Plan – performance shares				
To incentivise executives to achieve sustained growth through superior long term performance and create alignment with shareholders.	Policy is to make awards of 100% of salary for Executive Directors. Performance shares are entitled to dividend equivalents between award and vesting in the form of shares.	200% of salary can be awarded in exceptional circumstances.	Performance conditions measured over three financial years. Performance measures and relative weightings are: – Growth in EPS of 7% to 15% per annum (50% weighting); – Total Shareholder Return ('TSR') relative to comparator group of global engineering companies (50% weighting).	Realignment of EPS target range based on internal and external forecasts. The range has moved to 5% to 11% per annum. Addition of one company to the TSR comparator group.
Long Term Incentive Plan – matching shares				
To supplement the long term elements of pay and further align executives to the interests of shareholders through the development of a significant shareholding in the Group.	The compulsory and voluntary deferred elements of the bonus attract conditional matching shares and are subject to clawback. Compulsory investment and matching shares are entitled to dividend equivalents between award and vesting in the form of shares.	200% of the deferred annual bonus subject to performance conditions.	Performance conditions measured over three financial years. Performance measures and relative weightings are: – Growth in EPS of 7% to 15% per annum (50% weighting); – TSR relative to comparator group of global engineering companies (50% weighting).	Realignment of EPS target range based on internal and external forecasts. The range has moved to 5% to 11% per annum. Addition of one company to the TSR comparator group.

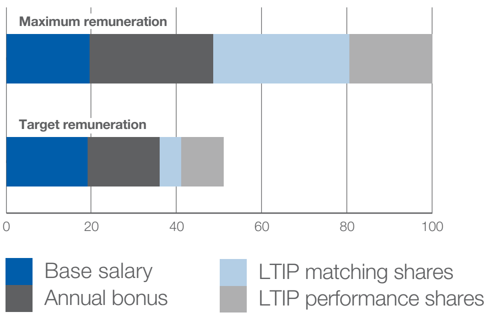
Elements of remuneration for Non-Executive Directors in 2012

Purpose	Operation	Maximum potential value	Performance metrics, weightings and period	Key changes in 2013
Non-Executive Directors' fees				
To attract and retain experienced and skilled Non-Executive Directors.	Reviewed annually by reference to companies of similar size, economic and labour market conditions as well as time commitment and responsibilities.	–	–	Chairman and Non-Executive Director fees will change from 1 April 2013. Details can be found on page 73.

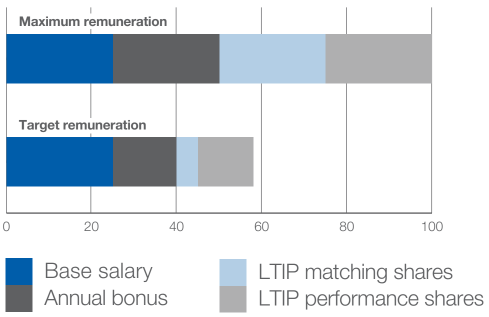
Remuneration scenarios

A key element of the Group's remuneration policy is to provide a significant part of potential reward through performance based incentive plans. Set out below is the reward mix for both Executive Directors at target performance and maximum performance. The package is broadly structured so that for maximum performance at least 75% of the overall package is delivered through variable pay. As such the aggregate level of remuneration received by each of the Executive Directors demonstrates a clear relationship between delivery of performance and total remuneration.

Chief Executive (%)



Finance Director (%)



The scenarios presented above demonstrate the proportion of maximum remuneration that is achieved by each remuneration element at maximum and target performance. Target performance is based on an assessment of the proportion of maximum award that would be paid should budgeted performance levels be met.

Material factors taken into account when setting the remuneration policy

The Committee is mindful of a broad range of stakeholders in the business and is keen to engage where appropriate on key areas of policy setting and implementation. The Committee has considered the following in developing the changes for 2013:

- **Annual General Meeting feedback**
  The Committee has considered the feedback provided by shareholders, the ABI and RREV from the 2012 AGM. Any review of the Group's remuneration strategy would take into regard such comments.

- **Department for Business, Innovation and Skills**
  The Committee has taken into consideration the proposed changes outlined in the BIS revised remuneration reporting regulations.

- **The wider employee context**
  In determining the adjustments to the Executive Directors' and Group Executive salaries, the Committee has considered the increases to pay levels across the broader employee population, which in the UK are up to 4.5%, although they can be above this figure for exceptional candidates.

- **Shareholder engagement**
  The Committee has written to our major shareholders and their representative bodies informing them of the changes to the Executive Directors' base salaries as well as other changes to be implemented in 2013.

Remuneration Report
Continued

Service contracts
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 Non-Executive Directors can be removed in accordance with the Company's Articles of Association. Directors are required to retire at each Annual General Meeting and seek re-election by shareholders.

The details of the service contracts, including notice periods, contained in the letters of appointment in relation to the Non-Executive Directors who served during the 2012 financial year are set out in the table below.

Non-Executive Director	Contract commencement date	Expiry of current term	Notice period by the individual	Notice period by the Company
Michael Dearden*	17 February 2003	–	–	–
Alan Ferguson	13 December 2011	May 2013	–	6 months
Melanie Gee	4 May 2011	May 2013	–	6 months
Stephen King*	3 February 2006	–	–	–
Richard Menell	1 April 2009	May 2013	6 months	6 months
John Mogford	1 June 2008	May 2013	6 months	6 months
Lord Robertson	1 February 2004	May 2013	6 months	6 months
Lord Smith	18 August 2003	May 2013	6 months	6 months

*Michael Dearden and Stephen King resigned from the Board at the AGM in May 2012.

Executive Directors' service contracts
All the Executive Directors who served during the year have service contracts with the Company. The respective notice periods contained within these are detailed below.

In the event that the Company terminates 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 Group to the departing Executive Director, will give full consideration to the obligation of that Executive Director to mitigate any loss which they may suffer as a result of the termination of their contract.

The details of the service contracts in relation to the Executive Directors who served during the year are set out in the table below.

Executive Director	Contract commencement date	Unexpired term	Notice period by the individual	Notice period by the Company
Keith Cochrane	2 November 2009	12 months	12 months	12 months
Alan Mitchelson*	12 December 2001	–	–	–
Jon Stanton	19 April 2010	12 months	6 months	12 months

*Alan Mitchelson resigned from the Board at the AGM in May 2012.

To recruit the best executives, the Committee may in the future agree contractual notice periods which initially exceed 12 months, particularly if it is necessary to attract executives who will be required to relocate their families.

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 Group's policy that remuneration earned from such appointments may be kept by the individual Executive Director. No Executive Director received remuneration for external appointments during 2012.

Executive Directors' salaries for 2013
In the 2010 Remuneration Report, the Committee outlined its intention to increase the Chief Executive's salary to a target level of £725,000 over a three year period, which received shareholder support. This was subject to individual and company performance, including the Group's financial success and the maintenance of its ranking in the FTSE 100. The Committee is satisfied that the required conditions have been achieved in 2012 and has approved the final increase to take his salary to £725,000 from April 2013.

The Committee has also decided that an adjustment be made to the Finance Director's salary from £420,000 to £440,000, an increase of 4.8%. The Committee took account of the Finance Director's individual performance as well as that of the Group, and guidelines for pay increases for UK employees which are up to 4.5% for 2013, although can be above this figure for exceptional candidates.

Non-Executive Directors' remuneration for 2013

The Chairman's fee is agreed by the Board on the recommendation of the Committee. Fees for the Non-Executive Directors are determined by the Board, excluding the Non-Executive Directors. The Non-Executive Directors' fees and Chairman's fees are reviewed annually and changes were last made in 2011. In determining fee levels for 2013, the following was taken into account: time commitment, the scale of role, general market practice and comparison with companies of an equivalent size based on information provided by PwC. As a result of this review in 2012, it has been determined that the following will apply from April 2013:

- Chairman's fee is £275,000 per annum (2012: £250,000).
- Non-Executive Directors' base fee is £55,000 per annum (2012: £50,000) .
- Additional fees of £10,000 per annum (2012: £10,000) are paid to the Audit Committee Chairman and the Remuneration Committee Chairman.
- Additional fees of £10,000 per annum (2012: £5,000) are paid to the Senior Independent Director.
- Additional allowances are made available to Non-Executive Directors, where appropriate, to reflect the additional time commitment in attending intercontinental Board meetings and operational visits.

Non-Executive Directors do not participate in any of the Group's incentive plans or receive a pension or other benefits. The same is true for the Chairman except for an entitlement to participate in the Group healthcare scheme.

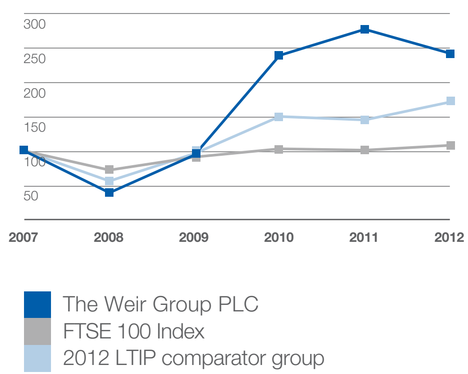
The Chairman and the Non-Executive Directors are not involved in any discussions or decisions about their own remuneration.

Remuneration outcomes for Executive Directors

The Weir Group has outperformed both the FTSE 100 and its comparator group used for the LTIP on a total shareholder return basis over a five year period.

The graph below illustrates the performance of the Group against the FTSE 100 Index and the comparator group used for awards made under the LTIP in 2012.

Total Shareholder Return performance chart (indexed)



The chart above shows the value, as at 28 December 2012, of £100 invested in The Weir Group PLC shares over the last five financial years compared with the value of £100 invested in the FTSE 100 Index and the average of the 2012 comparator group under the LTIP, details of which can be found on page 77. Each point plotted is at the end of each financial year.

Remuneration Report
Continued

Directors' remuneration
The following table sets out the remuneration received by the Executive Directors and Non-Executive Directors during the year. The table and accompanying notes are subject to audit.

	Notes	Salary & fees £	Bonus (note 7) £	Benefits (note 8) £	Total 2012 £	Total 2011 £
Chairman and Non-Executive Directors:						
Michael Dearden	1	**23,250**	**–**	**–**	**23,250**	62,500
Alan Ferguson	2	**60,000**	**–**	**–**	**60,000**	6,288
Melanie Gee	3	**56,452**	**–**	**–**	**56,452**	32,930
Stephen King	4	**21,462**	**–**	**–**	**21,462**	58,125
Richard Menell		**50,000**	**–**	**–**	**50,000**	48,750
John Mogford		**50,000**	**–**	**–**	**50,000**	48,750
Lord Robertson	5	**53,238**	**–**	**–**	**53,238**	48,750
Lord Smith		**250,000**	**–**	**498**	**250,498**	233,614
		564,402	**–**	**498**	**564,900**	539,707
Executive Directors:						
Keith Cochrane		**687,500**	**568,584**	**23,001**	**1,279,085**	1,621,645
Alan Mitchelson	6	**141,154**	**94,764**	**5,238**	**241,156**	708,584
Jon Stanton		**415,000**	**227,433**	**14,466**	**656,899**	806,957
		1,808,056	**890,781**	**43,203**	**2,742,040**	3,676,893
Previous year comparatives		1,900,845	1,725,000	51,048		

Notes
1. The fees for Michael Dearden, who resigned on 9 May 2012, include £3,577 for services as Chairman of the Remuneration Committee (2011: £10,000) and £1,788 for his role as Senior Independent Director (2011: £5,000).
2. The fees for Alan Ferguson include £10,000 for services as Chairman of the Audit Committee.
3. The fees for Melanie Gee include £6,452 for services as Chairman of the Remuneration Committee from her appointment on 9 May 2012.
4. The fees for Stephen King, who resigned on 9 May 2012, include £3,577 for services as Chairman of the Audit Committee (2011: £10,000).
5. The fees for Lord Robertson include £3,238 for services as Senior Independent Director from 9 May 2012.
6. Salary, car allowance and benefits for Alan Mitchelson cover the period up to 9 May 2012 for when he was an Executive Director of the Group. Salary includes pay for outstanding holiday entitlement.
7. The bonus figures for Keith Cochrane and Jon Stanton include £170,575 (2011: £292,500) and £68,230 (2011: £120,000) respectively, which will be compulsorily deducted from their bonus in exchange for which they will be awarded investment shares which, subject to remaining employed with the Group, will be receivable on the third anniversary of the 2013 award.
8. Benefits include, as appropriate, car allowance, private medical and death in service insurance premiums, and travel expenses incurred in connection with accompanied attendance at business functions and other corporate events.

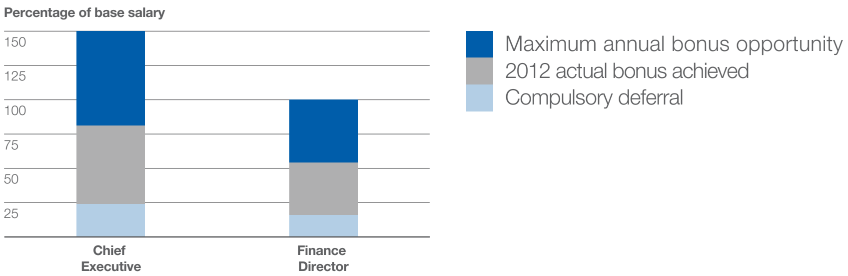
Variable pay awarded in the year

Annual bonus outcome

The Group operates an annual bonus plan for Executive Directors as set out in the section of this Report on remuneration policy for Group executives. Annual bonus awards for 2012 were based entirely on normalised PBTA targets. In 2012, the Group delivered above threshold performance resulting in bonus payouts of 54% of the maximum bonus available for the Executive Directors.

The chart below illustrates the percentage of salary that is attainable for each of the Executive Directors at maximum performance. In addition, the 2012 outcome of the annual bonus plan is also illustrated for each Executive Director demonstrating the proportion of compulsory deferred bonus.

Annual bonus outcome 2012



In line with the Group's remuneration policy, Executive Directors were required to defer 30% of their bonus under the LTIP, in exchange for which they are awarded investment shares. In addition to the compulsory deferral, the Chief Executive and Finance Director may voluntarily defer an additional 25% and 20% respectively of the remaining net bonus received to be converted into shares. The deferral will result in a matching award of shares of up to 200% the pre-tax value of the original deferral, subject to the performance conditions described on page 77.

Compulsory investment and matching shares are entitled to dividend equivalents between award and vesting, paid in additional shares at the end of the performance period.

Annual bonus changes for 2013

The Committee has reviewed the overall structure and operation of the annual bonus plan during the year with consideration of market practice and alignment with the Group's business and remuneration strategies. It believes that the primary focus should remain on profitability. However, the Committee has approved the introduction of a personal element of bonus which will provide focus on critical business goals. Major shareholders, the ABI and RREV were informed about the proposed changes which will come into effect from 2013. These are outlined below.

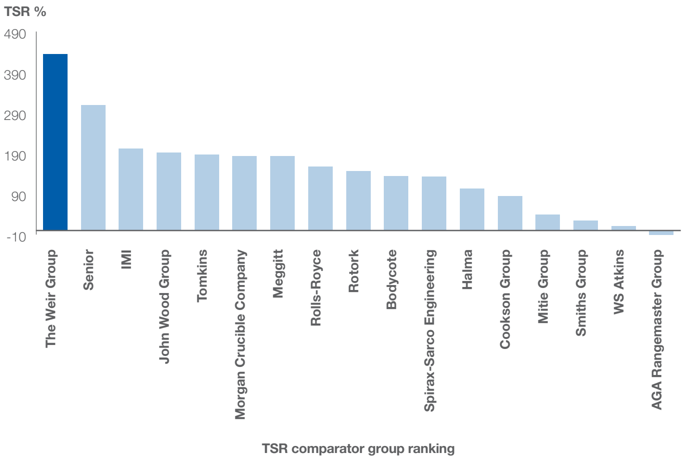
- Introduction of a set of individual performance measures designed to create stronger line of sight between individual efforts and annual bonus outcomes. This will represent 20% of the maximum annual bonus potential. For 2013, half of this 20% will be based on working capital targets.
- A corresponding reduction in the weighting of the normalised PBTA element to 80% of the maximum annual bonus potential.
- The Committee has reviewed the targets and payout structure under both elements of the bonus and is satisfied that the bonus for 2013 is sufficiently challenging, with stretching performance required for maximum payout.

The deferral elements and matching elements of the bonus under the LTIP are unchanged.

Remuneration Report
Continued

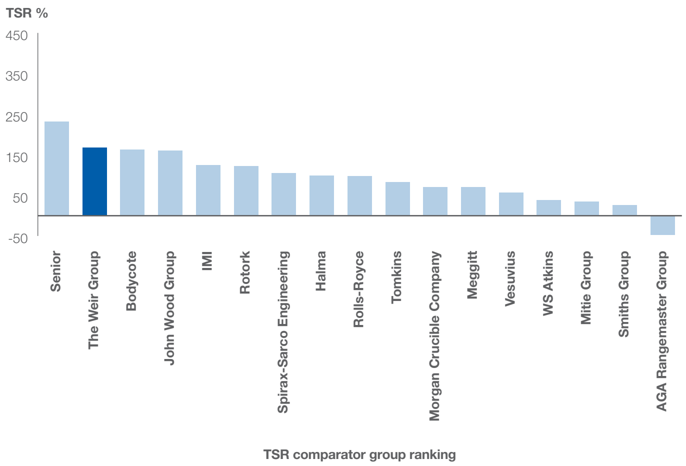
LTIP outcome
In 2012, performance conditions for the 2009 LTIP awards were tested to determine the level of vesting achieved. The 2009 awards vested in full, along with the deferred elements of the 2008 annual bonus. This was based on the Group ranking first in the TSR comparator group and EPS outperforming the UK Retail Prices Index over the performance period.

Relative TSR outcome for 2009 Long Term Share Incentive Plan



For the 2010 LTIP award, which is due to vest in 2013, based on the performance period of three years ending 31 December 2012, Weir ranked second in the TSR comparator group which will result in maximum payout under this element of the LTIP. For the EPS measure, growth was 32.79%, which is greater than the target of 11% per annum for full vesting, and therefore 100% of this part of the award will also vest.

Relative TSR outcome for 2010 Long Term Share Incentive Plan



TSR is based on performance over three consecutive financial years, beginning with the year in which the award is made. Between upper quintile and median performance, awards vest on a straight-line basis. The TSR calculation is performed by PwC for the Committee.

The EPS growth measure is adjusted to exclude intangibles, amortisation and exceptional items.

During the course of the performance period, the Committee may, in its absolute discretion, vary, add, remove or alter the companies making up the comparator group where events happen which cause the Committee to consider that such change is appropriate to ensure a fair measure of performance.

Detail of LTIP awards made in the year
It is the Group's remuneration policy to ensure that a significant part of potential reward is delivered through performance based incentive plans. Proper alignment between the interests of management and the interests of shareholders also forms an important part of this policy. Therefore, in line with the LTIP normal grant policy, awards of 100% of salary were granted to the Executive Directors in 2012.

In addition, they received investment shares in exchange for the compulsory deferred element of their bonus, which, along with any voluntary investment shares, are subject to matching shares on the third anniversary of the award if the performance conditions are met.

It is the intention of the Committee to continue to make awards of 100% of salary for Executive Directors in 2013.

Performance conditions associated with the 2012 LTIP award are outlined below along with the conditions that will be used for awards made in 2013. The Committee believes that a balance between EPS and relative TSR is appropriate and aligned to the Group's long term strategic goals of driving sustained earnings performance and shareholder value creation.

The Committee believes that targets for incentives should be stretching but also motivational to executives. It is mindful of the challenging environment the Group is currently operating in and as such has reviewed the EPS targets for the 2013 LTIP award. The targets have been lowered to reflect internal and external growth forecasts to give a range of 5% to 11% per annum. The Committee is confident that this range is sufficiently challenging and is consistent with our remuneration strategy.

The Committee has also reviewed the TSR comparator group to ensure that the companies included remain relevant and has added Fenner plc to the comparator group for the 2013 award, to bring the total number of peers to 25.

The table below sets out the performance conditions applicable to the outstanding LTIP awards and the LTIP award due to be made in 2013.

Performance conditions for the LTIP

	2010		2011		2012		2013	
TSR	Yes		Yes		Yes		Yes	
Weighting	50%		50%		50%		50%	
Target structure	Relative TSR growth against comparator group	Percentage of the TSR portion of the award that vests	Relative TSR growth against comparator group	Percentage of the TSR portion of the award that vests	Relative TSR growth against comparator group	Percentage of the TSR portion of the award that vests	Relative TSR growth against comparator group	Percentage of the TSR portion of the award that vests
	Upper quintile	100%	Upper quintile	100%	Upper quintile	100%	Upper quintile	100%
	Median	25%	Median	25%	Median	25%	Median	25%
	Below median	0%	Below median	0%	Below median	0%	Below median	0%
Comparator group[1]	AGA Rangemaster Group, Bodycote, Halma, IMI, Meggitt, Mitie Group, Morgan Crucible Company, Rolls-Royce, Rotork, Senior, Smiths Group, Spirax-Sarco Engineering, Tomkins[3], Vesuvius[4], Wood Group, WS Atkins		AMEC[5], Cameron, Crane, Dover, Dresser Rand, FL Smidth, Flowserve, FMC, Gardner Denver, Halma, IMI, Joy Global, Lufkin, Meggitt, Melrose, Metso, Outotec, Rotork, Smiths Group, Spirax-Sarco Engineering, SPX, Sulzer, Vesuvius[4], Wood Group		AMEC[5], Cameron, Crane, Dover, Dresser Rand, FL Smidth, Flowserve, FMC, Gardner Denver, Halma, IMI, Joy Global, Lufkin, Meggitt, Melrose, Metso, Outotec, Rotork, Smiths Group, Spirax-Sarco Engineering, SPX, Sulzer, Vesuvius[4], Wood Group		AMEC[5], Cameron, Crane, Dover, Dresser Rand, Fenner, FL Smidth, Flowserve, FMC, Gardner Denver, Halma, IMI, Joy Global, Lufkin, Meggitt, Melrose, Metso, Outotec, Rotork, Smiths Group, Spirax-Sarco Engineering, SPX, Sulzer, Vesuvius[4], Wood Group	
Growth in EPS[2]	Yes		Yes		Yes		Yes	
Weighting	50%		50%		50%		50%	
Target structure	EPS growth	percentage of EPS portion of the award that vests	EPS growth	percentage of EPS portion of the award that vests	EPS growth	percentage of EPS portion of the award that vests	EPS growth	percentage of EPS portion of the award that vests
	11% p.a.	100%	15% p.a.	100%	15% p.a.	100%	11% p.a.	100%
	4% p.a.	25%	7% p.a.	25%	7% p.a.	25%	5% p.a.	25%
	Less than 4% p.a.	0%	Less than 7% p.a.	0%	Less than 7% p.a.	0%	Less than 5% p.a.	0%
Performance periods	Single 3 year performance period for both elements		Single 3 year performance period for both elements		Single 3 year performance period for both elements		Single 3 year performance period for both elements	

Notes
1. It is the intention that the group comprises approximately 40% UK based companies, 40% US based companies, with the remainder based in Europe. In addition, the market capitalisations of these companies should range from approximately £3.5bn below Weir Group to £3.5bn above.
2. Adjusted to exclude intangibles, amortisation and exceptional items.
3. Tomkins delisted on 21 September 2010 and has been retained in the comparator group for the 2010 award with their TSR based on their share price at the time of delisting.
4. Cookson Group demerged on 1 November 2012, with the new company Alent Plc being separated from the rest of the business, which has been renamed Vesuvius Plc. Vesuvius Plc will succeed Cookson Group in the comparator group.
5. Charter plc was acquired during 2011 and has been replaced by AMEC in the comparator group.

Remuneration Report
Continued

Total shareholdings of directors
Long Term Incentive Plan awards

The table and accompanying notes are subject to audit.

	Notes	Date of award	Number of shares under award as at 31 Dec 2011	Shares granted during year	Shares lapsed/did not vest during the year	Shares exercised during the year	Number of shares under award as at 28 Dec 2012 (note 3)	Market price at date of award	Market price at date of vesting	Market value at date of vesting	Normal exercise period (note 4)
Keith Cochrane											
LTIP – performance & matching shares	1	16 Mar 09	155,257	–	–	**155,257**	–	400p	1,787p	£2,774,443	–
		15 Mar 10	84,838	–	–	–	**84,838**	923p	–	–	15 Mar – 15 Jun 13
	7	17 Mar 11	83,161	–	–	–	**83,161**	1606p	–	–	17 Mar – 17 Jun 14
	7	9 Mar 12	–	**83,526**	–	–	**83,526**	1965p	–	–	9 Mar – 9 Jun 15
LTIP – compulsory investment shares		16 Mar 09	19,715	–	–	**19,715**	–	400p	1,787p	£352,307	–
		15 Mar 10	10,181	–	–	–	**10,181**	923p	–	–	15 Mar – 15 Jun 13
	7	17 Mar 11	13,162	–	–	–	**13,162**	1,606p	–	–	17 Mar – 17 Jun 14
	7	9 Mar 12	–	**15,023**	–	–	**15,023**	1,965p	–	–	9 Mar – 9 Jun 15
			366,314	**98,549**	–	**174,972**	**289,891**				
Alan Mitchelson											
LTIP – performance & matching shares	1	16 Mar 09	124,995	–	–	**124,995**	–	400p	1,787p	£2,233,661	–
		15 Mar 10	49,581	–	–	–	**49,581**	923p	–	–	15 Mar – 15 Jun 13
	7	17 Mar 11	34,838	–	–	–	**34,838**	1,606p	–	–	17 Mar – 17 Jun 14
LTIP – compulsory investment shares		16 Mar 09	16,666	–	–	**16,666**		400p	1,787p	£297,821	–
		15 Mar 10	5,731	–	–	–	**5,731**	923p	–	–	15 Mar – 15 Jun 13
	7	17 Mar 11	6,251	–	–	–	**6,251**	1,606p	–	–	17 Mar – 17 Jun 14
			238,062	–	–	**141,661**	**96,401**				
Jon Stanton											
LTIP – performance & matching shares	1	9 Aug 10	30,204	–	–	–	**30,204**	1,240p	–	–	9 Aug – 9 Nov 13
	7	17 Mar 11	35,606	–	–	–	**35,606**	1,606p	–	–	17 Mar – 17 Jun 14
	7	9 Mar 12	–	**33,899**	–	–	**33,899**	1,965p	–	–	9 Mar – 9 Jun 15
LTIP – compulsory investment shares	7	17 Mar 11	5,040	–	–	–	**5,040**	1,606p	–	–	17 Mar – 17 Jun 14
	7	9 Mar 12	–	**6,163**	–	–	**6,163**	1,965p	–	–	9 Mar – 9 Jun 15
			70,850	**40,062**	–	–	**110,912**				

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 page 77.
2. Awards under the LTIP take the form of nil cost options and have no performance retesting facility.
3. The number of shares under award for Alan Mitchelson is at 9 May 2012.
4. 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 to 28 December 2012.
5. On 16 March 2012, the 2009 awards under the LTIP vested in full. As a result Keith Cochrane and Alan Mitchelson exercised their awards as set out above, selling 92,020 and 74,559 shares respectively to pay the relevant tax and national insurance and retaining the balance. The aggregate gains made on all award exercises by directors during the year totalled £5,658,232 (2011: £3,255,092).
6. The closing market price of the Group's shares at 28 December 2012 was 1,876p and the range for the year was 1,352p to 2,243p.
7. The awards granted in 2011 and 2012 have a right to receive dividend equivalents in the form of shares payable at vesting.

Directors' interests

The interests of the Directors in the ordinary shares of the Company as at 28 December 2012 and at the end of the preceding financial period were as follows:

	As at 28 December 2012		As at 30 December 2011	
	Shares	LTIP awards	Shares	LTIP awards
Keith Cochrane	**207,683**	**289,891**	120,658	366,314
Alan Ferguson	**2,730**	**–**	–	–
Melanie Gee	**2,500**	**–**	–	–
Richard Menell	**1,000**	**–**	1,000	–
John Mogford	**11,481**	**–**	7,981	–
Lord Robertson	**10,650**	**–**	10,000	–
Lord Smith	**163,400**	**–**	159,000	–
Jon Stanton	**3,000**	**110,912**	3,000	70,850

Notes
1. No Director had, during or at the end of the year, any material interest in any contract of any significance in relation to the Group's business, in any debenture stocks of the Company, or in the share capital or debenture or loan stocks of any subsidiary.
2. There have been no changes to the Directors' interests between 28 December 2012 and 27 February 2013.

Total pension entitlements

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

Alan Mitchelson was an active member of the Company's 1972 pension and life assurance plan until 31 December 2011 when he ceased to accrue further benefits and became a deferred member. 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 Group 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 £137,400.

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.

Remuneration Report
Continued

The following table and its corresponding notes detailing pension entitlement and the corresponding transfer values during the period is subject to audit.

Name of Director	Notes	Accrued pension as at 31 December 2011	Increase in accrued pension during the period	Accrued pension as at 28 December 2012 (note 1)	Transfer value of accrued pension as at 31 December 2011 (note 2)	Change in transfer value of accrued pension during the year net of director's ordinary contributions (note 3)	Director's ordinary contributions	Transfer value of accrued pension as at 31 December 2011 (note 2)	Transfer value of increase (net of inflation) (note 2)
Alan Mitchelson	4,5,6,7,8	40,422	3,355	43,777	983,807	20,880	–	1,004,687	76,997

Notes
1. The pension entitlement shown is that which would be paid annually on retirement, prior to any cash commutation, at the end of the year.
2. With effect from 1 October 2008, Government legislation requires the Trustees (having taken actuarial advice) to take responsibility for setting the assumptions underlying the calculation of voluntary transfer values to be paid from the plan. Prior to this date the scheme actuary had this responsibility. Consequently, the transfer values of the accrued pension entitlement have been calculated in accordance with this revised requirement.
3. The change in the amount of the transfer value over the year is made up of the following elements:
   a. transfer value of the increase in accrued pension;
   b. decrease in the transfer value of accrued pension at year start due to ageing since Alan Mitchelson has passed his normal retirement date;
   c. impact of any change in the economic or mortality assumptions underlying the transfer value basis – as referred to in 2, above;
   d. less the director's ordinary contributions.
4. The change in the amount of the transfer value over the year includes the effect of fluctuations in the transfer value due to factors beyond the control of the Group and directors, such as stock market movements, which will be reflected within 3c, above. The Consumer Prices Inflation measure for leavers from the defined benefit scheme during 2012 with at least one year remaining until their normal retirement was 2.5%. Since Alan Mitchelson left the defined benefit scheme in 2011 after his normal retirement date and as at the year end had not vested any of his retirement benefits, the rate of inflation assumed in the above figures is 0%.
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 for Alan Mitchelson allow for the impact of the plan specific earnings cap, his restricted salary for pension accrued from April 2010 and the late retirement factor from 1 January 2012. Alan Mitchelson does not have an entitlement to an excepted (formerly known as unapproved) pension from the Group and, as at the year end, had not vested any of his retirement benefits under the defined benefit scheme provided by 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. Alan Mitchelson ceased to be an Executive Director with effect from 9 May 2012.

Melanie Gee
Chairman of the Remuneration Committee
Signed and approved for and on behalf of the Board
27 February 2013

Other Statutory Information

2013 Annual General Meeting

The Annual General Meeting will be held at 2.30pm on Wednesday 1 May 2013 at the Radisson Blu Hotel, Argyle Street, Glasgow. The Notice of AGM 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 27 February 2013, 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
Aberdeen Asset Managers Ltd	11,109,972	5.23%
AXA	10,613,765	5.02%
Legal & General	9,978,391	4.70%
The Capital Group Companies, Inc.	8,475,979	3.99%
FMR Corp	6,425,000	3.09%

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

Material contracts

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

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 99.

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 127 to 135.

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 121. The rights attaching to the shares are set out in the Company's 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.

The Weir Group has two employee benefit trusts: one with the trustees Kleinwort Benson (Guernsey) Trustees Limited (the 'Kleinwort EBT') and one with the trustees Appleby Trust (Jersey) Limited (the 'Appleby EBT').

During the period, the 2009 LTIP award vested and the trustees of the Kleinwort EBT transferred 70,967 ordinary shares to employees to satisfy the LTIP awards using ordinary shares purchased by the Kleinwort EBT in the market. A further 624,531 ordinary shares were transferred out of treasury to satisfy awards under the LTIP. In addition, a total of 550,277 ordinary shares, with an aggregate value of £68,784.63, were allotted during the period in connection with the Company's LTIP.

Both EBTs have agreed to waive any right to all dividend payments on shares held by them, with the exception of shares held in respect of awards which have a dividend entitlement. Details of the shares held by the EBTs are set out in note 25 to the Group financial statements on page 121. The Kleinwort EBT holds, through its account nominee K.B. (CI) Nominees Limited, 0.06% of the issued share capital of the Company, as at 28 December 2012, in trust for the benefit of certain Executive Directors and senior executives of the Group. The Appleby EBT holds, through account nominee, Forest Nominees Limited, 0.07% of the issued share capital of the Company as at 28 December 2012. 0.02% of this is held in trust for the benefit of certain senior executives of the Group, and 0.05% is held in trust on behalf of the Company for satisfaction of any future vesting of the Weir Group Deferred Bonus Plan. The voting rights in relation to these shares are exercised by the trustees. The EBTs may vote or abstain from voting with the shares or accept or reject any offer relating to shares, in any way they see fit, without incurring any liability and without being required to give reasons for their decision.

Other Statutory Information
Continued

Repurchase of shares
At the 2012 Annual General Meeting, shareholders renewed the Company's authority to make market purchases of up to 21.12m ordinary shares (representing 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the 52 weeks ended 28 December 2012 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 AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The Company conducts the vote at the AGM by electronic poll. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM 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.

The Group has in place a four year US$800m multi-currency revolving credit facility with a syndicate of 12 banks due to mature in September 2014. 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 Group has in place a three year US$300m amortising term loan with Banc of America Securities Limited and HSBC Bank plc, coterminous with the revolving credit facility. Under the terms of these agreements, if there is a change of control of the Company either 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 has in issue fixed rate private placement notes with a range of maturities: US$90m at an interest rate of 4.2% due on 11 January 2015, £12m at an interest rate of 4.58% due on 11 January 2015, US$70m at an interest rate of 5.03% due on 11 January 2018, £43m at an interest rate of 5.36% due on 11 January 2018, US$210m at an interest rate of 3.69% due on 16 February 2019, US$590m at an interest rate of 4.27% due on 16 February 2022 and US$200m at an interest rate of 4.34% due on 16 February 2023. Under the terms of the applicable note purchase 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.

Keith Ruddock
Company Secretary
Signed and approved for and on behalf of the Board
27 February 2013

Independent Auditor's Report to the Members of The Weir Group PLC

We have audited the Group financial statements of The Weir Group PLC for the 52 weeks ended 28 December 2012 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 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' statement of responsibilities set out on page 63, 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 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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 28 December 2012 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with IFRSs 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 63, in relation to going concern; and
- the part of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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 28 December 2012 and on the information in the Remuneration Report that is described as having been audited.

James Douglas Nisbet (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
27 February 2013

Consolidated Income Statement
for the 52 weeks ended 28 December 2012

	Notes	52 weeks ended 28 December 2012 Before exceptional items & intangibles amortisation £m	52 weeks ended 28 December 2012 Exceptional items & intangibles amortisation (note 5) £m	52 weeks ended 28 December 2012 Total £m	52 weeks ended 30 December 2011 Restated (note 2) Before exceptional items & intangibles amortisation £m	52 weeks ended 30 December 2011 Restated (note 2) Exceptional items & intangibles amortisation (note 5) £m	52 weeks ended 30 December 2011 Restated (note 2) Total £m
Continuing operations							
Revenue	3	**2,538.3**	**–**	**2,538.3**	2,292.0	–	2,292.0
Continuing operations							
Operating profit before share of results of joint ventures		**479.2**	**(16.5)**	**462.7**	407.9	(4.8)	403.1
Share of results of joint ventures	15	**6.4**	**–**	**6.4**	4.8	–	4.8
Operating profit		**485.6**	**(16.5)**	**469.1**	412.7	(4.8)	407.9
Finance costs	6	**(46.5)**	**(2.6)**	**(49.1)**	(19.4)	(0.7)	(20.1)
Finance income	6	**5.2**	**–**	**5.2**	4.3	–	4.3
Other finance costs – retirement benefits	24	**(1.2)**	**–**	**(1.2)**	(1.3)	–	(1.3)
Profit before tax from continuing operations		**443.1**	**(19.1)**	**424.0**	396.3	(5.5)	390.8
Tax expense	7	**(124.2)**	**12.6**	**(111.6)**	(114.2)	1.8	(112.4)
Profit for the period from continuing operations		**318.9**	**(6.5)**	**312.4**	282.1	(3.7)	278.4
Profit for the period from discontinued operations	8	**–**	**3.3**	**3.3**	–	19.9	19.9
Profit for the period		**318.9**	**(3.2)**	**315.7**	282.1	16.2	298.3
Attributable to							
Equity holders of the Company		**318.6**	**(3.2)**	**315.4**	282.1	16.2	298.3
Non–controlling interests		**0.3**	**–**	**0.3**	–	–	–
		318.9	**(3.2)**	**315.7**	282.1	16.2	298.3
Earnings per share	9						
Basic – total operations				**148.6p**			141.2p
Basic – continuing operations		**150.1p**		**147.1p**	133.6p		131.8p
Diluted – total operations				**147.7p**			139.8p
Diluted – continuing operations		**149.2p**		**146.2p**	132.2p		130.5p

I

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Consolidated Statement of Comprehensive Income
for the 52 weeks ended 28 December 2012

	Note	52 weeks ended 28 December 2012 £m	Restated (note 2) 52 weeks ended 30 December 2011 £m
Profit for the period		**315.7**	298.3
Other comprehensive income			
Gains (losses) taken to equity on cash flow hedges		**1.4**	(1.1)
Exchange losses on translation of foreign operations		**(84.9)**	(18.9)
Exchange gains (losses) on net investment hedges		**38.6**	(1.4)
Actuarial losses on defined benefit plans (note 24)		**(14.1)**	(45.0)
Reclassification adjustments taken to the income statement on cash flow hedges		**0.8**	(1.5)
Tax relating to other comprehensive expense	7	**3.0**	12.2
Net other comprehensive expense		**(55.2)**	(55.7)
Total net comprehensive income for the period		**260.5**	242.6
Attributable to			
Equity holders of the Company		**260.5**	242.6
Non-controlling interests		**–**	–
		260.5	242.6

Consolidated Balance Sheet
at 28 December 2012

	Notes	28 December 2012 £m	Restated (note 2) 30 December 2011 £m
ASSETS			
Non-current assets			
Property, plant & equipment	11	**374.0**	318.9
Intangible assets	12	**1,454.1**	1,415.1
Investments in joint ventures	15	**12.0**	11.4
Deferred tax assets	23	**30.4**	38.7
Derivative financial instruments	30	**0.8**	0.1
Total non-current assets		**1,871.3**	1,784.2
Current assets			
Inventories	16	**512.7**	463.8
Trade & other receivables	17	**478.2**	516.1
Construction contracts	18	**21.7**	19.6
Derivative financial instruments	30	**3.6**	6.4
Income tax receivable		**4.1**	11.6
Cash & short-term deposits	19	**391.1**	113.9
Total current assets		**1,411.4**	1,131.4
Total assets		**3,282.7**	2,915.6
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	20	**65.4**	92.0
Trade & other payables	21	**485.8**	569.1
Construction contracts	18	**13.7**	26.8
Derivative financial instruments	30	**14.7**	24.4
Income tax payable		**28.6**	33.4
Provisions	22	**36.4**	55.5
Total current liabilities		**644.6**	801.2
Non-current liabilities			
Interest-bearing loans & borrowings	20	**1,014.6**	695.1
Other payables	21	**26.3**	15.5
Derivative financial instruments	30	**0.8**	15.2
Provisions	22	**33.2**	37.1
Deferred tax liabilities	23	**162.5**	149.3
Retirement benefit plan deficits	24	**90.4**	84.7
Total non-current liabilities		**1,327.8**	996.9
Total liabilities		**1,972.4**	1,798.1
NET ASSETS		**1,310.3**	1,117.5
CAPITAL & RESERVES			
Share capital	25	**26.7**	26.6
Share premium		**38.0**	38.0
Treasury shares		**(5.6)**	(5.6)
Capital redemption reserve		**0.5**	0.5
Foreign currency translation reserve		**37.5**	83.5
Hedge accounting reserve		**0.2**	(1.6)
Retained earnings		**1,209.8**	974.0
Shareholders equity		**1,307.1**	1,115.4
Non-controlling interests		**3.2**	2.1
TOTAL EQUITY		**1,310.3**	1,117.5

Approved by the Board of Directors on 27 February 2013

Keith Cochrane
Director

Jon Stanton
Director

Consolidated Cash Flow Statement
for the 52 weeks ended 28 December 2012

	Notes	52 weeks ended 28 December 2012 £m	52 weeks ended 30 December 2011 £m
Continuing operations			
Cash flows from operating activities	26		
Cash generated from operations		**398.6**	302.6
Additional pension contributions paid		**(7.5)**	(6.6)
Income tax paid		**(104.9)**	(97.3)
Net cash generated from operating activities		**286.2**	198.7
Continuing operations			
Cash flows from investing activities			
Acquisitions of subsidiaries	26	**(123.3)**	(386.0)
Disposals of subsidiaries	26	**22.9**	–
Purchases of property, plant & equipment & intangible assets		**(123.6)**	(95.4)
Other proceeds from sale of property, plant & equipment & intangible assets		**7.3**	4.0
Interest received		**5.1**	4.3
Dividends received from joint ventures		**5.4**	4.1
Net cash used in investing activities		**(206.2)**	(469.0)
Continuing operations			
Cash flows from financing activities			
Purchase of shares for equity settled share-based incentives		**(3.0)**	(0.4)
Proceeds from borrowings		**786.9**	469.0
Repayments of borrowings		**(462.5)**	(50.8)
Settlement of external debt of subsidiary on acquisition	26	**(1.9)**	(55.4)
Settlement of derivative financial instruments		**(11.0)**	(10.9)
Interest paid		**(33.4)**	(17.7)
Proceeds from increase in non-controlling interests		**1.0**	1.7
Dividends paid to equity holders of the Company	10	**(71.7)**	(59.5)
Net cash generated from financing activities		**204.4**	276.0
Net increase in cash & cash equivalents from continuing operations		**284.4**	5.7
Net increase in cash & cash equivalents from discontinued operations – investing activities		**–**	24.6
Cash & cash equivalents at the beginning of the period		**108.6**	79.5
Foreign currency translation differences		**(8.8)**	(1.2)
Cash & cash equivalents at the end of the period	19	**384.2**	108.6

Consolidated Statement of Changes in Equity
for the 52 weeks ended 28 December 2012

	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 31 December 2010	26.6	38.0	(6.8)	0.5	103.8	0.4	758.8	921.3	0.4	921.7
Profit for the period	–	–	–	–	–	–	298.3	298.3	–	298.3
Losses taken to equity on cash flow hedges	–	–	–	–	–	(1.1)	–	(1.1)	–	(1.1)
Exchange losses on translation of foreign operations	–	–	–	–	(18.9)	–	–	(18.9)	–	(18.9)
Exchange losses on net investment hedges	–	–	–	–	(1.4)	–	–	(1.4)	–	(1.4)
Actuarial losses on defined benefit plans	–	–	–	–	–	–	(45.0)	(45.0)	–	(45.0)
Reclassification adjustments taken to the income statement on cash flow hedges	–	–	–	–	–	(1.5)	–	(1.5)	–	(1.5)
Tax relating to other comprehensive income	–	–	–	–	–	0.6	11.6	12.2	–	12.2
Total net comprehensive income for the period	–	–	–	–	(20.3)	(2.0)	264.9	242.6	–	242.6
Proceeds from increase in non-controlling interests	–	–	–	–	–	–	–	–	1.7	1.7
Cost of share-based payments inclusive of tax credits	–	–	–	–	–	–	11.0	11.0	–	11.0
Dividends	–	–	–	–	–	–	(59.5)	(59.5)	–	(59.5)
Exercise of LTIP awards	–	–	1.2	–	–	–	(1.2)	–	–	–
At 30 December 2011 (restated note 2)	**26.6**	**38.0**	**(5.6)**	**0.5**	**83.5**	**(1.6)**	**974.0**	**1,115.4**	**2.1**	**1,117.5**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**315.4**	**315.4**	**0.3**	**315.7**
Gains taken to equity on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**1.4**	**–**	**1.4**	**–**	**1.4**
Exchange losses on translation of foreign operations	**–**	**–**	**–**	**–**	**(84.6)**	**–**	**–**	**(84.6)**	**(0.3)**	**(84.9)**
Exchange gains on net investment hedges	**–**	**–**	**–**	**–**	**38.6**	**–**	**–**	**38.6**	**–**	**38.6**
Actuarial losses on defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**(14.1)**	**(14.1)**	**–**	**(14.1)**
Reclassification adjustments taken to the income statement on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**0.8**	**–**	**0.8**	**–**	**0.8**
Tax relating to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**3.4**	**3.0**	**–**	**3.0**
Total net comprehensive income for the period	**–**	**–**	**–**	**–**	**(46.0)**	**1.8**	**304.7**	**260.5**	**–**	**260.5**
Proceeds from increase in non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.1**	**1.1**
Cost of share-based payments inclusive of tax charge	**–**	**–**	**–**	**–**	**–**	**–**	**4.9**	**4.9**	**–**	**4.9**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(71.7)**	**(71.7)**	**–**	**(71.7)**
Purchases of shares*	**–**	**–**	**(2.0)**	**–**	**–**	**–**	**–**	**(2.0)**	**–**	**(2.0)**
Exercise of LTIP awards	**0.1**	**–**	**2.0**	**–**	**–**	**–**	**(2.1)**	**–**	**–**	**–**
At 28 December 2012	**26.7**	**38.0**	**(5.6)**	**0.5**	**37.5**	**0.2**	**1,209.8**	**1,307.1**	**3.2**	**1,310.3**

* These shares were purchased on the open market and are held by the Appleby EBT on behalf of the Group for satisfaction of any future vesting of the deferred bonus plan.

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 28 December 2012 ('2012') were approved and authorised for issue in accordance with a resolution of the directors on 27 February 2013. The comparative information is presented for the 52 weeks ended 30 December 2011 ('2011'). 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 items of income and expense which, because of the nature, size and /or 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. Exceptional items may include but are not restricted to: profits or losses arising on disposal of businesses or on closure of businesses; the cost of significant business restructuring; significant impairments of intangible or tangible assets; adjustments to the fair value of acquisition related items such as contingent consideration and inventory; other items deemed exceptional due to their significance, size or nature; and the related exceptional taxation.
b. Intangibles amortisation, including impairment, has been shown separately to provide 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.

During the 52 weeks ended 28 December 2012, the provisional fair values attributed to the 2011 acquisitions of Weir International and Seaboard were finalised. In accordance with IFRS3, the net impact of the adjustments to the provisional fair values has been recognised by means of a decrease to goodwill and the adjustments to the provisional amounts have been recognised as if the accounting for the business combinations had been completed at the relevant acquisition dates. As such, all affected balances and amounts have been restated in the financial statements. To this effect, the Consolidated Balance Sheet and affected notes present restated comparative information as at 30 December 2011. The Consolidated Income Statement for the 52 weeks ended 30 December 2011 has been restated to reflect £0.7m amortisation of customer relationships. Further details of the adjustments made to the provisional fair values can be found in note 13.

In addition, the provisional fair values attributed to the acquisition of Novatech in February 2012 were also finalised during the period and details can be found in note 13.

The accounting policies which follow are consistent with those of the previous periods except for the adoption of the following standards and interpretations which have not had a material impact on the Group's financial statements in the period of initial application.

IFRS7 Financial Instruments: Disclosure (Amendment)
IAS12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

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 36 and in notes 14 and 24.

Notes to the Group Financial Statements
Continued

2. Accounting policies (continued)
Basis of consolidation
The consolidated financial statements include 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 over the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the joint venture and is not amortised. To the extent that the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

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

At entity level, transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the income statement except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in profit or loss.

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

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

In the Consolidated Cash Flow Statement, the cash flows of foreign operations are translated into sterling at the average exchange rate for the period.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is shown net of sales taxes, discounts and after eliminating sales within the Group.

Revenue from sale 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, and 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
Until December 2011, the Group owned one property which was classified as investment property on the basis that it was being held to earn rentals and for capital appreciation rather than for use in the production or supply of goods and services. This property was sold in December 2011. Investment property was stated at cost less accumulated depreciation. Depreciation was 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 the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised in accordance with IAS39 in profit or loss or as a change to other comprehensive income.

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	–	5 – 25 years
Purchased software	–	4 – 8 years
Intellectual property & trade marks	–	6 – 15 years
Other	–	up to 6 years

Notes to the Group Financial Statements
Continued

2. Accounting policies (continued)
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 is 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.

Trade 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.

Share-based payments
Equity settled share-based incentives are provided to employees under the Group's Long Term Incentive Plan ('LTIP'), the Executive Bonus Scheme ('EBS') and as a consequence of occasional one-off conditional awards made to senior executives.

The fair value of the LTIP 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 or performance conditions.

The EBS is determined as a percentage of the annual bonus. This percentage is matched by the Group with a share award that will vest on the third anniversary of the grant date provided the individual continues to hold the original bonus shares awarded and continues to be employed by the company at the date of vesting. The EBS includes a strategic bonus shares element for a limited number of senior employees. The fair value of the matching and strategic elements of the EBS is determined at the date of grant of the bonus and the cost is recognised on a straight line basis over the vesting period. 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.

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 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.

Notes to the Group Financial Statements
Continued

2. Accounting policies (continued)

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.

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
IAS1 Presentation of Items of Other Comprehensive Income (Amendments to IAS1)	1 July 2012
IAS19 Employee Benefits (Revised)	1 January 2013
IFRS13 Fair Value Measurement *	1 January 2013
IFRS10, IFRS11 and IFRS12 Transition Guidance (Amendments to IFRS10, IFRS11 and IFRS12)	1 January 2013
IFRS10 Consolidated Financial Statements *	1 January 2014
IFRS11 Joint Arrangements *	1 January 2014
IFRS12 Disclosure of Interests in Other Entities *	1 January 2014
IAS32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS32) *	1 January 2014
IFRS9 Financial Instruments *	1 January 2015

*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 with the exception of IAS19 (Revised).

Under IAS19 (Revised), there will be no impact on the disclosed defined benefit obligation. The net charge to the Income Statement will increase by approximately £3m following the introduction of the concept of recognising net interest on the net defined benefit obligation in place of the interest on the defined benefit obligation and the expected return on plan assets recognised under the current standard.

For the standards with a later effective date, the directors are in the process of assessing the likely impact and look to finalisation of the standards before formalising their view.

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 under IFRS8. The operating and reportable segments were determined based on the reports reviewed by the Chief Executive which are used to make operational decisions.

The Minerals segment is the global leader in the provision of slurry handling equipment and associated aftermarket support for abrasive high wear applications used in the mining and oil sands markets. The Oil & Gas segment provides products and service solutions to upstream, production, transportation, refining and related industries. The Power & Industrial segment designs and manufactures valves, pumps and turbines as well as providing specialist support services to the global power generation, industrial and oil and gas sectors. All other segments, which are disclosed as Group companies, include the results of LGE process which supplies equipment to the liquefied petroleum gas marine and onshore markets. This business was sold on 28 December 2012 (note 5).

The Chief 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 Chief Executive with respect to assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

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

Notes to the Group Financial Statements
Continued

3. Segment information (continued)
The segment information for the reportable segments for the 52 weeks ended 28 December 2012 and the 52 weeks ended 30 December 2011 is disclosed below.

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Revenue								
Sales to external customers	**1,333.6**	1,216.3	**843.6**	742.7	**323.4**	306.7	**2,500.6**	2,265.7
Inter-segment sales	**4.3**	5.2	**15.3**	14.7	**4.0**	6.6	**23.6**	26.5
Segment revenue	**1,337.9**	1,221.5	**858.9**	757.4	**327.4**	313.3	**2,524.2**	2,292.2
Group companies sales to external customers							**37.7**	26.3
Eliminations							**(23.6)**	(26.5)
							2,538.3	2,292.0
Sales to external customers – 2011 at 2012 average exchange rates								
Sales to external customers	**1,333.6**	1,195.3	**843.6**	746.8	**323.4**	301.4	**2,500.6**	2,243.5
Group companies sales to external customers							**37.7**	26.3
							2,538.3	2,269.8
Result (restated note 2)								
Segment result before share of results of joint ventures	**255.9**	213.9	**204.2**	178.3	**31.5**	26.8	**491.6**	419.0
Share of results of joint ventures	**–**	–	**6.4**	4.8	**–**	–	**6.4**	4.8
Segment result	**255.9**	213.9	**210.6**	183.1	**31.5**	26.8	**498.0**	423.8
Group companies							**2.5**	3.0
Unallocated expenses							**(14.9)**	(14.1)
Operating profit before exceptional items & intangibles amortisation							**485.6**	412.7
Total exceptional items & intangibles amortisation							**(19.1)**	(5.5)
Net finance costs before exceptional items							**(41.3)**	(15.1)
Other finance costs – retirement benefits							**(1.2)**	(1.3)
Profit before tax from continuing operations							**424.0**	390.8
Segment result – 2011 at 2012 average exchange rates								
Segment result before share of results of joint ventures	**255.9**	211.5	**204.2**	180.2	**31.5**	26.0	**491.6**	417.7
Share of results of joint ventures	**–**	–	**6.4**	4.9	**–**	–	**6.4**	4.9
Segment result	**255.9**	211.5	**210.6**	185.1	**31.5**	26.0	**498.0**	422.6
Group companies							**2.5**	3.0
Unallocated expenses							**(14.9)**	(14.1)
Operating profit before exceptional items & intangibles amortisation							**485.6**	411.5

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

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Assets & liabilities (restated note 2)								
Intangible assets	368.4	380.0	974.4	917.1	109.8	117.8	1,452.6	1,414.9
Property, plant & equipment	199.1	187.4	121.6	86.6	52.2	44.3	372.9	318.3
Working capital assets	485.9	470.9	365.8	391.0	167.0	143.2	1,018.7	1,005.1
	1,053.4	1,038.3	1,461.8	1,394.7	329.0	305.3	2,844.2	2,738.3
Investments in joint ventures	–	–	12.0	11.4	–	–	12.0	11.4
Segment assets	1,053.4	1,038.3	1,473.8	1,406.1	329.0	305.3	2,856.2	2,749.7
Group companies assets							–	3.2
Unallocated assets							426.5	162.7
Total assets							3,282.7	2,915.6
Working capital liabilities	263.7	262.2	128.0	208.9	88.0	86.5	479.7	557.6
Group companies liabilities							3.4	11.2
Unallocated liabilities							1,489.3	1,229.3
Total liabilities							1,972.4	1,798.1
Other segment information								
Segment additions to non-current assets	50.4	49.0	52.3	32.5	18.6	13.4	121.3	94.9
Unallocated additions to non-current assets							2.3	0.5
Total additions to non-current assets							123.6	95.4
Segment depreciation & amortisation	31.5	29.1	42.9	21.3	10.9	10.3	85.3	60.7
Unallocated depreciation & amortisation							0.8	0.4
Total depreciation & amortisation							86.1	61.1

Unallocated assets primarily comprise 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. Intangible assets have been allocated within the segmental analysis to reflect changes made to the information provided to the Chief Executive for decision-making 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 28 December 2012 and the 52 weeks ended 30 December 2011 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, intangible assets and investments in joint ventures.

52 weeks ended 28 December 2012	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	87.7	787.1	262.5	215.4	287.9	236.0	316.3	345.4	2,538.3
Non-current assets	103.2	1,083.1	24.1	143.3	172.4	163.5	52.1	98.4	1,840.1

52 weeks ended 30 December 2011 – restated (note 2)	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	100.6	702.3	267.3	183.5	280.0	231.0	262.3	265.0	2,292.0
Non-current assets	98.6	994.2	17.4	140.9	177.0	167.1	45.9	104.3	1,745.4

The following disclosures are given in relation to continuing operations.

	2012 £m	2011 £m
An analysis of the Group's revenue is as follows		
Original equipment	1,039.3	1,014.7
Aftermarket parts	990.8	888.2
Sales of goods	2,030.1	1,902.9
Aftermarket services	415.7	313.5
Revenue from construction contracts	92.5	75.6
Revenue	2,538.3	2,292.0
Finance income	5.2	4.3
Total revenue	2,543.5	2,296.3

No revenue was derived from exchanges of goods or services (2011: £nil).

4. Revenues & expenses

The following disclosures are given in relation to continuing operations.

	2012 £m	2011 Restated (note 2) £m
A reconciliation of revenue to operating profit is as follows		
Revenue	2,538.3	2,292.0
Cost of sales	(1,652.2)	(1,495.4)
Gross profit	886.1	796.6
Other operating income	35.2	23.9
Selling & distribution costs	(220.8)	(211.3)
Administrative expenses	(237.8)	(206.1)
Share of results of joint ventures	6.4	4.8
Operating profit	469.1	407.9

	2012 £m	2011 Restated (note 2) £m
Operating profit is stated after charging		
Cost of inventories recognised as an expense	**1,652.2**	1,495.4
Depreciation of property, plant & equipment & investment property (note 11)	**49.4**	37.3
Amortisation of intangible assets (note 12)	**36.7**	23.8
Acquisition transaction costs	**1.0**	5.6
Other one-off costs*	**8.3**	11.0
Net foreign exchange losses	**0.3**	4.5
Net impairment of trade receivables (note 17)	**3.3**	0.7

* Other one-off costs include restructuring, integration and aborted acquisition costs as well as the provision recorded in 2011 for Libyan working capital exposures.

The following disclosures are given in relation to total operations.

	2012 £m	2011 £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	**1.3**	1.4
Corporate finance services	**0.2**	0.3
Taxation advisory services	**0.1**	–
Fees payable in respect of the Group's pension schemes		
Audit	**0.1**	0.1

Research & development costs
Research & development costs amount to £23.5m (2011: £18.4m) of which £22.2m (2011: £17.8m) were charged directly to cost of sales in the income statement and £1.3m (2011: £0.6m) were capitalised (note 12).

Operating leases
Minimum lease payments under operating leases recognised as an expense in the period were £37.1m (2011: £28.7m).

	2012 £m	2011 £m
Employee benefits expense		
Wages & salaries	**491.1**	413.0
Social security costs	**50.9**	44.2
Pension costs		
Defined benefit plans (note 24)	**2.1**	1.3
Defined benefit plans exceptional item (note 5)	**–**	(19.0)
Defined contribution plans	**16.3**	14.9
Share-based payments – equity settled transactions	**7.5**	4.9
	567.9	459.3

	2012 Number	2011 Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows		
Minerals	**7,326**	6,649
Oil & Gas	**2,999**	2,196
Power & Industrial	**2,813**	2,723
Group companies	**107**	101
	13,245	11,669

At 28 December 2012, the number of persons employed by the Group including those under temporary contracts was 14,351 (2011: 13,996).

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5. Exceptional items & intangibles amortisation

	2012 £m	2011 Restated (note 2) £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	**(36.7)**	(23.8)
Exceptional item – charging of fair value inventory uplift	**(4.5)**	–
Exceptional item – gain on sale of LGE Process	**30.5**	–
Exceptional item – uplift in respect of contingent consideration liability	**(5.8)**	–
Exceptional item – past service gain on UK defined benefit scheme (note 24)	**–**	19.0
	(16.5)	(4.8)
Recognised in finance costs		
Exceptional item – unwind of discount in respect of contingent consideration liability	**(2.6)**	(0.7)
Recognised in arriving at profit for the period from discontinued operations		
Exceptional items (note 8)	**3.3**	19.9

Under IFRS, at acquisition, inventory values are adjusted from their carrying values (generally at cost of production) to a fair value, which includes profit attributable to the degree of completion of the inventory. This resulted in a fair value uplift totalling £4.5m for Seaboard and Novatech combined. This uplift is charged to the income statement as the inventory is sold, thereby reducing operating profits. All of the uplifted inventory was sold in the 52 weeks ended 28 December 2012 giving rise to the charge to the income statement of £4.5m which has been treated as an exceptional item.

The gain on sale of LGE Process has been disclosed within other operating income (note 4).

6. Finance (costs) income

Finance costs

	2012 £m	2011 £m
Interest payable on bank loans, fixed rate notes & overdrafts	**(35.7)**	(12.0)
Losses on financial assets & liabilities at fair value through profit & loss	**(5.0)**	(4.5)
Finance charges related to committed loan facilities	**(5.8)**	(2.9)
	(46.5)	(19.4)
Unwind of discount in respect of contingent consideration – exceptional item (note 5)	**(2.6)**	(0.7)
	(49.1)	(20.1)

Finance income

	2012 £m	2011 £m
Interest receivable on financial assets	**0.7**	0.9
Gains on financial assets & liabilities at fair value through profit & loss	**4.5**	3.4
	5.2	4.3

7. Tax expense

Income tax expense

	2012 £m	2011 Restated (note 2) £m
Consolidated Income Statement		
Current income tax		
UK corporation tax – continuing operations	**(0.4)**	(3.1)
Adjustments in respect of previous years	**(2.6)**	(2.0)
UK corporation tax	**(3.0)**	(5.1)
Foreign tax – continuing operations	**(110.2)**	(111.9)
Adjustments in respect of previous years	**3.1**	17.5
Total current income tax	**(110.1)**	(99.5)
Deferred income tax		
Origination & reversal of temporary differences – continuing operations	**(0.2)**	(8.2)
Adjustment to estimated recoverable deferred tax assets	**(1.6)**	0.1
Effect of changes in tax rates	**(1.1)**	(0.7)
Adjustments in respect of previous years	**1.4**	(4.1)
Total deferred tax*	**(1.5)**	(12.9)
Total income tax expense in the Consolidated Income Statement	**(111.6)**	(112.4)

* Includes £1.3m of deferred tax credit relating to foreign tax (2011: a charge of £6.6m).

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

	2012 £m	2011 Restated (note 2) £m
Tax expense – continuing operations before exceptional items & intangibles amortisation	**(124.2)**	(114.2)
– exceptional items	**1.5**	(4.8)
– intangibles amortisation	**11.1**	6.6
Total income tax expense in the Consolidated Income Statement	**(111.6)**	(112.4)

Current tax for 2012 has been reduced by £nil (2011: £0.1m) 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.

Tax relating to items charged or credited to equity

	2012 £m	2011 £m
Consolidated Statement of Comprehensive Income		
Current tax on pension contributions	**2.8**	2.5
Deferred tax – origination & reversal of temporary differences	**0.7**	9.1
Tax credit on actuarial losses on retirement benefits	**3.5**	11.6
Deferred tax (charge) credit on hedge losses	**(0.5)**	0.6
Tax credit in the Consolidated Statement of Comprehensive Income	**3.0**	12.2
Consolidated Statement of Changes in Equity		
Deferred tax on share-based payments	**(2.6)**	5.1
Current tax on share-based payments	**–**	1.0
Tax (charge) credit in the Consolidated Statement of Changes in Equity	**(2.6)**	6.1

Notes to the Group Financial Statements
Continued

7. Tax expense (continued)
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 30.2% (2011: 32.0%). The differences are reconciled below.

	2012 £m	2011 Restated (note 2) £m
Profit before tax from continuing operations	424.0	390.8
Profit before tax from discontinued operations	3.3	19.9
Accounting profit before tax	427.3	410.7
At the weighted average of standard rates of corporation tax across the Group of 30.2% (2011: 32.0%)	129.1	131.5
Adjustments in respect of previous years – current tax	(0.5)	(15.5)
– deferred tax	(1.4)	4.1
Joint ventures	(1.2)	(0.6)
Unrecognised deferred tax assets	1.6	(0.1)
Overseas tax on unremitted earnings	4.6	6.7
Permanent differences	(15.4)	(9.0)
Effect of changes in tax rates	1.1	0.7
Exceptional gain from discontinued operations covered by indexation relief	–	(5.4)
Exceptional items ineligible for tax	1.1	–
Gains exempt from tax	(7.4)	–
At effective tax rate of 26.1% (2011: 27.4%)	111.6	112.4

8. Discontinued operations
There were no disposals of core businesses during the 52 weeks ended 28 December 2012 or the 52 weeks ended 30 December 2011. The profit arising from discontinued operations of £3.3m was as a result of the release of unutilised provisions relating to prior year disposals on expiration of the tax warranty periods.

In December 2011, the Group disposed of the former Weir Pumps site at Cathcart to Clyde Union, subsequently acquired by SPX Clyde UK Limited, for cash proceeds of £25.0m resulting in a net gain of £19.9m (net of tax of £nil) after taking account of disposal costs and other costs arising from discontinued operations. Since the property was used by the Weir Pumps business, which was sold in 2007, the net gain was shown as a profit from discontinued operations.

Earnings per share from discontinued operations were as follows.

	2012 pence	2011 pence
Basic	1.6	9.4
Diluted	1.5	9.3

These earnings per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations of £3.3m (2011: £19.9m) 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 is 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.

	2012	2011 Restated (note 2)
Profit attributable to equity holders of the Company		
Total operations* (£m)	315.4	298.3
Continuing operations* (£m)	312.1	278.4
Continuing operations before exceptional items & intangibles amortisation* (£m)	318.6	282.1
Weighted average share capital		
Basic earnings per share (number of shares, million)	212.2	211.2
Diluted earnings per share (number of shares, million)	213.5	213.4

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

	2012 Shares Million	2011 Shares Million
Weighted average number of ordinary shares for basic earnings per share	212.2	211.2
Effect of dilution: LTIP and deferred bonus awards	1.3	2.2
Adjusted weighted average number of ordinary shares for diluted earnings per share	213.5	213.4

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

	2012 £m	2011 Restated (note 2) £m
Net profit attributable to equity holders from continuing operations*	312.1	278.4
Exceptional items & intangibles amortisation net of tax	6.5	3.7
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation*	318.6	282.1

	2012 pence	2011 pence
Basic earnings per share:		
Total operations*	148.6	141.2
Continuing operations*	147.1	131.8
Continuing operations before exceptional items & intangibles amortisation*	150.1	133.6
Diluted earnings per share:		
Total operations*	147.7	139.8
Continuing operations*	146.2	130.5
Continuing operations before exceptional items & intangibles amortisation*	149.2	132.2

* Adjusted for £0.3m (2011: £nil) in respect of non-controlling interests.

There have been no share options (2011: nil) exercised between the reporting date and the date of signing of these financial statements.

Notes to the Group Financial Statements
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10. Dividends paid & proposed

	2012 £m	2011 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2011: 25.8p (2010: 21.0p)	**54.8**	44.3
Interim dividend for 2012: 8.0p (2011: 7.2p)	**16.9**	15.2
	71.7	59.5
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2012: 30.0p (2011: 25.8p)	**63.8**	54.5

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 31 December 2010	111.3	329.0	440.3	11.8
Additions	18.6	72.4	91.0	–
Acquisitions	0.9	19.4	20.3	–
Disposals	(3.8)	(23.2)	(27.0)	(10.2)
Reclassifications to intangible assets (note 12)	–	(2.3)	(2.3)	–
Reclassifications	2.0	(0.4)	1.6	(1.6)
Exchange adjustment	(3.1)	(12.0)	(15.1)	–
At 30 December 2011 – restated (note 2)	**125.9**	**382.9**	**508.8**	**–**
Additions	**27.9**	**87.4**	**115.3**	**–**
Acquisitions	**1.2**	**6.6**	**7.8**	**–**
Disposals	**(5.5)**	**(18.4)**	**(23.9)**	**–**
Reclassifications to intangible assets	**–**	**(0.2)**	**(0.2)**	**–**
Reclassifications	**(0.2)**	**0.2**	**–**	**–**
Exchange adjustment	**(4.0)**	**(13.6)**	**(17.6)**	**–**
At 28 December 2012	**145.3**	**444.9**	**590.2**	**–**
Accumulated depreciation & impairment				
At 31 December 2010	27.6	155.3	182.9	7.9
Depreciation charge for the period	5.7	31.3	37.0	0.3
Impairment	0.1	0.3	0.4	–
Disposals	(1.7)	(22.2)	(23.9)	(7.2)
Reclassifications to intangible assets (note 12)	–	(1.6)	(1.6)	–
Reclassifications	1.7	(0.7)	1.0	(1.0)
Exchange adjustment	(0.6)	(5.3)	(5.9)	–
At 30 December 2011 – restated (note 2)	**32.8**	**157.1**	**189.9**	**–**
Depreciation charge for the period	**4.7**	**44.7**	**49.4**	**–**
Disposals	**(2.4)**	**(15.1)**	**(17.5)**	**–**
Exchange adjustment	**(0.9)**	**(4.7)**	**(5.6)**	**–**
At 28 December 2012	**34.2**	**182.0**	**216.2**	**–**
Net book value at 31 December 2010	83.7	173.7	257.4	3.9
Net book value at 30 December 2011 – restated (note 2)	93.1	225.8	318.9	–
Net book value at 28 December 2012	**111.1**	**262.9**	**374.0**	**–**

The carrying value of buildings held under finance leases is £1.7m (2011: £1.9m). The carrying value of plant and equipment held under finance leases is £0.5m (2011: £0.7m). 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 £52.9m (2011: £26.7m).

In December 2011, the Group disposed of the former Weir Pumps site at Cathcart, which had been treated as an investment property since the disposal of the Weir Pumps business in 2007, to Clyde Union, subsequently acquired by SPX Clyde UK Limited.

In 2011 the impairment charge of £0.4m related to specific assets in one location which were unable to be transferred to that operation's new location.

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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 31 December 2010	597.8	141.3	184.0	26.3	55.8	2.3	17.3	1,024.8
Additions	–	–	–	4.7	–	0.6	–	5.3
Acquisitions	289.5	31.6	165.2	–	–	–	–	486.3
Disposals	–	–	–	(1.7)	–	–	–	(1.7)
Reclassifications from property, plant & equipment (note 11)	–	–	–	1.9	–	0.4	–	2.3
Reclassifications	–	–	–	0.2	(0.2)	–	–	–
Exchange adjustment	(3.2)	(0.6)	(3.5)	(0.9)	–	–	(0.8)	(9.0)
At 30 December 2011 – restated (note 2)	**884.1**	**172.3**	**345.7**	**30.5**	**55.6**	**3.3**	**16.5**	**1,508.0**
Additions	**–**	**–**	**–**	**6.0**	**–**	**1.3**	**1.0**	**8.3**
Acquisitions	**57.0**	**4.5**	**53.4**	**–**	**4.7**	**–**	**1.8**	**121.4**
Disposals	**–**	**–**	**–**	**(2.5)**	**–**	**–**	**(0.7)**	**(3.2)**
Reclassifications from property, plant & equipment (note 11)	**–**	**–**	**–**	**0.2**	**–**	**–**	**–**	**0.2**
Exchange adjustment	**(32.2)**	**(7.1)**	**(14.6)**	**(1.0)**	**(2.3)**	**(0.1)**	**(0.9)**	**(58.2)**
At 28 December 2012	**908.9**	**169.7**	**384.5**	**33.2**	**58.0**	**4.5**	**17.7**	**1,576.5**
Accumulated amortisation & impairment								
At 31 December 2010	–	–	32.5	16.4	10.2	0.1	11.0	70.2
Amortisation charge for the period	–	–	13.5	2.7	5.5	0.1	2.0	23.8
Disposals	–	–	–	(1.7)	–	–	–	(1.7)
Reclassifications from property, plant & equipment (note 11)	–	–	–	1.6	–	–	–	1.6
Reclassifications	–	–	(0.1)	(0.2)	(0.8)	–	1.1	–
Exchange adjustment	–	–	(0.3)	(0.5)	0.1	–	(0.3)	(1.0)
At 30 December 2011 – restated (note 2)	**–**	**–**	**45.6**	**18.3**	**15.0**	**0.2**	**13.8**	**92.9**
Amortisation charge for the period	**–**	**–**	**24.0**	**3.4**	**5.6**	**0.1**	**3.6**	**36.7**
Disposals	**–**	**–**	**–**	**(2.3)**	**–**	**–**	**(0.7)**	**(3.0)**
Exchange adjustment	**–**	**–**	**(2.2)**	**(0.6)**	**(0.7)**	**–**	**(0.7)**	**(4.2)**
At 28 December 2012	**–**	**–**	**67.4**	**18.8**	**19.9**	**0.3**	**16.0**	**122.4**
Net book value at 31 December 2010	597.8	141.3	151.5	9.9	45.6	2.2	6.3	954.6
Net book value at 30 December 2011 – restated (note 2)	884.1	172.3	300.1	12.2	40.6	3.1	2.7	1,415.1
Net book value at 28 December 2012	**908.9**	**169.7**	**317.1**	**14.4**	**38.1**	**4.2**	**1.7**	**1,454.1**

The increase to goodwill of £57.0m during 2012 is represented by the current year acquisitions of Gema and Novatech (note 13).

Brand names have been assigned an indefinite useful life and as such are not amortised. The carrying value of £169.7m (2011 restated: £172.3m) 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, Weir Multiflo and Weir Novatech, all of which are considered to be market leaders in their respective markets.

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

	Remaining amortisation period		Customer relationships	
	2012 Years	2011 Years	**2012 £m**	2011 Restated (note 2) £m
Weir Seaboard	**15**	16	**142.0**	157.8
Weir Novatech	**13**	–	**48.9**	–
Weir International	**4**	5	**5.3**	6.6
Weir SPM	**19**	20	**82.4**	90.6
Weir Gabbioneta	**18**	19	**12.9**	13.9
Warman companies	**Up to 8**	Up to 9	**10.5**	14.0
Other	**Up to 18**	Up to 19	**15.1**	17.2
			317.1	300.1

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

	2012 £m	2011 Restated (note 2) £m
Cost of sales	**2.8**	2.6
Selling & distribution costs	**0.4**	0.4
Administrative expenses	**33.5**	20.8
Amortisation charge for the period	**36.7**	23.8

Notes to the Group Financial Statements
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13. Business combinations
On 4 January 2012, the Group completed the acquisition of Gema Industri AB and Gema Industrigummi AB ('Gema') for an initial net cash consideration of £5m. Based in Gallivare, Sweden, Gema's core business is providing maintenance services to mines in northern Sweden. At 28 December 2012, the Group had acquired 100% of the voting shares of Gema Industrigummi AB and 99% of the voting shares of Gema Industri AB and is in the process of acquiring the remaining shares in accordance with Swedish company law which has resulted in a further cash consideration of £0.6m.

On 22 February 2012, the Group completed the acquisition of 100% of the voting shares of Novatech LLC ('Novatech') for a cash consideration of US$192m (£121m), net cash consideration of US$176m (£111m). Based in Dallas, Texas, Novatech produces a wide variety of valves for high pressure applications used in unconventional upstream oil and gas operations. The fair values of Novatech are disclosed in the following table. The fair values are final following the completion of the fair value exercise in respect of each class of asset. There are certain intangible assets included in the £52.6m of goodwill recognised that cannot be individually separated and reliably measured due to their nature. These items include anticipated business growth, synergies and an assembled workforce. The fair value and gross amount of the trade receivables amount to £5.2m. None of the trade receivables have been impaired.

	Weir Novatech 2012 Fair values £m
Property, plant & equipment	6.7
Inventories	7.3
Intangible assets	
– customer relationships	53.4
– brand name	4.5
– order backlog	1.8
– intellectual property	4.7
Trade & other receivables	5.2
Cash & cash equivalents	10.2
Interest-bearing loans & borrowings	(1.9)
Trade & other payables	(1.9)
Provisions	(0.1)
Deferred tax	(23.0)
Fair value of net assets	66.9
Goodwill arising on acquisition	52.6
Total consideration	119.5
Cash consideration	121.4
Settlement of external debt of subsidiaries on acquisition	(1.9)
Total consideration	119.5
The total net cash outflow on current year acquisitions was as follows:	
Weir Novatech	
– cash & cash equivalents acquired	10.2
– cash paid	(121.4)
Gema – net cash outflow	(5.6)
Total cash outflow (note 26)	(116.8)

The Group acquired 60% of the voting shares of Weir International on 1 July 2011 and 100% of the voting shares of Seaboard on 14 December 2011. The remaining 40% of the voting shares of Weir International is subject to put and call options exercisable between 2014 and 2019 and based upon an EBITDA multiple of profit in the two years preceding the exercise of the option. The cash consideration paid was £9.8m and the estimated fair value of the contingent consideration is £19.6m. This is based on an assessment of the profitability of possible outcomes discounted to net present value. The range of possible outcomes on an undiscounted basis is between zero and £50.0m.

In the 2011 annual report and accounts, the fair values on acquisition of Seaboard and Weir International were provisional, due to the timing of the transactions. In the 52 weeks ended 28 December 2012, the fair values of Seaboard and Weir International have been finalised resulting in adjustments to the provisional fair values attributed. The following table summarises the adjustments made to the provisional fair values during the period.

	Provisional fair values			Adjustments to provisional fair values			Restated fair values		
	Weir Seaboard 2011 £m	Weir International 2011 £m	Total 2011 £m	Weir Seaboard 2011 £m	Weir International 2011 £m	Total 2011 £m	Weir Seaboard 2011 £m	Weir International 2011 £m	Total 2011 £m
Property, plant & equipment									
– land & buildings	0.6	–	0.6	0.3	–	0.3	0.9	–	0.9
– plant & equipment	22.5	0.1	22.6	(3.2)	–	(3.2)	19.3	0.1	19.4
Intangible assets									
– brand name	–	–	–	31.6	–	31.6	31.6	–	31.6
– customer relationships	–	–	–	157.6	7.6	165.2	157.6	7.6	165.2
Inventories	29.6	0.7	30.3	(6.0)	–	(6.0)	23.6	0.7	24.3
Trade & other receivables	42.3	1.1	43.4	(1.1)	–	(1.1)	41.2	1.1	42.3
Cash & cash equivalents	2.2	0.2	2.4	–	–	–	2.2	0.2	2.4
Interest-bearing loans & borrowings	(55.4)	(0.2)	(55.6)	–	–	–	(55.4)	(0.2)	(55.6)
Trade & other payables	(41.5)	(1.6)	(43.1)	(3.6)	–	(3.6)	(45.1)	(1.6)	(46.7)
Provisions									
– warranty	(1.5)	–	(1.5)	(1.8)	–	(1.8)	(3.3)	–	(3.3)
– other	–	–	–	(0.5)	–	(0.5)	(0.5)	–	(0.5)
Income tax	6.3	(0.1)	6.2	–	–	–	6.3	(0.1)	6.2
Deferred tax	1.1	–	1.1	(67.2)	–	(67.2)	(66.1)	–	(66.1)
Fair value of net assets	6.2	0.2	6.4	106.1	7.6	113.7	112.3	7.8	120.1
Goodwill arising on acquisition	379.6	23.6	403.2	(106.1)	(7.6)	(113.7)	273.5	16.0	289.5
Total consideration	385.8	23.8	409.6	–	–	–	385.8	23.8	409.6
Cash consideration	432.1	9.8	441.9	–	–	–	432.1	9.8	441.9
Settlement of external debt on acquisition	(55.4)	–	(55.4)	–	–	–	(55.4)	–	(55.4)
Contingent consideration	9.1	14.0	23.1	–	–	–	9.1	14.0	23.1
Total consideration	385.8	23.8	409.6	–	–	–	385.8	23.8	409.6
The cash outflow on acquisition was as follows									
Cash & cash equivalents acquired	2.2	0.2	2.4	–	–	–	2.2	0.2	2.4
Cash paid	(432.1)	(9.8)	(441.9)	–	–	–	(432.1)	(9.8)	(441.9)
Net cash outflow	(429.9)	(9.6)	(439.5)	–	–	–	(429.9)	(9.6)	(439.5)

Together, Seaboard and Novatech contributed £173.3m to revenue and £45.5m to operating profit in the 52 weeks ended 28 December 2012. The contribution of Novatech to revenue and to profit for the period from continuing operations after exceptional items and intangibles amortisation was not material and so has not been separately disclosed. The combined revenue and profit for the period from continuing operations after exceptional items and intangibles' amortisation of the Group, assuming that Novatech had been acquired at the start of 2012, would have been £2,544.9m and £313.9m respectively. The revenue and operating profit of Gema have not been disclosed as they are deemed to be immaterial. Acquisition costs in relation to Novatech of £0.3m have been included within operating profit.

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

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination.

The acquisition of Seaboard at the end of 2011 has been determined to be a separate CGU and Novatech, acquired in February 2012, has been included in 'Other'. The previous year acquisition of Weir International was included in 'Other'. The amounts included in '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 2012 £m**	**Intangibles* 2012 £m**	Goodwill 2011 Restated (note 2) £m	Intangibles* 2011 Restated (note 2) £m
Weir Seaboard	2011	**262.7**	**30.3**	273.8	31.6
Weir SPM	2007	**223.0**	**28.5**	229.0	29.7
Warman companies	various	**221.0**	**86.6**	221.9	90.2
Weir Gabbioneta	2005	**58.9**	**5.6**	60.2	5.7
Other	various	**143.3**	**18.7**	99.2	15.1
		908.9	**169.7**	884.1	172.3

* Intangible assets with indefinite lives (brand names).

The Group tests goodwill and intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that these might be impaired. The basis of these impairment tests including key assumptions are set out in the table below.

CGU	**Basis of valuation**	**Period of forecast**	**Discount rate[1]**	**Real growth[2]**	**Key assumptions**	**Source**
Weir Seaboard	Value in use	5 years	12.2% (2011: 11.9%)	1.2% (2011: 1.2%)	Revenue growth[4] EBIT margins[3]	External forecast Historic experience
Weir SPM	Value in use	5 years	12.2% (2011: 11.9%)	1.2% (2011: 1.2%)	Revenue growth[5] EBIT margins[3]	External forecast Historic experience
Warman companies	Value in use	5 years	13.9% (2011: 16.4%)	1.7% (2011: 1.7%)	Revenue growth[6] EBIT margins[3]	External forecast Historic experience
Weir Gabbioneta	Value in use	5 years	14.2% (2011: 16.9%)	1.2% (2011: 1.2%)	Revenue growth[7] EBIT margins[3]	External forecast Historic experience

[1] Discount rate
The discount rates presented above reflect the pre-tax nominal weighted average cost of capital (WACC) in the most appropriate geographic region. The WACC is the weighted average of the pre-tax cost of debt financing and the pre-tax cost of equity finance. In the main there has been an increase in the WACC relative to 2011 in mature economies largely due to an increase in government bond yields. Government bond yields in Italy have decreased significantly as local credit risks have reduced, the reduction visible in the Weir Gabbioneta WACC. The discount rates for emerging markets has broadly decreased, directly linked to movement in the yield on Government bonds.

[2] Real growth
Real growth beyond the five year forecast period of 1.2%, for all businesses except South Africa where a rate of 4.0% is used, 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 Seaboard
Weir Seaboard is a wellhead solutions provider focused on the growing North American unconventional oil and gas drilling and production markets. Demand for Weir Seaboard's products and services is closely related to the number of conventional and unconventional oil drilling rigs and gas well drilling rigs 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 2012.

[5] 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 the business's 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 2012.

[6] 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 capital expenditure and activity have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2012.

[7] 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 2012.

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 reasonable 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 31 December 2010	10.3
Share of results	4.8
Share of dividends	(4.1)
Exchange adjustment	0.4
At 30 December 2011	**11.4**
Share of results	**6.4**
Share of dividends	**(5.4)**
Exchange adjustment	**(0.4)**
At 28 December 2012	**12.0**

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

	2012 £m	2011 £m
Share of joint ventures balance sheets		
Goodwill	**3.2**	3.4
Current assets	**12.0**	10.8
Non-current assets	**2.7**	2.8
Current liabilities	**(4.3)**	(4.1)
Non-current liabilities	**(1.6)**	(1.5)
Net assets	**12.0**	11.4
Share of joint ventures revenue & profits		
Revenue	**23.5**	18.9
Cost of sales	**(13.5)**	(10.8)
Selling & distribution costs	**(0.9)**	(0.7)
Administrative expenses	**(1.6)**	(1.8)
Income tax expense	**(1.1)**	(0.8)
Profit after tax	**6.4**	4.8
Carrying value of investments in joint ventures	**12.0**	11.4

The Group's significant investments in joint ventures are listed on page 151.

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16. Inventories

	2012 £m	2011 Restated (note 2) £m
Raw materials	**162.3**	139.5
Work in progress	**94.7**	119.0
Finished goods	**255.7**	205.3
	512.7	463.8

17. Trade & other receivables

	2012 £m	2011 Restated (note 2) £m
Trade receivables	**424.0**	455.6
Allowance for doubtful debts	**(12.6)**	(13.9)
	411.4	441.7
Other debtors	**24.5**	42.5
Sales tax receivable	**12.0**	12.6
Accrued income	**13.1**	5.5
Prepayments	**17.2**	13.8
	478.2	516.1

The average credit period on sales of goods is 59 days (2011: 70 days).

Analysis of trade receivables

	2012 £m	2011 Restated (note 2) £m
Neither impaired nor past due	**309.9**	343.5
Past due but not impaired	**101.5**	98.2
Impaired	**12.6**	13.9
	424.0	455.6

Ageing of past due but not impaired trade receivables

	2012 £m	2011 Restated (note 2) £m
Up to 3 months	**74.2**	77.5
Between 3 & 6 months	**14.5**	15.1
More than 6 months	**12.8**	5.6
	101.5	98.2

Movement in the allowance for doubtful debts

	2012 £m	2011 Restated (note 2) £m
Balance at the beginning of the period	**(13.9)**	(13.8)
Impairment losses recognised on receivables*	**(4.2)**	(5.3)
Amounts written off as uncollectable	**2.6**	1.0
Amounts recovered during the period	**0.4**	0.4
Impairment losses reversed	**2.0**	3.5
Exchange adjustment	**0.5**	0.3
Balance at the end of the period	**(12.6)**	(13.9)

* Includes a fair value adjustment in relation to the Weir Seaboard acquisition of £1.1m adjusted against goodwill.

Ageing of impaired trade receivables

	2012 £m	2011 Restated (note 2) £m
Up to 3 months	**1.4**	1.8
Between 3 & 6 months	**1.0**	0.9
More than 6 months	**10.2**	11.2
	12.6	13.9

18. Construction contracts

	2012 £m	2011 £m
Gross amount due from customers for contract work (included in current assets)	**21.7**	19.6
Gross amount due to customers for contract work (included in current liabilities)	**(13.7)**	(26.8)
	8.0	(7.2)
Contract costs incurred plus recognised profits less recognised losses to date	**114.7**	119.6
Less: progress billings	**(106.7)**	(126.8)
	8.0	(7.2)

The amount of retentions held by customers for contract work amounted to £nil (2011: £nil) and the amount of advances received from customers for contract work amounted to £2.5m (2011: £5.7m).

19. Cash & short-term deposits

	2012 £m	2011 £m
Cash at bank & in hand	**228.0**	73.8
Short-term deposits	**163.1**	40.1
	391.1	113.9
For the purposes of the Consolidated Cash Flow Statement, cash & cash equivalents comprise the following		
Cash & short-term deposits	**391.1**	113.9
Bank overdrafts & short-term borrowings (note 20)	**(6.9)**	(5.3)
	384.2	108.6

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

20. Interest-bearing loans & borrowings

	2012 £m	2011 £m
Current		
Bank overdrafts	**3.9**	1.7
Short-term borrowings	**3.0**	3.6
	6.9	5.3
Bank loans	**58.3**	86.2
Obligations under finance leases (note 27)	**0.2**	0.5
	65.4	92.0
Non-current		
Bank loans	**242.7**	536.3
Fixed rate notes	**771.4**	158.2
Obligations under finance leases (note 27)	**0.5**	0.6
	1,014.6	695.1

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20. Interest-bearing loans & borrowings (continued)

Bank loans	Maturity	Interest basis	Weighted average interest rate 2012 %	Weighted average interest rate 2011 %	2012 £m	2011 £m
Revolving credit facility						
United States dollar variable rate loans	2014	US$ LIBOR	**1.20**	1.28	**148.0**	163.0
Seaboard acquisition finance						
United States dollar variable rate amortising term loan	2014	US$ LIBOR	**2.08**	2.28	**152.9**	190.3
United States dollar variable rate bridging loan	2013	US$ LIBOR	**–**	1.78	**–**	243.7
Other						
Uncommitted facility loan	2012	US$ LIBOR	**–**	1.60	**–**	25.1
Indian rupee term loan	2013	FIXED	**13.75**	13.75	**0.1**	0.4
					301.0	622.5
Less current instalments due on bank loans						
United States dollar variable rate amortising term loan	2014	US$ LIBOR			**(58.2)**	(60.8)
Uncommitted facility loan	2012	US$ LIBOR			**–**	(25.1)
Indian rupee term loan					**(0.1)**	(0.3)
Non-current bank loans					**242.7**	536.3

Fixed rate notes	Maturity	Interest basis	Weighted average interest rate 2012 %	Weighted average interest rate 2011 %	2012 £m	2011 £m
Private placement						
Sterling fixed rate notes	2015	FIXED	**4.58**	4.58	**12.0**	12.0
United States dollar fixed rate notes	2015	FIXED	**4.20**	4.20	**55.7**	58.1
Sterling fixed rate notes	2018	FIXED	**5.36**	5.36	**42.9**	42.9
United States dollar fixed rate notes	2018	FIXED	**5.03**	5.03	**43.3**	45.2
United States dollar fixed rate notes	2019	FIXED	**3.69**	–	**129.7**	–
United States dollar fixed rate notes	2022	FIXED	**4.27**	–	**364.3**	–
United States dollar fixed rate notes	2023	FIXED	**4.34**	–	**123.5**	–
Non-current fixed rate notes					**771.4**	158.2

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

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

On 16 February 2012 the Group issued US dollar denominated fixed rate notes via a Private Placement to US investors totalling US$1bn. The notes were US$210m of seven year, US$590m of ten year and US$200m of eleven year notes. The average coupon payable is 4.16%. Following this issue, the Group repaid in full the US$380m bridging loan undertaken in 2011 to fund the Seaboard acquisition. These new notes are in addition to the Group's existing US$800m multi-currency revolving credit facility which was entered into in 2010, and the US$300m amortising term loan executed in 2011. As at December 2012, US$242m was drawn under the revolving credit facility (this being to fund the acquisition of Mathena, Inc. on 31 December 2012) and US$252m was outstanding under the amortising term loan. Total unamortised issue costs at 28 December 2012 were £6.2m (2011: £7.4m).

21. Trade & other payables

	2012 £m	2011 Restated (note 2) £m
Current		
Trade payables	**281.5**	348.0
Other creditors	**13.5**	19.0
Other taxes & social security costs	**18.0**	17.9
Accruals	**105.1**	109.0
Contingent consideration	**0.4**	9.1
Deferred income	**67.3**	66.1
	485.8	569.1
Non-current		
Other payables	**1.9**	–
Contingent consideration	**24.4**	15.5
	26.3	15.5

22. Provisions

	Warranties & onerous sales contracts £m	Employee related £m	Discontinued operations warranty & indemnity £m	Other £m	Total £m
At 30 December 2011	**50.5**	**26.2**	**5.5**	**8.1**	**90.3**
Prior year adjustments	**1.8**	**–**	**–**	**0.5**	**2.3**
At 30 December 2011 (restated note 2)	**52.3**	**26.2**	**5.5**	**8.6**	**92.6**
Additions	**19.5**	**5.1**	**–**	**5.8**	**30.4**
Acquisitions	**0.1**	**–**	**–**	**–**	**0.1**
Disposal of business	**(2.9)**	**–**	**–**	**–**	**(2.9)**
Utilised	**(20.6)**	**(3.8)**	**(0.5)**	**(7.6)**	**(32.5)**
Unutilised	**(12.5)**	**(0.3)**	**(3.3)**	**(0.5)**	**(16.6)**
Exchange adjustment	**(1.3)**	**(0.1)**	**–**	**(0.1)**	**(1.5)**
At 28 December 2012	**34.6**	**27.1**	**1.7**	**6.2**	**69.6**
Current 2012	**26.7**	**3.9**	**0.7**	**5.1**	**36.4**
Non-current 2012	**7.9**	**23.2**	**1.0**	**1.1**	**33.2**
	34.6	**27.1**	**1.7**	**6.2**	**69.6**
Current 2011 (restated note 2)	41.8	3.6	3.3	6.8	55.5
Non-current 2011 (restated note 2)	10.5	22.6	2.2	1.8	37.1
	52.3	26.2	5.5	8.6	92.6

Warranties and onerous sales contracts

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. 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 majority of these costs will be incurred within one year 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 2025.

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22. Provisions (continued)

Discontinued operations warranty & indemnity

Provisions in respect of discontinued operations include provision for warranty and indemnity exposures under asset and share sale agreements. The provision as at 28 December 2012 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.

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

	2012 £m	2011 Restated (note 2) £m
Deferred income tax assets		
Post-employment benefits	**23.0**	23.0
Decelerated depreciation for tax purposes	**3.0**	6.0
Intangible assets	**0.6**	0.9
Untaxed reserves	**65.0**	73.1
Offset against liabilities	**(61.2)**	(64.3)
Deferred income tax assets	**30.4**	38.7
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	**(31.6)**	(25.9)
Overseas tax on unremitted earnings	**(24.1)**	(27.1)
Intangible assets	**(154.9)**	(148.2)
Other temporary differences	**(13.1)**	(12.4)
Offset against assets	**61.2**	64.3
Deferred income tax liabilities	**(162.5)**	(149.3)
Net deferred income tax liability	**(132.1)**	(110.6)

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 31 December 2010	18.9	(9.0)	(21.7)	(79.6)	43.4	(48.0)
Acquisitions	–	(4.4)	–	(75.2)	13.5	(66.1)
(Charged) credited to the income statement (note 7)	(5.0)	(6.5)	(6.7)	7.2	(1.9)	(12.9)
Credited to equity	9.1	–	–	–	5.7	14.8
Exchange adjustment	–	–	1.3	0.3	–	1.6
At 30 December 2011 – restated (note 2)	**23.0**	**(19.9)**	**(27.1)**	**(147.3)**	**60.7**	**(110.6)**
Acquisitions	**–**	**(2.2)**	**–**	**(21.4)**	**0.6**	**(23.0)**
(Charged) credited to the income statement (note 7)	**(0.5)**	**(7.6)**	**3.0**	**8.3**	**(4.7)**	**(1.5)**
Credited (charged) to equity	**0.7**	**–**	**–**	**–**	**(3.1)**	**(2.4)**
Exchange adjustment	**(0.2)**	**1.1**	**–**	**6.1**	**(1.6)**	**5.4**
At 28 December 2012	**23.0**	**(28.6)**	**(24.1)**	**(154.3)**	**51.9**	**(132.1)**

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 £4.5m (2011: £1.6m) 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 £9.8m (2011: £10.7m) 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 £24.1m (2011: £27.1m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries. As at 28 December 2012, 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 £1,367.0m (2011: £1,095.0m).

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 2012 Budget and Autumn statement. The Finance Act 2012 enacted legislation to reduce the UK corporate rate of taxation from 24% to 23% from 1 April 2013. A further reduction in the UK rate has been announced reducing the corporation tax main rate to 21% from April 2014. This further change has not been substantively enacted at the balance sheet date and therefore, is not reflected in the consolidated results for the 52 weeks ended 28 December 2012. 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.

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24. Pensions & other post-employment benefit plans

The Group has five main defined benefit pension plans in the UK and North America. All defined benefit plans are closed to new members. The most significant of the defined benefit plans are the two funded UK plans. Contributory salary in respect of the Group's main UK plan is capped and will increase in line with RPI inflation up to a maximum of 5% per annum. 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	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Plan assets at fair value						
Equities	**156.9**	150.2	**7.7**	7.1	**164.6**	157.3
Bonds	**121.3**	91.4	**6.9**	6.3	**128.2**	97.7
Insurance policy	**348.2**	335.3	**–**	–	**348.2**	335.3
Other	**7.6**	14.8	**0.9**	1.1	**8.5**	15.9
Fair value of plan assets	**634.0**	591.7	**15.5**	14.5	**649.5**	606.2
Present value of plan liabilities	**(709.9)**	(662.3)	**(30.0)**	(28.6)	**(739.9)**	(690.9)
Net pension liability	**(75.9)**	(70.6)	**(14.5)**	(14.1)	**(90.4)**	(84.7)

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	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Recognised in the Consolidated Income Statement						
Current service cost	**2.1**	1.3	**–**	–	**2.1**	1.3
Past service gain – exceptional item (note 5)	**–**	(19.0)	**–**	–	**–**	(19.0)
Expected return on plan assets	**(30.5)**	(32.2)	**(0.6)**	(0.9)	**(31.1)**	(33.1)
Interest cost on plan liabilities	**31.1**	33.1	**1.2**	1.3	**32.3**	34.4
Other finance costs	**0.6**	0.9	**0.6**	0.4	**1.2**	1.3
Taken to the Consolidated Statement of Comprehensive Income						
Actual return on plan assets	**63.6**	31.7	**1.5**	0.5	**65.1**	32.2
Less: expected return on plan assets	**(30.5)**	(32.2)	**(0.6)**	(0.9)	**(31.1)**	(33.1)
	33.1	(0.5)	**0.9**	(0.4)	**34.0**	(0.9)
Other actuarial losses	**(45.3)**	(41.7)	**(2.8)**	(2.4)	**(48.1)**	(44.1)
Actuarial losses recognised in the Consolidated Statement of Comprehensive Income	**(12.2)**	(42.2)	**(1.9)**	(2.8)	**(14.1)**	(45.0)

Pension contributions are determined with the advice of independent qualified actuaries on the basis of regular valuations using the projected unit method. The Group made special contributions of £7.5m in 2012 (2011: £6.6m) in addition to the employers regular contributions. The special contributions for 2013 are expected to be £12.1m, reducing to £9.6m in 2014. The total contributions to the defined benefit plans in 2013 are expected to be £15.4m (2012: £11.0m). 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.

Under IAS19 (Revised), there will be no impact on the disclosed defined benefit obligation. The net charge to the Income Statement will increase by approximately £3m following the introduction of the concept of recognising net interest on the net defined benefit obligation in place of the interest on the defined benefit obligation and the expected return on plan assets recognised under the current standard.

The Executive Scheme Triennial Valuation was signed on 30 April 2012 and the Main Scheme Triennial Valuation was signed on 31 January 2013.

	UK pensions 2012 %	UK pensions 2011 %	North American pensions 2012 %	North American pensions 2011 %	Post-retirement healthcare 2012 %	Post-retirement healthcare 2011 %
Main assumptions						
Rate of salary increase	**2.9**	3.1	**3.3**	3.4	**n/a**	n/a
Rate of increase in pensions in payment						
Pre 6 April 2006 service	**2.9**	2.9	**n/a**	n/a	**n/a**	n/a
Post 6 April 2006 service	**2.1**	1.9	**n/a**	n/a	**n/a**	n/a
Discount rate	**4.3**	4.8	**3.9**	4.5	**3.9**	4.5
Expected rates of return on plan assets						
Equities	*	7.6	*	6.2	**n/a**	n/a
Bonds	*	3.4	*	4.1	**n/a**	n/a
Insurance policy	*	4.8	**n/a**	n/a	**n/a**	n/a
Other	*	2.6	*	3.8	**n/a**	n/a
Retail Prices inflation assumption	**2.9**	3.1	**n/a**	n/a	**n/a**	n/a
Consumer Prices inflation assumption	**2.2**	2.2	**2.0**	2.2	**2.4**	2.1
Rate of increase in healthcare costs	**n/a**	n/a	**n/a**	n/a	***	**

* IAS19 (Revised), effective for periods beginning on or after 1 January 2013 caps the expected rate of return on assets at the discount rate applied to plan liabilities.
** 8.30% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.
*** 7.70% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.

	UK pensions 2012 Years	UK pensions 2011 Years	North American pensions 2012 Years	North American pensions 2011 Years	Post-retirement healthcare 2012 Years	Post-retirement healthcare 2011 Years
Post-retirement mortality						
Current pensioners at 65 – male	**21.8**	20.9	**19.9**	19.3	**19.5**	19.1
Current pensioners at 65 – female	**24.3**	23.7	**21.8**	21.3	**21.4**	21.0
Future pensioners at 65 – male	**23.6**	23.0	**21.4**	19.4	**21.0**	19.1
Future pensioners at 65 – female	**26.3**	25.8	**22.6**	21.4	**22.3**	21.0

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 2032 (in 20 years time).

Changes in key assumptions can have a significant effect on the reported retirement benefit obligation and the income statement expense for 2013. The effects of changes in those assumptions are set out in the table below.

	Increase 2012 £m	Decrease 2012 £m	Increase 2011 £m	Decrease 2011 £m
Discount rate				
Effect on Consolidated Income Statement in the following financial year of a 1% change	**4.3**	**(3.4)**	0.8	(2.1)
Effect on net liability of a 1% change	**70.6**	**(87.8)**	71.1	(71.7)

The impact on the net liability is significantly reduced as a result of the insurance policies held. In the absence of such policies, the impact of a 1% decrease in discount rates would be broadly £37m higher.

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

	Increase 2012 £m	Decrease 2012 £m	Increase 2011 £m	Decrease 2011 £m
Effect on net liability	**(0.7)**	**0.6**	(0.6)	0.5

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	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Opening defined benefit obligations	**662.3**	633.9	**28.6**	25.9	**690.9**	659.8
Current service cost	**2.1**	1.3	**–**	–	**2.1**	1.3
Past service gain	**–**	(19.0)	**–**	–	**–**	(19.0)
Interest cost	**31.1**	33.1	**1.2**	1.3	**32.3**	34.4
Benefits paid	**(31.0)**	(29.5)	**(1.3)**	(1.3)	**(32.3)**	(30.8)
Contributions by employees	**0.1**	0.8	**–**	–	**0.1**	0.8
Actuarial losses	**45.3**	41.7	**2.8**	2.4	**48.1**	44.1
Exchange adjustment	**–**	–	**(1.3)**	0.3	**(1.3)**	0.3
Closing defined benefit obligations	**709.9**	662.3	**30.0**	28.6	**739.9**	690.9

The defined benefit obligations comprise £8.1m (2011: £8.4m) arising from unfunded plans and £731.8m (2011: £682.5m) from plans that are wholly or partially funded.

The past service gain for 2011 of £19.0m arose as a result of a decision by the Trustees of The Weir Group Pension and Retirement Saving Scheme that, following the Government's change in legislation, certain elements of pension would increase in line with Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This decision was announced to the members of the scheme in July 2011. The past service gain was recognised last year as an exceptional item in the Consolidated Income Statement.

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

	UK pensions		North American pensions & post-retirement healthcare		Total	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Opening plan assets	**591.7**	580.6	**14.5**	14.2	**606.2**	594.8
Expected return on plan assets	**30.5**	32.2	**0.6**	0.9	**31.1**	33.1
Employer contributions	**9.6**	8.1	**1.4**	1.1	**11.0**	9.2
Contributions by employees	**0.1**	0.8	**–**	–	**0.1**	0.8
Benefits paid	**(31.0)**	(29.5)	**(1.3)**	(1.3)	**(32.3)**	(30.8)
Actuarial gains (losses)	**33.1**	(0.5)	**0.9**	(0.4)	**34.0**	(0.9)
Exchange adjustment	**–**	–	**(0.6)**	–	**(0.6)**	–
Closing plan assets	**634.0**	591.7	**15.5**	14.5	**649.5**	606.2

History of experience gains & losses

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
UK pensions					
Fair value of plan assets	**634.0**	591.7	580.6	539.8	487.7
Present value of defined benefit obligations	**(709.9)**	(662.3)	(633.9)	(600.3)	(501.3)
Deficit in the plans	**(75.9)**	(70.6)	(53.3)	(60.5)	(13.6)
Experience adjustments arising on plan liabilities	**14.5**	0.9	(2.8)	(10.6)	(10.0)
Changes in assumptions underlying plan liabilities	**(59.8)**	(42.6)	(22.5)	(111.6)	70.7
Experience adjustments arising on plan assets	**33.1**	(0.5)	24.0	64.4	(119.2)
North American pensions & post-retirement healthcare					
Fair value of plan assets	**15.5**	14.5	14.2	12.4	61.2
Present value of defined benefit obligations	**(30.0)**	(28.6)	(25.9)	(22.9)	(77.5)
Deficit in the plans	**(14.5)**	(14.1)	(11.7)	(10.5)	(16.3)
Experience adjustments arising on plan liabilities	**–**	(0.3)	(0.3)	1.5	–
Changes in assumptions underlying plan liabilities	**(2.8)**	(2.1)	(2.3)	(1.2)	0.1
Experience adjustments arising on plan assets	**0.9**	(0.4)	0.5	(0.2)	(3.6)

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since 28 December 2003 is a loss of £109.1m (2011: £95.0m).

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

25. Share capital & reserves

	2012 Number Million	2011 Number Million
Issued & fully paid share capital		
At the beginning of the period	**213.0**	212.8
Issued during the period in respect of LTIP awards	**0.6**	0.2
At the end of the period	**213.6**	213.0
Treasury shares		
At the beginning of the period	**1.7**	2.1
Issued during the period in respect of LTIP awards	**(0.6)**	(0.4)
At the end of the period	**1.1**	1.7

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

As at 28 December 2012, 125,196 shares (2011: 168,142 shares) were held by the Kleinwort EBT with a market value of £2.3m (2011: £3.4m).

As at 28 December 2012, 104,568 shares (2011: Nil) were held by the Appleby EBT for the strategic and matching elements of the deferred bonus and 51,255 shares (2011: £Nil) for the deferred element. These shares have a market value of £2.9m (2011: £Nil).

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.

Notes to the Group Financial Statements
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25. Share capital & reserves (continued)

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.

	2012 £m	2011 £m
Revenue	–	(0.5)
Cost of sales	(0.8)	2.0
	(0.8)	1.5

26. Additional cash flow information

	2012 £m	2011 Restated (note 2) £m
Continuing operations		
Net cash generated from operations		
Operating profit	469.1	407.9
Non cash exceptional items	(20.2)	–
Share of results of joint ventures	(6.4)	(4.8)
Depreciation of property, plant & equipment	49.4	37.3
Amortisation of intangible assets	36.7	23.8
Impairment of plant & equipment	–	0.4
Gains on disposal of property, plant & equipment	(0.9)	(0.8)
Defined benefit plans past service credit	–	(19.0)
Funding of pension & post-retirement costs	(1.3)	(1.3)
Employee share schemes	7.5	4.9
Net foreign exchange including derivative financial instruments	0.3	4.5
(Decrease) increase in provisions	(18.7)	5.0
Cash generated from operations before working capital cash flows	515.5	457.9
Increase in inventories	(61.6)	(137.6)
Decrease (increase) in trade & other receivables & construction contracts	24.4	(127.8)
(Decrease) increase in trade & other payables & construction contracts	(79.7)	110.1
Cash generated from operations	398.6	302.6
Additional pension contributions paid	(7.5)	(6.6)
Income tax paid	(104.9)	(97.3)
Net cash generated from operating activities	286.2	198.7

The settlement of the external debt of Seaboard and Novatech on acquisition has been classified as a financing cash flow in accordance with IAS7.

The following tables summarise the cashflows arising on acquisitions:

	2012 £m	2011 £m
Acquisitions of subsidiaries		
Current period acquisitions (see below)	**(114.9)**	(384.1)
Previous periods acquisitions contingent consideration paid	**(8.4)**	(1.9)
	(123.3)	(386.0)
Settlement of external debt of subsidiary on acquisition	**(1.9)**	(55.4)
Acquisition of subsidiaries – current year acquisitions	**(114.9)**	(384.1)
Total cash outflow on acquisition of subsidiaries – current year (note 13)	**(116.8)**	(439.5)
Previous periods acquisitions contingent consideration paid	**(8.4)**	(1.9)
Total cash outflow relating to acquisitions	**(125.2)**	(441.4)
Disposals of subsidiaries		
Current period disposals – proceeds	**25.2**	–
– cash disposed of	**(1.8)**	–
Prior period disposals	**(0.5)**	–
	22.9	–
Reconciliation of net increase in cash & cash equivalents to movement in net debt		
Net increase in cash & cash equivalents from continuing operations	**284.4**	5.7
Net increase in cash & cash equivalents from discontinued operations – investing activities (note 8)	**–**	24.6
Net increase in debt	**(322.6)**	(362.8)
Change in net debt resulting from cash flows	**(38.2)**	(332.5)
Lease inceptions	**(0.1)**	(0.9)
Loans acquired	**(2.3)**	(55.6)
Foreign currency translation differences	**24.9**	(0.6)
Change in net debt during the period	**(15.7)**	(389.6)
Net debt at the beginning of the period	**(673.2)**	(283.6)
Net debt at the end of the period	**(688.9)**	(673.2)
Net debt comprises the following		
Cash & short-term deposits (note 19)	**391.1**	113.9
Current interest-bearing loans & borrowings (note 20)	**(65.4)**	(92.0)
Non-current interest-bearing loans & borrowings (note 20)	**(1,014.6)**	(695.1)
	(688.9)	(673.2)
Proceeds from sale	**25.2**	–
Cash disposed	**(1.8)**	–
Net cash inflow from current year disposals	**23.4**	–
Current year disposals had the following effect on the Group's assets and liabilities		
Trade and other receivables	**6.2**	–
Construction contract assets	**0.9**	–
Net derivative financial instruments	**(0.6)**	–
Trade and other payables	**(8.1)**	–
Construction contract liabilities	**(6.7)**	–
Provisions	**(2.9)**	–
Net assets disposed	**(11.2)**	–

Notes to the Group Financial Statements
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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.

	2012 £m	2011 £m
Less than one year	25.0	16.0
After one year but not more than five years	56.1	44.2
More than five years	19.5	11.1
	100.6	71.3

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 2012 £m	Present value of payments 2012 £m	Minimum payments 2011 £m	Present value of payments 2011 £m
Less than one year	0.2	0.2	0.5	0.5
After one year but not more than five years	0.5	0.5	0.6	0.6
After five years	0.1	–	0.1	–
Total minimum lease payments	0.8		1.2	
Less amounts representing finance charges	(0.1)		(0.1)	
Present value of minimum lease payments	0.7	0.7	1.1	1.1

The weighted average outstanding lease term is 4.42 years (2011: 4.58 years). For the 52 weeks ended 28 December 2012, the weighted average effective borrowing rate was 5.74% (2011: 5.95%).

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital commitments

	2012 £m	2011 £m
Outstanding capital commitments contracted but not provided for – property, plant & equipment	13.6	28.2

The Group's share of the capital commitments of its joint ventures amounted to £0.5m (2011: £0.3m).

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.

On 6 February 2013, an Opinion and Order was filed with the United States District Court, Southern District of New York dismissing the claim against the Company (being one of many companies targeted) relating to a civil action for damages arising from the UN Oil for Food programme which was raised in the US. Subsequently the Iraqi Government filed notice of appeal and at the time of writing there has been no ruling by the Court on this appeal. We will continue to defend this action vigorously.

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 66 to 80.

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

	2012 Number Million	**2012 WASP**	2011 Number Million	2011 WASP
Outstanding at the beginning of the period	**2.3**	**£8.26**	2.5	£6.32
Awarded during the period	**0.5**	**£19.43**	0.5	£16.13
Exercised during the period	**(1.1)**	**£4.01**	(0.6)	£7.47
Forfeited during the period	**–**	**–**	(0.1)	£7.03
Outstanding at the end of the period	**1.7**	**£14.57**	2.3	£8.26

An amount of £6.7m (2011: £4.9m) 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 £2.0m (2011: £1.4m) in respect of parent company employees and £4.7m (2011: £3.5m) in respect of employees of subsidiaries.

Certain subsidiary companies made a cash contribution to the parent company of £2.0m (2011: £2.0m) in the period in respect of their employees' LTIP awards.

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

Year of award	**2012 Number Million**	**2012 Remaining contractual life**	2011 Number Million	2011 Remaining contractual life
2009	**–**	**–**	1.2	3 months
2010	**0.6**	**3 months**	0.6	15 months
2011	**0.6**	**15 months**	0.5	27 months
2012	**0.5**	**27 months**	–	–

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 28 December 2012 and the 52 weeks ended 30 December 2011 in the calculation of the fair value of awards made in those years.

	2012	2011
Weighted average expected volatility (%)	**40.00**	50.00
Weighted average expected life (years)	**3.00**	3.00
Weighted average risk free rate (%)	**0.53**	1.66
Weighted average share price (£)	**19.43**	16.13
Weighted average fair value (£)	**14.32**	12.69

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 volatility 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.

Notes to the Group Financial Statements
Continued

28. Equity settled share-based payments (continued)

Deferred Bonus Plan

There are three types of award which may be made under the Deferred Bonus Plan: shares purchased on the employee's behalf as part of the annual bonus, matching shares and strategic shares for senior executives apart from members of the Group Executive.

The following table illustrates the number of shares awarded under the Deferred Bonus Plan.

	2012 Number Million	2011 Number Million
Outstanding at the beginning of the period	–	–
Awarded during the period	0.2	–
Exercised during the period	–	–
Forfeited during the period	(0.1)	–
Outstanding at the end of the period	0.1	–

An amount of £0.8m 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.

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	Purchases from related parties – services £m	Amounts owed to related parties £m
Joint ventures	2012	1.0	0.2	1.7	2.6	–
	2011	0.5	0.2	0.8	1.6	–
Group pension plans	2012	–	–	–	–	1.4
	2011	–	–	–	–	1.5

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 28 December 2012, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2011: £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	2012 £m	2011 £m
Short-term employee benefits	6.5	6.6
Share-based payments	2.7	2.0
Post-employment benefits	0.1	–
	9.3	8.6

Key management comprises the Board and the Group Executive. Further details of the Board remuneration can be found in the Remuneration report on pages 66 to 80.

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 risk 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 derivatives, 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.

In respect of transactional foreign currency risk, the Group maintains a policy that all operating units eliminate exposures on material committed transactions, usually by undertaking forward foreign currency contracts through the Group's 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 in accordance with IAS39. 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 cash flows 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 16 February 2012, the Group issued US$1bn of fixed rate notes to the US private placement market with maturities of seven years (US$210.0m), ten years (US$590.0m) and eleven years (US$200.0m). On receipt of these funds, the Group repaid the US$380.0m bridging loan and reduced the proportion of floating rate borrowings from 80% to 28% at 28 December 2012.

Net investment in foreign operations

As at 28 December 2012, US dollar fixed rate notes of US$1,088.2m (2011: US$160.0m) and US dollar variable rate loans of US$252.0m (2011: US$926.5m), both included in interest-bearing loans and borrowings, cross currency swaps of US$89.4m (2011: US$254.0m) and net forward foreign currency liability contracts of US$48.0m (2011: US$48.0m) have been designated as a hedge of the Group's exposure to translational foreign exchange risk on its net investments in Weir SPM, Weir Warman, Seaboard and Novatech. 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 reported in the financial statements.

	Carrying amount 2012 £m	Fair value 2012 £m	Carrying amount 2011 Restated (note 2) £m	Fair value 2011 Restated (note 2) £m
Financial assets				
Derivative financial instruments recognised at fair value through profit or loss	**4.2**	**4.2**	5.8	5.8
Derivative financial instruments in designated hedge accounting relationships	**0.2**	**0.2**	0.7	0.7
Trade & other receivables excluding statutory assets & prepayments	**449.0**	**449.0**	489.7	489.7
Cash & short-term deposits	**391.1**	**391.1**	113.9	113.9
	844.5	**844.5**	610.1	610.1
Financial liabilities				
Derivative financial instruments recognised at fair value through profit or loss	**(14.6)**	**(14.6)**	(9.2)	(9.2)
Derivative financial instruments in designated hedge accounting relationships	**(0.9)**	**(0.9)**	(30.4)	(30.4)
Amortised cost				
Bank overdrafts & short-term borrowings	**(6.9)**	**(6.9)**	(5.3)	(5.3)
Trade & other payables excluding statutory liabilities & deferred income	**(424.9)**	**(424.9)**	(500.6)	(500.6)
Obligations under finance leases	**(0.7)**	**(0.7)**	(1.1)	(1.1)
Floating rate borrowings	**(300.9)**	**(300.9)**	(622.1)	(622.1)
Fixed rate borrowings	**(771.5)**	**(792.7)**	(158.6)	(166.1)
	(1,520.4)	**(1,541.6)**	(1,327.3)	(1,334.8)

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 cross currency swaps is calculated as the present value of the estimated future cash flows based on 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.

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 28 December 2012 and 30 December 2011, the Group held all financial instruments at level 2 fair value measurement. During the 52 weeks ended 28 December 2012 and the 52 weeks ended 30 December 2011, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or 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 approximates 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.

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.

	2012 £m	2011 £m
Included in non-current assets		
Forward foreign currency contracts designated as cash flow hedges	–	0.1
Other forward foreign currency contracts	0.8	–
	0.8	0.1
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	0.2	0.6
Other forward foreign currency contracts	3.4	5.8
	3.6	6.4
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	0.1	2.1
Forward foreign currency contracts designated as net investment hedges	0.3	0.4
Cross currency swaps designated as net investment hedges	–	12.9
Other cross currency swaps	9.1	–
Other forward foreign currency contracts	5.2	9.0
	14.7	24.4
Included in non-current liabilities		
Forward foreign currency contracts designated as cash flow hedges	–	0.7
Cross currency swaps designated as net investment hedges	0.5	14.3
Other forward foreign currency contracts	0.3	0.2
	0.8	15.2
Net derivative financial liabilities	11.1	33.1

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 28 December 2012	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	449.0	–	–	–	449.0
Cash & short-term deposits	391.1	–	–	–	391.1
Non-derivative financial assets	840.1	–	–	–	840.1
Trade & other payables excluding statutory liabilities & deferred income	(400.5)	(5.4)	(4.8)	(27.8)	(438.5)
Obligations under finance leases	(0.2)	(0.2)	(0.3)	(0.1)	(0.8)
Bank overdrafts & short-term borrowings	(6.9)	–	–	–	(6.9)
Bank loans	(60.8)	(243.7)	–	–	(304.5)
Fixed rate notes	(33.5)	(33.5)	(159.7)	(803.0)	(1,029.7)
Non-derivative financial liabilities	(501.9)	(282.8)	(164.8)	(830.9)	(1,780.4)
Net non-derivative financial assets (liabilities)	338.2	(282.8)	(164.8)	(830.9)	(940.3)

52 weeks ended 30 December 2011 (restated note 2)	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	489.7	–	–	–	489.7
Cash & short-term deposits	113.9	–	–	–	113.9
Non-derivative financial assets	603.6	–	–	–	603.6
Trade & other payables excluding statutory liabilities & deferred income	(485.1)	–	(8.2)	(15.8)	(509.1)
Obligations under finance leases	(0.5)	(0.3)	(0.3)	(0.1)	(1.2)
Bank overdrafts & short-term borrowings	(5.3)	–	–	–	(5.3)
Bank loans	(99.0)	(312.6)	(236.2)	–	(647.8)
Fixed rate loans	(7.6)	(7.6)	(86.6)	(92.7)	(194.5)
Non-derivative financial liabilities	(597.5)	(320.5)	(331.3)	(108.6)	(1,357.9)
Net non-derivative financial assets (liabilities)	6.1	(320.5)	(331.3)	(108.6)	(754.3)

52 weeks ended 28 December 2012

	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	**(53.1)**	**(2.9)**	**(19.3)**	**(43.4)**	**(118.7)**
Cross currency swaps – inflow	**43.8**	**2.8**	**19.0**	**43.1**	**108.7**
Cross currency swaps – net outflow	**(9.3)**	**(0.1)**	**(0.3)**	**(0.3)**	**(10.0)**
Forward foreign currency contracts – outflow	**(584.8)**	**(13.9)**	**(33.0)**	**–**	**(631.7)**
Forward foreign currency contracts – inflow	**583.3**	**14.2**	**33.6**	**–**	**631.1**
Forward foreign currency contracts – net (outflow) inflow	**(1.5)**	**0.3**	**0.6**	**–**	**(0.6)**
Derivative financial instruments – net outflow	**(637.9)**	**(16.8)**	**(52.3)**	**(43.4)**	**(750.4)**
Derivative financial instruments – net inflow	**627.1**	**17.0**	**52.6**	**43.1**	**739.8**
Derivative financial instruments – net (outflow) inflow	**(10.8)**	**0.2**	**0.3**	**(0.3)**	**(10.6)**
Effect of discounting					**(0.5)**
Net derivative financial liabilities					**(11.1)**

52 weeks ended 30 December 2011

	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	(57.1)	(55.3)	(20.7)	(47.6)	(180.7)
Cross currency swaps – inflow	45.1	43.9	19.6	45.4	154.0
Cross currency swaps – net outflow	(12.0)	(11.4)	(1.1)	(2.2)	(26.7)
Forward foreign currency contracts – outflow	(642.4)	(23.1)	(6.0)	–	(671.5)
Forward foreign currency contracts – inflow	637.6	22.3	5.9	–	665.8
Forward foreign currency contracts – net outflow	(4.8)	(0.8)	(0.1)	–	(5.7)
Derivative financial instruments – outflow	(699.5)	(78.4)	(26.7)	(47.6)	(852.2)
Derivative financial instruments – inflow	682.7	66.2	25.5	45.4	819.8
Derivative financial instruments – net outflow	(16.8)	(12.2)	(1.2)	(2.2)	(32.4)
Effect of discounting					(0.7)
Net derivative financial liabilities					(33.1)

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 28 December 2012	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Fixed rate debt					
Bank loans	(0.1)	–	–	–	(0.1)
Fixed rate notes	–	–	(67.7)	(703.7)	(771.4)
Obligations under finance leases	(0.3)	(0.2)	(0.3)	–	(0.8)
	(0.4)	(0.2)	(68.0)	(703.7)	(772.3)
Fixed rate derivatives					
Notional cross currency swaps US dollar leg	–	–	(19.5)	(69.9)	(89.4)
Notional cross currency swaps sterling leg	–	–	12.0	43.0	55.0
	–	–	(7.5)	(26.9)	(34.4)
Net fixed rate financial instruments	(0.4)	(0.2)	(75.5)	(730.6)	(806.7)
Floating rate net debt					
Cash & short-term deposits	391.1	–	–	–	391.1
Bank overdrafts & short-term borrowings	(6.9)	–	–	–	(6.9)
Bank loans	(58.3)	(242.7)	–	–	(301.0)
	325.9	(242.7)	–	–	83.2
Floating rate derivatives					
Notional cross currency swaps US dollar leg	(81.0)	–	–	–	(81.0)
Notional cross currency swaps sterling leg	41.0	–	–	–	41.0
	(40.0)	–	–	–	(40.0)
Net floating rate financial instruments	285.9	(242.7)	–	–	43.2

52 weeks ended 30 December 2011	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Fixed rate debt					
Bank loans	(0.3)	(0.1)	–	–	(0.4)
Fixed rate notes	–	–	(70.1)	(88.1)	(158.2)
Obligations under finance leases	(0.5)	(0.3)	(0.3)	–	(1.1)
	(0.8)	(0.4)	(70.4)	(88.1)	(159.7)
Fixed rate derivatives					
Notional cross currency swaps US dollar leg	–	–	(12.6)	(45.1)	(57.7)
Notional cross currency swaps sterling leg	–	–	12.0	43.0	55.0
	–	–	(0.6)	(2.1)	(2.7)
Net fixed rate financial instruments	(0.8)	(0.4)	(71.0)	(90.2)	(162.4)
Floating rate net debt					
Cash & short-term deposits	113.9	–	–	–	113.9
Bank overdrafts & short-term borrowings	(5.3)	–	–	–	(5.3)
Bank loans	(85.9)	(304.4)	(231.8)	–	(622.1)
	22.7	(304.4)	(231.8)	–	(513.5)
Floating rate derivatives					
Notional cross currency swaps US dollar leg	(53.5)	(52.2)	–	–	(105.7)
Notional cross currency swaps sterling leg	40.6	41.0	–	–	81.6
	(12.9)	(11.2)	–	–	(24.1)
Net floating rate financial instruments	9.8	(315.6)	(231.8)	–	(537.6)

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity through the impact on floating rate borrowings and cross currency swaps in respect of each currency to which the Group has a significant exposure to interest rate risk.

	Increase in basis points	Effect on profit before tax gain (loss) £m	Effect on equity (loss) £m
2012			
UK sterling	**+ 100**	**2.2**	**–**
US dollar	**+ 100**	**(1.5)**	**(2.4)**
2011			
UK sterling	+ 100	1.5	–
US dollar	+ 100	(1.8)	(9.1)

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

Notes to the Group Financial Statements
Continued

30. Financial assets & liabilities (continued)

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. During the period two subsidiaries within the Group applied cash flow hedge accounting to these transactions. As at 28 December 2012 one of these subsidiaries, LGE Process Ltd, was disposed of and the hedge relationship discontinued with the existing hedge reserve balance of £0.2m charged to the income statement. 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.

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 28 December 2012

	Net carrying amount £m	Maturity dates	Gain/(loss) recognised in profit or loss £m	Gain recognised in equity £m
Forward foreign currency contracts designated as cash flow hedges	**0.1**	**2013**	**(0.9)**	**1.0**
Forward foreign currency contracts designated as net investment hedges	**(0.3)**	**2013**	**–**	**1.4**
Cross currency swaps designated as net investment hedges	**(0.5)**	**2013 to 2018**	**0.4**	**4.9**
Other forward foreign currency contracts at fair value through profit or loss	**(10.4)**	**2012 to 2017**	**(1.7)**	**–**
	(11.1)		**(2.2)**	**7.3**

52 weeks ended 30 December 2011

	Net carrying amount £m	Maturity dates	Gain recognised in profit or loss £m	Gain/(loss) recognised in equity £m
Forward foreign currency contracts designated as cash flow hedges	(2.1)	2012 to 2013	1.5	(1.2)
Forward foreign currency contracts designated as net investment hedges	(0.4)	2012	–	(0.1)
Cross currency swaps designated as net investment hedges	(27.2)	2012 to 2018	0.2	1.0
Other forward foreign currency contracts at fair value through profit or loss	(3.4)	2012 to 2017	4.3	–
	(33.1)		6.0	(0.3)

The £0.4m gain (2011: £0.2m) recognised in profit or loss in respect of cross currency swaps designated as net investment hedges reflects the benefit of US dollar/sterling interest rate differential. The Group's forward foreign currency contracts subject to cash flow hedge accounting which were deemed to be ineffective during the period resulted in a net charge to the income statement of £nil (2011: £nil).

Foreign exchange risk

The Group considers the most significant foreign exchange risk relates to the Australian dollar, Canadian dollar, Euro and United States dollar. The following table demonstrates the sensitivity to a reasonably possible change in these foreign currency exchange rates with all other variables held constant. The sensitivity analysis shows the effect on profit or loss in respect of financial assets and liabilities denominated in foreign currency, including payables, receivables, borrowings and forward foreign currency contracts but excluding all financial assets and liabilities qualified as either cash flow or net investment hedges. The sensitivity analysis also shows the effect on equity in respect of financial assets and liabilities denominated in foreign currency qualifying as either cash flow or net investment hedges including forward foreign currency contracts, borrowings and cross currency swaps. The sensitivity analysis below has been presented to demonstrate the impact of a 25% strengthening of the relevant functional currency against the currencies shown below and therefore give an indication of the transactional foreign exposure that exists at a subsidiary level across the Group.

	Increase in currency rate	Effect on profit gain (loss) £m	Effect on equity gain (loss) £m
2012			
Australian dollar	+25%	**0.3**	**–**
Canadian dollar	+25%	**–**	**–**
Euro	+25%	**4.9**	**0.7**
US dollar	+25%	**5.0**	**183.3**
2011			
Australian dollar	+25%	0.3	–
Canadian dollar	+25%	0.5	–
Euro	+25%	(12.6)	(1.4)
US dollar	+25%	9.6	183.7

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.

	2012 £m	2011 £m
US dollar	**302.5**	253.5
Australian dollar	**57.4**	57.0
Euro	**36.4**	27.7
Canadian dollar	**34.9**	29.5
Brazilian real	**7.8**	11.7
Chilean peso	**31.3**	24.4
South African rand	**8.8**	8.4
United Kingdom pound	**(19.2)**	(18.8)
Other	**25.7**	19.3
Operating profit from continuing operations before exceptional items & intangibles amortisation	**485.6**	412.7

Notes to the Group Financial Statements
Continued

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).

	2012	Restated (note 2) 2011
Net debt (£m)	**688.9**	673.2
Total equity (£m)	**1,310.3**	1,117.5
Gearing ratio (%)	**53**	60

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.

	2012	Restated (note 2) 2011
Net debt (£m)	**688.9**	673.2
Operating profit (£m)	**469.1**	407.9
Exceptional items included in operating profit (note 5) (£m)	**(20.2)**	(19.0)
Depreciation, intangibles amortisation & impairment (£m)	**86.1**	61.5
EBITDA (£m)	**535.0**	450.4
Net debt to EBITDA cover (ratio)	**1.3**	1.5

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

	2012	2011
Operating profit before exceptional items & intangibles amortisation (£m)	**485.6**	412.7
Net finance costs (excluding exceptional items and other finance costs) (£m)	**41.3**	15.1
Interest cover (ratio)	**11.8**	27.3

The Group's banking arrangements also require the calculation of net debt to EBITDA and interest cover as part of the bi-annual financial covenant certifications. For the purposes of the covenants required by the Group's lenders, the net debt is to be converted at the exchange rate used in the preparation of the Group's income statement and cash flows, ie. average rate. In addition, profits of businesses acquired in the financial year have to be included as if the acquisitions occurred at the start of the financial year. The covenant calculations for the purposes of the Group's lenders are shown below.

Net debt to EBITDA cover – lender covenants basis

	2012	Restated (note 2) 2011
Net debt at average exchange rates (£m)	**719.8**	652.5
Operating profit* (£m)	**471.7**	436.2
Exceptional item included in operating profit (note 5) (£m)	**(20.2)**	(19.0)
Depreciation, intangibles amortisation & impairment* (£m)	**86.3**	67.2
EBITDA* (£m)	**537.8**	484.4
Net debt to EBITDA cover (ratio)	**1.3**	1.3

Interest cover – lender covenants basis

	2012	2011
Operating profit before exceptional items & intangibles amortisation* (£m)	**488.2**	441.7
Net finance costs (excluding exceptional items and other finance costs) (£m)	**41.3**	15.1
Interest cover (ratio)	**11.8**	29.3

* Adjusted for current year acquisitions.

32. Exchange rates

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

	2012	2011
Average rate (per £)		
US dollar	**1.58**	1.60
Australian dollar	**1.53**	1.56
Euro	**1.23**	1.15
Canadian dollar	**1.58**	1.59
Brazilian real	**3.10**	2.68
Chilean peso	**770.51**	774.99
South African rand	**13.01**	11.64
Closing rate (per £)		
US dollar	**1.62**	1.55
Australian dollar	**1.56**	1.51
Euro	**1.22**	1.20
Canadian dollar	**1.61**	1.58
Brazilian real	**3.30**	2.89
Chilean peso	**775.72**	805.90
South African rand	**13.69**	12.53

33. Events after the balance sheet date

On 31 December 2012, the Group completed the acquisition of Mathena, Inc. for an initial cash consideration of US$240m (£148m) with potential additional payments of US$145m payable over two years, contingent upon meeting profit growth targets.

On 20 February 2013, the Group announced the acquisition of R Wales and Cheong foundry and the agreement to acquire a heavy bay foundry in South Africa for a total combined consideration of £55m.

No further disclosures have been provided under IFRS3 in respect of business combinations after the balance sheet date on the basis that the initial accounting is not yet complete.

Independent Auditor's Report to the Members of The Weir Group PLC

We have audited the Company financial statements of The Weir Group PLC for the 52 weeks ended 28 December 2012 which comprise the Company Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK GAAP).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' statement of responsibilities set out on page 63, 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 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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 28 December 2012;
- have been properly prepared in accordance with UK GAAP; 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 28 December 2012.

James Douglas Nisbet (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
27 February 2013

Company Balance Sheet
at 28 December 2012

	Notes	28 December 2012 £m	30 December 2011 £m
Fixed assets			
Tangible assets	3	**1.2**	0.8
Intangible assets	4	**1.7**	–
Investments	5	**2,245.6**	1,597.5
Total fixed assets		**2,248.5**	1,598.3
Current assets			
Debtors	6	**38.2**	30.3
Derivative financial instruments	11	**9.0**	17.6
Cash at bank & in hand *		**321.6**	47.3
Total current assets		**368.8**	95.2
Creditors falling due within one year			
Creditors	7	**697.6**	568.7
Derivative financial instruments	11	**19.2**	29.6
Total current liabilities		**716.8**	598.3
Net current liabilities		**348.0**	503.1
Total assets less current liabilities		**1,900.5**	1,095.2
Creditors falling due after more than one year			
Loans	8	**1,318.7**	694.4
Derivative financial instruments	11	**1.4**	15.5
Total creditors falling due after more than one year		**1,320.1**	709.9
Provisions	9	**2.1**	5.4
Net assets excluding retirement benefits		**578.3**	379.9
Retirement benefits	10	**1.0**	1.0
Net assets including retirement benefits		**577.3**	378.9
Capital & reserves			
Share capital	12	**26.7**	26.6
Share premium	13	**38.0**	38.0
Treasury shares	13	**(5.6)**	(5.6)
Capital redemption reserve	13	**0.5**	0.5
Special reserve	13	**1.8**	1.8
Profit & loss account	13	**515.9**	317.6
Total equity		**577.3**	378.9

* The cash at bank & in hand includes £149.4m of short term deposits.

Approved by the Board of Directors on 27 February 2013

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 United Kingdom 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.

Intangible assets

Intangible assets are stated at cost and the cost is amortised over the estimated useful life by equal annual instalments at the rate of 25% for purchased software.

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.

I

II

III

IV

Share-based payments
Equity settled share-based incentives are provided to employees under the Company's Long Term Incentive Plan ('LTIP'), the Executive Bonus Scheme ('EBS') and as a consequence of occasional one-off conditional awards made to senior executives.

The fair value of the LTIP 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.

The EBS is determined as a percentage of the annual bonus. This percentage is matched by the Company with a share award that will vest on the third anniversary of the grant date provided the individual continues to hold the original bonus shares awarded and continues to be employed by the company at the date of vesting. The EBS includes a strategic bonus shares element for a limited number of senior employees. The fair value of the matching and strategic elements of the EBS is determined at the date of grant of the bonus and the cost is recognised on a straight line basis over the vesting period. 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.

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 and 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.

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 or fair value 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.

Notes to the Company Financial Statements
Continued

2. Profit attributable to the Company
The profit dealt with in the accounts of the Company was £267.2m (2011: £11.6m). 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

	2012 £m	2011 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2011: 25.8p (2010: 21.0p)	**54.8**	44.3
Interim dividend for 2012: 8.0p (2011: 7.2p)	**16.9**	15.2
	71.7	59.5
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2012: 30.0p (2011: 25.8p)	**63.8**	54.5

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 66 to 80.

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 (2011: £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.

3. Tangible assets

	Office & computer equipment £m
Cost	
At 30 December 2011	1.8
Additions	0.9
Reclassifications to intangible assets	(0.9)
At 28 December 2012	1.8
Aggregate depreciation	
At 30 December 2011	1.0
Charge for year	0.2
Reclassifications to intangible assets	(0.6)
At 28 December 2012	0.6
Net book value at 30 December 2011	0.8
Net book value at 28 December 2012	1.2

4. Intangible assets

	Purchased software £m
Cost	
At 30 December 2011	–
Additions	1.5
Reclassifications from tangible assets	0.9
At 28 December 2012	2.4
Aggregate amortisation	
At 30 December 2011	–
Charge for year	0.1
Reclassifications from tangible assets	0.6
At 28 December 2012	0.7
Net book value at 30 December 2011	–
Net book value at 28 December 2012	1.7

5. Fixed asset investments

	Subsidiaries Shares £m	Loans £m	Total £m
Cost			
At 30 December 2011	592.7	1,010.4	1,603.1
Additions	145.2	595.9	741.1
Repayments	–	(93.0)	(93.0)
At 28 December 2012	737.9	1,513.3	2,251.2
Impairment			
At 30 December 2011 & at 28 December 2012	0.2	5.4	5.6
Net book value at 30 December 2011	592.5	1,005.0	1,597.5
Net book value at 28 December 2012	737.7	1,507.9	2,245.6

The principal subsidiaries and joint ventures of the Company are listed on page 151.

6. Debtors

	2012 £m	2011 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	32.8	21.3
Tax recoverable	–	0.8
Deferred tax recoverable (note 14)	2.3	5.7
Other debtors	2.6	1.9
Prepayments & accrued income	0.5	0.6
	38.2	30.3

7. Creditors

	2012 £m	2011 £m
Bank overdrafts & short-term borrowings	114.7	197.0
Loans from subsidiaries	544.8	345.2
Amounts owed to subsidiaries	9.6	2.0
Tax payable	0.5	–
Other taxes & social security costs	1.3	2.0
Other creditors	4.8	4.3
Accruals & deferred income	21.9	18.2
	697.6	568.7

Notes to the Company Financial Statements
Continued

8. Loans

	2012 £m	2011 £m
Amounts due are repayable as follows		
Less than one year		
– bank loans	**58.3**	85.9
– loans from subsidiaries	**544.7**	345.2
More than one year but not more than two years		
– bank loans	**242.7**	304.4
– loans from subsidiaries	**11.9**	–
More than two years but not more than five years		
– bank loans	**–**	231.8
– fixed rate notes	**67.7**	70.1
More than five years		
– fixed rate notes	**703.7**	88.1
– loans from subsidiaries	**292.7**	–
	1,921.7	1,125.5
Less current instalments due on:		
– bank loans	**(58.3)**	(85.9)
– loans from subsidiaries	**(544.7)**	(345.2)
	1,318.7	694.4

The loans from subsidiaries with a maturity greater than five years are repayable in 2018 and have an interest rate of 6.37%. These loans are not secured.

Details of the interest and repayment terms of the bank loans and fixed rate notes can be found in note 30 to the Group Financial Statements.

9. Provisions

	Subsidiaries £m	Discontinued operations warranty & indemnity £m	Total £m
At 30 December 2011	**1.3**	**4.1**	**5.4**
Reallocation of opening provision	**(0.2)**	**0.2**	**–**
Released – unutilised	**–**	**(3.3)**	**(3.3)**
At 28 December 2012	**1.1**	**1.0**	**2.1**

Subsidiaries
As at 28 December 2012, a provision of £1.1m (2011: £1.3m) 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 28 December 2012 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.

10. 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.

	2012 £m	2011 £m
Present value of plan liabilities	**(1.4)**	(1.4)
Related deferred tax asset (note 14)	**0.4**	0.4
Net pension liability	**(1.0)**	(1.0)

	2012 £m	2011 £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.

	2012 %	2011 %
Rate of increase in pensions in payment	**2.9**	2.9
Discount rate	**4.3**	4.8
Inflation assumption	**2.9**	3.1

The mortality assumptions used were as follows.

	2012 Years	2011 Years
Post-retirement mortality		
Current pensioners at 65 – male	**21.8**	20.9
Current pensioners at 65 – female	**24.3**	23.7
Future pensioners at 65 – male	**23.6**	23.0
Future pensioners at 65 – female	**26.3**	25.8

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 2032 (in 20 years time).

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

	2012 £m	2011 £m
Opening defined benefit obligations	**1.4**	1.3
Interest cost	**0.1**	0.1
Benefits paid	**(0.1)**	(0.1)
Actuarial losses	**–**	0.1
Closing defined benefit obligations	**1.4**	1.4

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

	2012 £m	2011 £m
Opening plan assets	**–**	–
Employer contributions	**0.1**	0.1
Benefits paid	**(0.1)**	(0.1)
Closing plan assets	**–**	–

Notes to the Company Financial Statements
Continued

10. Retirement benefits (continued)
History of experience gains & losses

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligation	(1.4)	(1.4)	(1.3)	(1.1)	(1.1)
Deficit in the plans	(1.4)	(1.4)	(1.3)	(1.1)	(1.1)
Experience adjustments arising on plan liabilities	–	–	–	–	–
Changes in assumptions underlying plan liabilities	–	(0.1)	(0.2)	–	(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 Company made special contributions of £7.5m in 2012 (2011: £6.6m) in addition to the employers' regular contributions. The special contributions for 2013 are expected to be £12.1m, reducing to £9.6m in 2014. The total contributions to the defined benefit plans in 2013 are expected to be £14.4m (2012: £9.6m).

Plan assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts to each category of plan assets and allowing for plan expenses. The actual return on plan assets in the period was a gain of £63.6m (2011: £31.7m).

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

	2012 %	2012 £m	2011 %	2011 £m
Equities	6.8	156.9	7.6	150.2
Bonds	3.4	121.3	3.4	91.4
Insurance policy	4.3	348.2	4.8	335.3
Other	0.5	7.6	2.6	14.8
Fair value of plan assets		634.0		591.7
Present value of plan liabilities		(708.5)		(660.9)
Net deficit in the plans		(74.5)		(69.2)

	2012 £m	2011 £m
Recognised in the profit & loss account		
Current service cost	2.0	1.3
Past service gain	–	(19.0)
Expected return on plan assets	(30.5)	(32.2)
Interest cost on plan liabilities	31.1	33.0
Other finance costs	0.6	0.8
Taken to the statement of total recognised gains & losses		
Actual return on plan assets	63.6	31.7
Less: expected return on plan assets	(30.5)	(32.2)
	33.1	(0.5)
Other actuarial losses	(45.3)	(41.6)
Actuarial losses recognised in the statement of total recognised gains & losses	(12.2)	(42.1)

The past service gain of £19.0m in 2011 was as a result of a decision by the Trustees of The Weir Group Pension and Retirement Saving Scheme that, following the Government's recent change in legislation, certain elements of pension would increase in line with Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This decision was announced to the members of the scheme in July 2011. The past service gain was recognised last year as an exceptional item in the Consolidated Income Statement.

The major assumptions used by the actuary were as follows.

	2012 %	2011 %
Rate of increase in salaries	**2.9**	3.1
Rate of increase in pensions in payment		
Pre 6 April 2006 service	**2.9**	2.9
Post 6 April 2006 service	**2.1**	1.9
Discount rate	**4.3**	4.8
Inflation assumption	**2.9**	3.1

The mortality assumptions used were as follows.

	2012 Years	2011 Years
Post-retirement mortality		
Current pensioners at 65 – male	**21.8**	20.9
Current pensioners at 65 – female	**24.3**	23.7
Future pensioners at 65 – male	**23.6**	23.0
Future pensioners at 65 – female	**26.3**	25.8

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 2032 (in 20 years time).

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

	2012 £m	2011 £m
Opening defined benefit obligations	**660.9**	632.6
Current service cost	**2.0**	1.3
Past service gain	**–**	(19.0)
Interest cost	**31.1**	33.0
Benefits paid	**(30.9)**	(29.4)
Contributions by employees	**0.1**	0.8
Actuarial losses	**45.3**	41.6
Closing defined benefit obligations	**708.5**	660.9

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

	2012 £m	2011 £m
Opening plan assets	**591.7**	580.6
Expected return on plan assets	**30.5**	32.2
Employer contributions	**9.5**	8.0
Contributions by employees	**0.1**	0.8
Benefits paid	**(30.9)**	(29.4)
Actuarial gains (losses)	**33.1**	(0.5)
Closing plan assets	**634.0**	591.7

History of experience gains & losses

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of plan assets	**634.0**	591.7	580.6	539.8	487.7
Present value of defined benefit obligations	**(708.5)**	(660.9)	(632.6)	(599.2)	(500.2)
Deficit in the plans	**(74.5)**	(69.2)	(52.0)	(59.4)	(12.5)
Experience adjustments arising on plan liabilities	**14.5**	0.9	(2.8)	(10.6)	(10.0)
Changes in assumptions underlying plan liabilities	**(59.8)**	(42.5)	(22.3)	(111.6)	70.7
Experience adjustments arising on plan assets	**33.1**	(0.5)	24.0	64.4	(119.8)

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £265.1m (2011: £252.9m).

Notes to the Company Financial Statements
Continued

11. Derivative financial instruments

	2012 £m	2011 £m
Current assets		
Derivative financial instruments due within one year		
Forward foreign currency contracts	8.1	16.5
Derivative financial instruments due after more than one year		
Forward foreign currency contracts	0.9	1.1
	9.0	17.6
Creditors falling due within one year		
Cross currency swaps	9.1	12.9
Forward foreign currency contracts	10.1	16.7
	19.2	29.6
Creditors falling due after more than one year		
Cross currency swaps	0.9	14.3
Forward foreign currency contracts	0.5	1.2
	1.4	15.5

The figures in the above table are inclusive of derivative financial instruments where the counterparty is a subsidiary of The Weir Group PLC.

12. Share capital

	2012 £m	2011 £m
Allotted, called up & fully paid		
Ordinary shares of 12.5p each	26.7	26.6

	2012 Number Million	2011 Number Million
Shares allotted		
Issued during the period in respect of LTIP awards	0.6	0.2
Treasury shares		
At the beginning of the period	1.7	2.1
Issued during the period in respect of LTIP awards	(0.6)	(0.4)
At the end of the period	1.1	1.7
Equity settled share-based payments		
LTIP awards outstanding at the end of the period	1.7	2.3

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.

13. Reserves

	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Special reserve £m	Profit & loss account £m
At 31 December 2010	38.0	(6.8)	0.5	1.8	356.7
Profit for the period	–	–	–	–	11.6
Actuarial losses on defined benefit plans	–	–	–	–	(0.1)
Dividends	–	–	–	–	(59.5)
Cost of share-based payment inclusive of tax credits	–	–	–	–	10.1
Exercise of LTIP awards	–	1.2	–	–	(1.2)
At 30 December 2011	**38.0**	**(5.6)**	**0.5**	**1.8**	**317.6**
Profit for the period	**–**	**–**	**–**	**–**	**267.2**
Dividends	**–**	**–**	**–**	**–**	**(71.7)**
Cost of share-based payment inclusive of tax credits	**–**	**–**	**–**	**–**	**4.9**
Purchase of shares	**–**	**(2.0)**	**–**	**–**	**–**
Exercise of LTIP awards	**–**	**2.0**	**–**	**–**	**(2.1)**
At 28 December 2012	**38.0**	**(5.6)**	**0.5**	**1.8**	**515.9**

The profit and loss account above is stated after deducting an accumulated loss in respect of retirement benefits of £1.0m (2011: £1.0m).

14. Balance sheet – deferred tax

	Deferred tax asset £m
At 30 December 2011	**6.1**
Included in profit for the period	**(0.8)**
Credit for the period included in equity	**(2.6)**
At 28 December 2012	**2.7**

	2012 £m	2011 £m
Included in debtors (note 6)	**2.3**	5.7
Included in retirement benefits (note 10)	**0.4**	0.4
	2.7	6.1
Other timing differences	**2.3**	5.7
Retirement benefits	**0.4**	0.4
	2.7	6.1

15. Operating lease commitments

	2012 £000	2011 £000
As at 28 December 2012, annual commitments under non-cancellable operating leases in respect of office equipment amounted to	**9**	9
of which payable in respect of operating leases ending in the second to fifth years inclusive	**9**	9

Notes to the Company Financial Statements
Continued

16. 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 28 December 2012 amounted to £228.8m (2011: £125.2m).

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.

On 6 February 2013, an Opinion and Order was filed with the United States District Court, Southern District of New York dismissing the claim against the Company (being one of many companies targeted) relating to a civil action for damages arising from the UN Oil for Food programme which was raised in the US. Subsequently the Iraqi Government filed notice of appeal and at the time of writing there has been no ruling by the Court on this appeal. We will continue to defend this action vigorously.

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.

17. 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	**2012**	**0.4**	**0.1**
	2011	0.4	0.4

18. Financial risk management objectives and 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 2012
Subsidiaries		
American Hydro Corporation	USA	100
EnviroTech Pumpsystems Inc	USA	100
Gema Industrigummi AB	Sweden	100
Linatex Rubber Products Sdn Bhd	Malaysia	100
Mesa Manufacturing Inc	USA	100
Multiflo Pumps Pty Ltd	Australia	100
Seaboard Holdings Inc	USA	100
Shengli Oilfield Weir Highland Pumps Company Ltd	China	60
Specialised Petroleum Manufacturing Ltd	Scotland	100
SPM Flow Control Inc	USA	100
SPM Flow Control Ltd	Canada	100
Vulco SA	Chile	99
Weir Canada Inc	Canada	100
Weir do Brasil Ltda	Brazil	100
Weir Engineering Services Ltd	Scotland	100
Weir Floway Inc	USA	100
Weir Gabbioneta Srl	Italy	100
Weir Hazleton Inc	USA	100
Weir India Private Ltd	India	100
Weir International Co. Ltd	South Korea	60
Weir Minerals Africa (Pty) Ltd	South Africa	100
Weir Minerals Australia Ltd	Australia	100
Weir Minerals Europe Ltd	England & Wales	100
Weir Minerals Netherlands BV	Netherlands	100
Novatech Holdings Inc	USA	100
Weir Power & Industrial France SAS	France	100
Weir Slurry Group Inc	USA	100
Weir Solutions FZE	Dubai	100
Weir SOS Ltd	The Bahamas	100
Weir Valves & Controls UK Ltd*	England & Wales	100
Weir Valves & Controls USA Inc	USA	100
Weir Valves & Controls (Suzhou) Co. Ltd	China	100
Ynfiniti Engineering Services SL	Spain	77
Joint ventures		
Weir Arabian Metals Company	Saudi Arabia	49
Wesco LLC	UAE	49

* Company 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 The Weir Group PLC filed at Companies House.

Group products

In this Report, the following trademarks are registered in one or more countries:

WARMAN is a trademark of Weir Minerals Australia Ltd and Weir Group African IP Ltd; CAVEX is a trademark of Weir Minerals Australia Ltd; VULCO is a trademark of Vulco SA; LINATEX is a trademark of Linatex Ltd; SPM is a trademark of S.P.M. Flow Control, Inc; SEABOARD is a trademark of Seaboard International, Inc; NOVATECH is a trademark of Novatech, LLC; MESA is a trademark of Mesa Manufacturing, Inc; GABBIONETA is a trademark of Weir Gabbioneta Srl; WEIR OIL & GAS SERVICES is a trademark of Weir Engineering Services Ltd; ALLEN STEAM TURBINES is a trademark of Weir Engineering Services Ltd; AMERICAN HYDRO is a trademark of American Hydro Corporation; ATWOOD & MORRILL and TRICENTRIC are trademarks of Weir Valves & Controls USA, Inc; BDK is a trademark of Weir India Pvt Ltd; BATLEY VALVE, BLAKEBOROUGH, HOPKINSONS and MAC VALVE are trademarks of Weir Valves & Controls UK Ltd; SARASIN-RSBD and SEBIM are trademarks of Weir Power & Industrial France SAS; WEMCO is a trademark of FLSmidth A/S used under licence by companies forming part of The Weir Group PLC; WEIR is a trademark of Weir Engineering Services 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 Computershare. 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 WEP. This information can be found on your share certificate or dividend tax voucher.

Dividends

2012 final dividend

The directors have recommended a final dividend of 30.0p per share, for the 52 weeks ended 28 December 2012. Payment of this dividend is subject to approval at the 2013 Annual General Meeting. Key dates relating to this dividend are given below:

Ex dividend date	1 May 2013
Record date	3 May 2013
Final day for receipt of DRIP elections	9 May 2013
Annual General Meeting	1 May 2013
Payment date	31 May 2013

Dividend payments

You can choose to receive your dividend in a number of ways. Dividends will automatically be paid to you by cheque and sent to your registered address unless you have chosen one of the options below:

- **Direct payment to your bank**
  Cash dividends can be paid directly to a UK bank or building society account. This is more convenient and helps reduce the risk of cheques becoming lost or delayed in the post. To switch to this method of payment you can apply online at www.investorcentre.co.uk or download a dividend mandate form from the FAQ section of the Company's website (weir.co.uk), under 'Shareholder Information' in the 'Investor' section. Alternatively, you can contact Computershare, who will also be able to assist with any questions you may have. A Consolidated Tax Voucher ('CTV') detailing all payments made throughout the tax year will then be sent you once a year either electronically or to your registered address. In 2013, the CTV will be dispatched with the November 2013 dividend payment and contain the tax and payment information for dividends paid during the 2013/2014 tax year.

- **Dividend Reinvestment Plan ('DRIP')**
  The Company offers shareholders the opportunity to join the Computershare regulated DRIP to use their dividend to purchase further Weir Group shares. Instead of receiving cash, shareholders receive as many whole shares as can be bought with their dividend, taking into account related purchase costs. Any residual cash will be carried forward and added to their next dividend. If you wish to participate in the DRIP, you can apply online at www.investorcentre.co.uk or alternatively, you can complete a DRIP mandate form obtainable from Computershare.

- **Global Payment Service**
  If you live overseas, Computershare offers a Global Payment Service which is available in certain countries. This may make it possible to receive dividends direct into your bank account in your local currency. Please note that a payment charge would be deducted from each individual payment before conversion into your local currency. This service can be set up at www.investorcentre.co.uk or by contacting Computershare.

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.

Communications

Annual and Interim Reports

The Weir Group publishes an Annual and Interim Report every year. The Annual Report is sent to all shareholders who have elected to receive a hard copy through the post as a printed document unless the shareholder has chosen to receive e-communications (see below). The Interim Report is published on the Company's website and a printed copy is available from the Company Secretary on request.

E-communications

The Company offers shareholders the opportunity to access shareholder documents, such as Annual Reports and Notices of the AGM, via e-communications rather than receiving printed documents in the post. To sign up for e-communications, please register at www.investorcentre.co.uk. In order to do this, you will need your SRN which can be found on your share certificate or on your dividend tax voucher. Once registered, you will need to change your mailing preference to e-communications and provide your email address. We will then be able to notify you by email as soon as shareholder documents are available on the Company's website.

Company website

Shareholders are encouraged to visit the Company's corporate website (weir.co.uk), which contains a wealth of information about the Weir Group. The website includes information about the markets in which we operate, our strategy and business performance, recent news from the Group and product information. The Investor section is a key source of information for shareholders, containing details on the share price, our financial results, shareholder meetings and dividends, as well as a 'Frequently asked questions' section. Current and past Annual and Interim Reports are also available to view and download.

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 1%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. There is no need to open a trading account in order to deal. Real time dealing is available during market hours (08:00 to 16:30 Monday to Friday excluding bank holidays). 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. 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%, plus £35. 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. 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.investorcentre.co.uk/eproxy.

Shareholder alerts

Unsolicited investment advice and fraud

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. Share scams are often run from 'boiler rooms' where fraudsters cold-call investors offering them worthless, overpriced or even non-existent shares.

These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. Whilst usually by telephone, the high-pressure sales tactics can also come by email, post, word of mouth or at a seminar. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation and take a note of any other details they provide, such as a telephone number or address.
- Check that the caller is properly authorised by the Finance Services Authority ('FSA') by visiting www.fsa.gov.uk/fsaregister.
- Report any approach from such organisations to the FSA using the share fraud reporting form at www.fsa.gov.uk/scams, where you can also find out about the latest investment scams. You can also call the Consumer Helpline on 0845 606 1234.
- If calls persist, hang up.

Please note that if you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

Annual Report & Financial Statements 2012
Glossary

AGM	Annual General Meeting
Appleby EBT	Employee benefit trust (Appleby Trust (Jersey) Ltd)
Board	The Board of Directors of The Weir Group PLC
bps	Basis points
capex	Capital expenditure
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 amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EHS	Environment, health and safety
elastomer	An elastic polymer used in pump linings
emerging markets	Asia-Pacific, South America, Africa and the Middle East
EPCs	Engineering, Procurement and Construction Companies
EPS	Earnings per share
Excellence Committees	Weir Group Management Committees ensuring best practice
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
HR	Human resources
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Independent auditors	Ernst & Young LLP
Input	Orders received from customers
ISO	International Organisation for Standardisation
Kleinwort EBT	Employee benefit trust (Kleinwort Benson (Guernsey) Trustees Ltd)
like for like	On a consistent basis, excluding the impact of acquisitions
low carbon industries	Nuclear, wind, hydro, solar, biomass and geothermal industries
LTIP	Long Term Incentive Plan
mill circuit	The various stages of extracting and processing ore
Oil & Gas Forum	An initiative to develop products and services for the North American upstream oil and gas markets by leveraging the expertise of all three Weir divisions
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
PBTA	Profit before tax and amortisation
Registrar	Computershare Investor Services plc
R&D	Research and development
ROCE (like for like)	Continuing operations EBIT (excluding Seaboard and Novatech EBIT and exceptional items) divided by average net assets excluding net debt, pension deficit (net of deferred tax asset) and Seaboard and Novatech net assets
RPI	UK Retail Prices Index
subsidiary	An entity that is controlled, either directly or indirectly, by the Company
TIR	Total Incident Rate (medical treatment of any kind required by employees divided by 200,000 hours worked)
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
WTI	West Texas Intermediate

Notes

Notes

Financial Calendar

Ex-dividend date for final dividend
1 May 2013

Record date for final dividend
3 May 2013
Shareholders on the register at this date will receive the dividend.

Annual General Meeting
1 May 2013

Final dividend paid
31 May 2013

Cautionary Statement
This Annual Report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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Scotland
Registered in Scotland
Company Number 2934

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