



**WEIR**

**Progress in  
challenging  
markets**

The Weir Group PLC  
Annual Report and  
Financial Statements 2015

**Section I:  
Strategic Report**

2015 Highlights	IFC
Weir at a Glance	04
Understanding Our Markets	06
Chairman's Statement	08
Strategy	10
Business Model	12
Key Performance Indicators	14
Chief Executive's Strategic Review	16
How We Manage Risk	20
Operational Review	30
Financial Review	42
Sustainability Review	50

**Section II:  
Corporate Governance**

Board of Directors	72
Group Executive	74
Corporate Governance Report	75
Nomination Committee Report	86
Audit Committee Report	88
Remuneration Committee Report	95
Directors' Report	118
Statement of Directors' Responsibilities	121

**Section III:  
Financial Statements**

Independent Auditor's Report	122
Consolidated Income Statement	130
Consolidated Statement of Comprehensive Income	131
Consolidated Balance Sheet	132
Consolidated Cash Flow Statement	133
Consolidated Statement of Changes in Equity	134
Notes to the Group Financial Statements	135
Company Balance Sheet	184
Company Statement of Changes in Equity	185
Notes to the Company Financial Statements	186
Subsidiaries	201
Shareholder Information	205
Glossary	207
Financial Calendar	208

**The Weir Group is one of the world's leading engineering businesses. We design, manufacture and service innovative solutions for our global customers and deliver long-term value for shareholders.**

Order input<sup>1</sup>**£1,877m**

-24%

Revenue

**£1,918m**

-21%

Operating profit<sup>2</sup>**£259m**

-42%

Profit before tax<sup>2</sup>**£220m**

-46%

Earnings per share<sup>2</sup>**78.4p**

-45%

Reported loss per share<sup>3</sup>**83.6p**

(2014: earnings per share 33.8p)

Cash flow from operations

**£396m**

-6%

Net debt

**£825m**

+£36m

**Continued resilience in Minerals:** aftermarket revenues stable.

**Strong cash generation:** free cash flow increased to £132m, up 67%.

Sequential input decline in Oil & Gas: **in line with market conditions.**

**Increased R&D investment:** up 17% delivering new products and extending global technology leadership.

Power & Industrial: **improved profitability** despite challenging markets.

2015 cost reductions **delivered £110m in annualised savings.**

**Notes**

- 2014 restated at 2015 average exchange rates.
- Continuing operations adjusted to exclude exceptional items and intangibles amortisation.
- After exceptionals and intangibles amortisation.

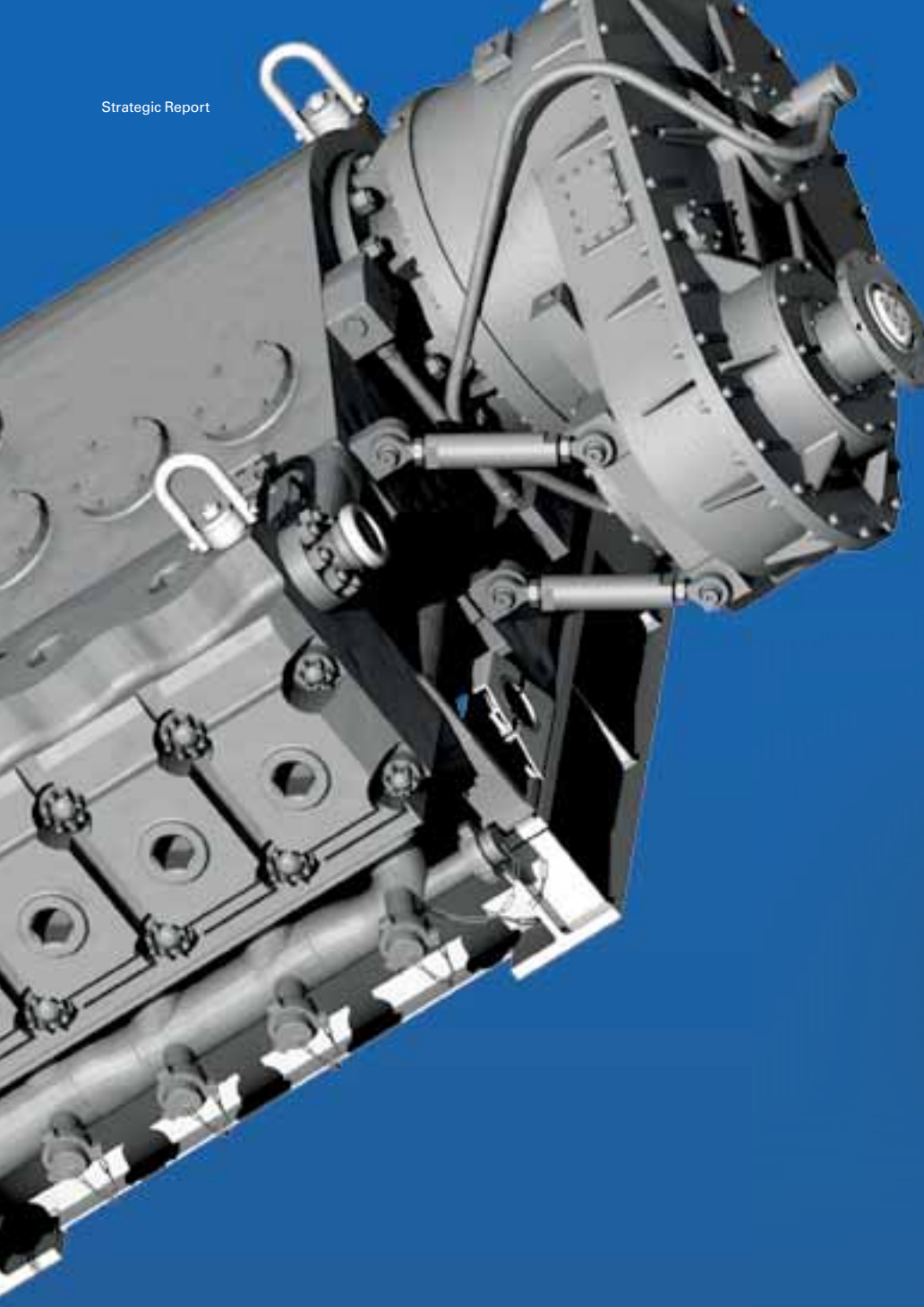


## Progress in challenging markets

Despite market challenges which are unprecedented in recent years, Weir has delivered a resilient performance in Minerals, maintained leadership and market share in Oil & Gas, and created an additional platform for growth with the new Flow Control division.

KEITH COCHRANE  
Chief Executive





**SPM® QEM 3000**

**Innovation**

The new frack pump from the Oil & Gas division will lower customers' total cost of ownership and is the industry's first continuous duty frack pump technology.

Read more in the Oil & Gas Operational Review on **p37**

Delivering greater

# Eff

**Creating the Weir Cloud**

**Value Chain Excellence**

The Group is developing secure cloud technology which will make access to IT services more efficient and effective.

Read more in the Financial Review on **p45**





**Integrating Trio® Engineering Products**

**Collaboration**

Teams from around the world worked together to successfully globalise our new range of Trio comminution products.

Read more in the Minerals Operational Review from p33

# iciency



**Engineering nuclear solutions in France**

**Global Capability**

Weir Power & Industrial was awarded a multi-million Euro contract to replace pneumatic controls across 28 reactors.

Read more in the Power & Industrial Operational Review on p41

Weir at a Glance

# Global capability, local delivery

The Weir Group consists of three complementary divisions which operate in markets with strong prospects for long-term growth. Our engineering solutions help meet the demands of the world’s growing population for more energy and natural resources. You can learn more in ‘Understanding Our Markets’ on pages 6 and 7.

Read more on Strategy and Business Model on pages 10 to 13.

## Minerals

Designing, manufacturing and supporting products used in mining and minerals processing. Weir Minerals is the global market leader in slurry handling equipment.

**Key brands:**

Warman, GEHO, Linatex, Vulco, Cavex, Enduron and Trio.

**Main markets:**

Mining and minerals processing, including comminution, slurry transportation and mine dewatering; sand and aggregates; and oil sands.

**Major operational locations:**

US, Chile, Brazil, Peru, UK, Netherlands, South Africa, Malaysia, China and Australia.

**Major customers:**

Major and junior mining houses; Engineering, Procurement and Construction Management companies (EPCMs); and national and international oil companies.

**Main competitors:**

Metso, FLSmidth and KSB.

**Employees:**

8,700

**Addressable market:**

£8bn

2015 Revenue\*

**£1,034m**

-4%

2015 Operating profit\*

**£198m**

-9%

## Oil & Gas

Designing, manufacturing and supporting products used in the upstream pressure pumping, upstream pressure control and downstream refining operations. Weir Oil & Gas is the global market leader in pressure pumping equipment.

2015 Revenue\*

**£582m**

-45%

2015 Operating profit\*

**£58m**

-76%

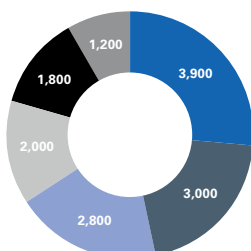
### Operations in over 70 countries.

Our comprehensive global manufacturing and service centre network means our engineers are where our customers need them, when they need them. Our commitment to close customer relationships is a significant source of competitive advantage in the need-it-now industries we serve.

Total people

**14,700**

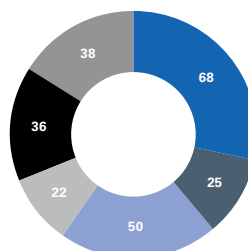
- North America
- Asia-Pacific
- Europe
- Latin America
- Middle East & Africa
- Australia



Total facilities

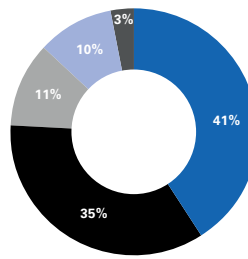
**239**

- North America
- Latin America
- Europe
- Australia
- Asia-Pacific
- Middle East & Africa



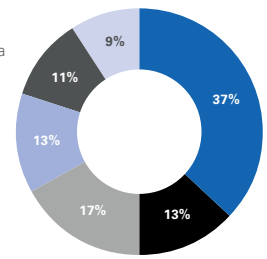
## 2015 Group input by market

■ Minerals  
 ■ Oil & Gas  
 ■ Power  
 ■ Industrial and other  
 ■ Sand & Aggregates



## 2015 Group input by geography

■ North America  
 ■ Latin America  
 ■ Middle East & Africa  
 ■ Europe  
 ■ Asia-Pacific  
 ■ Australia

**Key brands:**

SPM, Seaboard, Mathena, Novatech, Gabbioneta and Weir Oil & Gas Services.

**Main markets:**

Oil and gas drilling, completion and production and refining.

**Major operational locations:**

USA, Canada, UK, Middle East and China.

**Major customers:**

Oilfield service companies; national and international oil companies; and EPCMs.

**Main competitors:**

FMC Technologies, Gardner Denver and Cameron.

**Employees:**

3,000

**Addressable market:**

£5bn

## Power & Industrial

**Designing, manufacturing and supporting valves, pumps and turbines which are used in conventional and renewable power and industrial operations and in oil and gas production, mid-stream and refining markets.**

**2015 Revenue\***

**£302m**

-5%

**2015 Operating profit\***

**£22m**

+15%

**Key brands:**

Hopkinsons, Atwood & Morrill, Blakeborough, Sarasin-RBSD, WSP.

**Main markets:**

Nuclear, conventional and renewable power generation; water and waste water; mid and downstream oil and gas; and general industrial processes.

**Major operational locations:**

USA, Canada, UK, France, South Korea, South Africa, India and China.

**Major customers:**

Utility companies; general industrial companies; and EPCMs.

**Main competitors:**

Flowsolve, Pentair, Velan, GE, IMI, Voith and Andritz.

**Employees:**

3,000

**Addressable market:**

£8.1bn

\* In constant currency terms.

### Global partners in action



#### 1. NORTH AMERICA

The Oil & Gas division responded quickly to changing market conditions by reducing costs while continuing to deliver innovative engineering.

[See more from p34](#)

#### 2. LATIN AMERICA

The Minerals division recorded record growth in Latin America as production in the region grew reflecting its low costs of production.

[See more from p30](#)

#### 3. EUROPE, NORTH AFRICA AND RUSSIA

A partnership agreement has been signed with Imperial College in London to undertake fundamental research into minerals processing technology.

[See more from p58](#)

#### 4. AFRICA AND THE MIDDLE EAST

Oil & Gas opened the first wellhead manufacturing facility in the United Arab Emirates which will serve the local region and the Eastern hemisphere.

[See more from p34](#)

#### 5. ASIA-PACIFIC

Malaysia was the first business to roll out the Minerals division's new Enterprise Resource Platform which will eventually consolidate 15 current systems into one across the world.

[See more from p30](#)

#### 6. AUSTRALIA

The Group-wide 'Internet of Things' technology development is being led by engineers in Australia working in collaboration with colleagues around the world.

[See more from p58](#)



## Understanding Our Markets

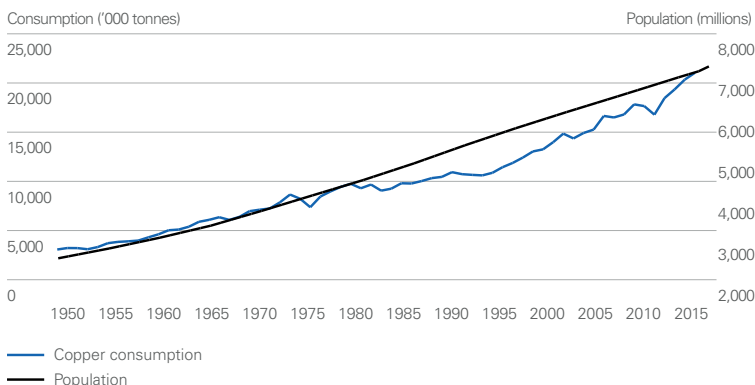
# Strong Fundamentals

Weir operates in three main markets which are cyclical but all share strong prospects for long-term growth. Together, mining, oil and gas and power contribute around 90% of Group revenue.

### Long-term growth in cyclical markets

Copper consumption in the post-war period has closely followed growth in the world population

Figure 1. Global copper consumption vs. population, last 60 years



Source: United Nations/CRU/ICSG.

The Group’s main markets benefit from global trends including the growing population, increasing economic development, urbanisation and the need to produce greater energy and natural resources to replace rapidly depleting supplies. These trends mean that mining, oil and gas and power markets remain good sources of long-term shareholder value, but they are not immune to nearer-term declines which reduce investment and activity.

#### MINING

Weir is a global market leader in the provision of engineering solutions for the mining mill circuit: the process by which mined rock is broken down into valuable ore. The Group’s largest exposures are to commodities, such as copper, which has good long-term growth prospects and requires the greatest amount of processing, supporting our aftermarket-focused business model.

Mining original equipment orders are driven by capital expenditure from global natural resource customers. This can come in the form of greenfield expenditure on new mines or brownfield spending, where existing assets are developed to increase production or efficiency.

Processing rock into ore leads to significant wear and tear to our equipment, which in turn generates valuable aftermarket revenues for spares and servicing. Increasingly, operators need to process more rock to access the same amount of ore as grades decline, which leads to more abrasive processing and therefore more aftermarket opportunities. To put this issue into context, the mining industry is expecting an average copper grade decline of 17% over the next decade; adding to the medium to long-term pressure on supply.

#### OIL AND GAS

All three divisions have some exposure to this market with Weir Oil & Gas serving the North American shale gas and tight oil sectors with pressure pumping and pressure control products which are used in hydraulic fracturing or fracking. The steep increase in the supply of these unconventional sources of oil and gas is one of the contributing factors to the recent oversupply of global markets, which has led to reduced commodity prices. The division also provides dedicated engineering support and services to both conventional and unconventional markets, particularly in the Middle East.

Weir Minerals technology is used in oil sands projects in Canada, and Weir Power & Industrial supplies ‘engineered to order’ pumps to downstream markets and safety valve products to the Liquefied Natural Gas (LNG) industry.



**“The Group’s main markets benefit from long-term global trends including the growing population, increasing economic development, urbanisation and the need to produce greater energy and natural resources to replace rapidly depleting supplies.”**

**i**

**Aftermarket**

The market for replacement parts or services which follow the purchase of original equipment. The Group drives the majority of its revenues from aftermarket products and services.

[Read more from p42](#)

As current resources are exhausted, continuous investment is needed to maintain oil and gas supplies. The International Energy Agency (IEA) estimates US\$630bn a year will need to be spent on worldwide upstream oil and gas investment just to compensate for “declining production at existing fields and to keep future output flat at today’s levels”<sup>2</sup>. At the same time as existing supplies are being exploited, global demand for energy is rising with good growth expected in demand for oil and even stronger prospects for gas, as it is increasingly used as a source of power generation globally.

As greater efficiency and technology development have reduced unconventional ‘breakeven’ production costs, shale gas and tight oil are becoming increasingly important to the global energy mix. At the same time, the engineering solutions needed to access these resources are becoming more complex, including demand for continuous duty at high pressures in what are very challenging operational environments. This leads to substantial aftermarket opportunities which are captured using the Group’s extensive service centre network.

**POWER**

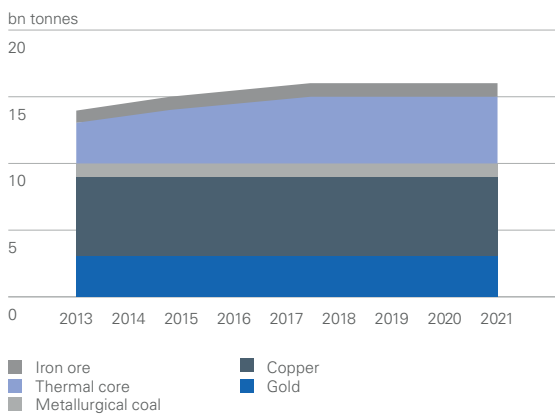
Electricity demand is estimated to increase by more than 70% between 2013–2040, with emerging economies responsible for the vast majority of the projected increase. The IEA estimate that, to keep pace with strong electricity demand growth, installed capacity needs to more than double in non-OECD countries, led by China (where capacity doubles) and India (where capacity almost quadruples)<sup>3</sup>.

Weir Power & Industrial operates in the conventional, nuclear and renewables power generation markets. It serves these markets through the design and manufacture of valves, pumps and turbines and the provision of specialist support services.

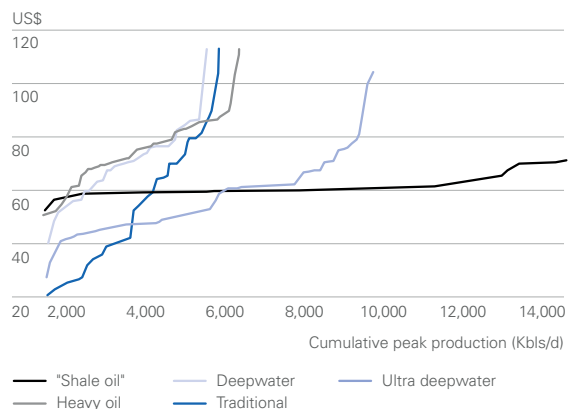
**Notes**

- 1. BHP Billiton investor presentation December 2015.
- 2. IEA World Energy Outlook 2015.
- 3. IEA World Energy Outlook 2015.

**Figure 2. Ore production in billion tonnes**



**Figure 3. Breakeven costs of oil sources versus peak production capacity**



Source: Goldman Sachs, January 2016.

## Chairman's Statement

# Navigating challenging markets

The Group's 2015 financial performance was significantly affected by declines in its main markets as customers sought to reduce spending in response to falling commodity prices. While responding quickly to these market issues, the Group also made substantial strategic progress aimed at delivering significant shareholder value in the future.



**CHARLES BERRY**  
Chairman

### OUR RESULTS

As a result of market conditions, reported revenues fell to £1.9bn, with pre-tax profits from continuing operations, before exceptional items and intangibles amortisation, of £220m: a significant decrease of 46% on 2014, reflecting a substantial downturn in oil and gas markets, the continuing reduction in capital expenditure by mining customers and project deferrals in power markets. On a constant currency basis, revenues were 22% lower year-on-year, with pre-tax profits falling 47%.

The Group was swift to react to deteriorating conditions, including reducing costs to support competitiveness. At the same time substantial progress was made in a number of strategic areas to ensure Weir retains and extends its global leadership positions in the future. On behalf of the Board, I would like to thank all those who worked for the Group in 2015, for their dedication and commitment to serving our customers.

### DIVIDEND

We are proposing a final dividend payment of 29p per share, making 44p for the full year.

### STRATEGY

The Group has deliberately chosen to serve markets which are crucial to the world's continuing long-term economic development. As the global population grows and increasingly urbanises, it will need more energy and natural resources. Currently available supplies are depleting and investment will be needed to meet future demand.

Weir has developed leadership positions in these structurally strong markets, creating an extensive installed base of equipment. The Group has used its success and materials expertise in one product range to expand into other complementary technologies, supported by a comprehensive service network in over 70 countries, helping to capture valuable aftermarket opportunities for spare parts and services.

Our competitive advantages are based on our four strategic pillars: innovation; collaboration; value chain excellence; and global capability. Even in tough markets it is important the Group continues to execute its strategy successfully. By putting our customers at the heart of our business, we ensure we meet their changing needs today while also investing in the engineering solutions which will make them more efficient and productive in the future. Chief Executive Keith Cochrane gives more detail of the Group's 2015 strategic progress from page 16.



### Strategy

The Group has deliberately chosen to serve markets which are crucial to the world's continuing long-term economic development.

[Read more from p10.](#)

### IMPROVING SAFETY

Improving the Group's safety record is on the agenda of every Board meeting as we work towards making Weir a zero-accident workplace. We were pleased to see the Group continue to improve in this important area with a further reduction in the Total Incident Rate achieved as the first stage of the Group's Environment and Health and Safety (EHS) roadmap was completed. More details can be found from page 51.

### A PROUD PARTNER IN OUR COMMUNITIES

Weir has always been an active member of the communities we work in. In Scotland, in the early years of the 20th century, we were the first company to establish an apprentice school ensuring future generations were given vital engineering training. Today, we continue to work closely with community partners all over the world. This includes supporting educational, health and other charitable projects. In 2015, we spent more than £900m across our supply chain, helping to support employment throughout the world, while the Group also donated almost £500,000 to charitable causes.

Living by the Group's values – doing all we can to make our customers successful, finding innovative solutions, caring for our colleagues, acting with integrity and an enduring commitment to quality in all we do – help to build a successful and sustainable business. In 2015, the Group made progress in a variety of sustainability arenas including the continued growth of Weir's network of academic partners, which resulted in new research projects with a number of institutions worldwide. Weir is also continuing the Group's commitment to innovation and the creation of long-term sustainable products that aim to minimise environmental impact.

**“When markets recover, we will be well placed to benefit because of the important work we are undertaking now.”**

We have continued to support staff as they develop their skills through our training programmes which offer a wide variety of opportunities for continuous professional development. Training undertaken using our Weir University online portal has increased substantially in the last year.

### THE BOARD

As part of the Board's annual programme, we visited the Group's operations in Alberta in Canada, where Weir serves customers in oil and gas and oil sands markets. It was a valuable opportunity to meet local stakeholders, including government representatives, in what is an important part of the Group's global operations.

At the beginning of 2016, Minerals Managing Director Dean Jenkins joined the Board as Chief Operating Officer. Dean is uniquely qualified for the role as an engineer who has led two of the Group's three divisions, having joined Weir as Managing Director of our Power & Industrial division in 2010.

Looking to the rest of 2016, we will continue to face challenging market conditions reflecting uncertain short-term prospects for global economic growth. As it has always done, Weir will navigate these waters carefully, relying on the commitment of our 14,000 staff and the resilience provided by our strategy and business model. When markets recover, we will be well placed to benefit because of the important work we are undertaking now.

**CHARLES BERRY**  
Chairman

24 February 2016



## Strategy

# How we deliver long-term shareholder value

### OUR MISSION AND STRATEGY

#### Mission

Our mission is to be **wherever and whenever our global energy and resources customers need us, delivering innovative products and services and becoming their trusted partner of choice.**

#### How we measure strategic success?

We aim to achieve **sustainable growth** ahead of our chosen markets. You can see details of how we performed in 2015 by looking at the Operational Review sections of each division, starting on page 30.

#### Our strategic goal

Our strategic goal is to **strengthen and extend our position in the global structural growth markets of minerals, oil and gas, power and other aftermarket-oriented processing industries.**

#### How is this achieved?

We have four key strategic pillars which define our distinctive approach and support our competitive advantage. They are **innovation, collaboration, value chain excellence** and **global capability.**

#### Strategic pillar #1

### Innovation

The Weir Group was founded by innovative engineers almost 150 years ago. We are always asking how we can make our customers more efficient and productive.

#### Strategic pillar #2

### Collaboration

We work closely with customers, colleagues, suppliers and communities to better understand and respond to the demands of our markets and promote mutually-beneficial relationships with all our key stakeholders.

#### Strategic pillar #3

### Value Chain Excellence

We prioritise operating excellence across the full value chain from new product development, order acquisition and order fulfilment through to the final delivery to the customer.

#### Strategic pillar #4

### Global Capability

Our global operations match those of our customers ensuring we offer comprehensive support and become their trusted partner of choice.

**How we do it:**

- Work closely with customers to fully understand their priorities.
- Invest in research and development based on customer insights, deep technical knowledge and partnerships with some of the world's leading technology institutions.
- Use our comprehensive product development process to continually deliver new solutions which address customer challenges and deliver efficiency and productivity improvements.

**What we did in 2015**

- Our global engineering team conducted thousands of site visits and helped audit customer operations to understand their challenges and concerns.
- The Group signed a partnership agreement with Imperial College London to undertake fundamental research into minerals processing.
- New products were launched by all three divisions which lower customers total cost of ownership and make their operations more efficient. You can see further details of individual innovations in the Operational Review section from page 30.

**How we do it:**

- Our Excellence Committees develop and promote best practice across all three divisions.
- We work closely with customers, academic partners and other companies to develop solutions which address market demands for less operational downtime and improved materials performance.
- We work with stakeholders throughout the world helping to make a positive difference to local communities. You can learn more in our sustainability section from page 50.

**What we did in 2015**

- Agreed to work with Microsoft Corporation to develop 'Internet of Things' technology for the Group's global customers.
- Progress continued on forming a joint venture with Rolls-Royce subsidiary MTU to develop an integrated frack power system which will utilise Weir's leading pump technology and extensive service network.
- Employees worked with charity partners in a variety of countries supporting causes which benefit local communities and improve educational opportunities. You can read more in the Sustainability section from page 50.

**How we do it:**

- Apply our Value Chain Excellence Management System throughout the Group to deliver efficiency improvements across all our processes.
- Improving on-time-delivery through better planning, communication and execution using a detailed analysis of customers' individual demands.
- Ensuring all parts of the value chain, from suppliers to sales and marketing, work in harmony to produce the most efficient solutions for customers.

**What we did in 2015**

- Substantially reduced inventory in our Oil & Gas pressure pumping business.
- Significantly improved On Time Delivery and working capital performance particularly in Oil & Gas and Power & Industrial divisions.
- Minerals initiated the roll out of an integrated Enterprise Resource Platform (ERP) which will consolidate fifteen systems into one.
- Negotiated improved arrangements with strategic suppliers to reduce procurement costs by £37m.

**How we do it:**

- Our regional manufacturing model means our customers have quick access to products made and delivered in their own areas.
- Our unrivalled service centre network gives our customers in the need-it-now industries we serve the rapid aftermarket support which keeps their operations active.
- Strategic acquisitions are able to find new markets using the Group's established global customer relationships.

**What we did in 2015**

- Fully integrated Trio Engineered Products into the Weir Minerals division and established global sales team to take its mining and sand and aggregates products to new markets.
- Completed the development of a new regional manufacturing hub in the United Arab Emirates to serve local and Eastern hemisphere customers.
- Increased the supply of Power & Industrial products manufactured in best-cost countries to support competitiveness.
- Continued to develop Weir Cloud technology which will give employees access to more secure and effective IT services wherever they are. See page 45 for more details.

## Business Model

# Delivering value for customers and shareholders

**Both our strategy and our business model have the needs of our customers at their core. They have been designed to fully capture the attractive long-term opportunities in our chosen markets of mining, oil and gas and power.**

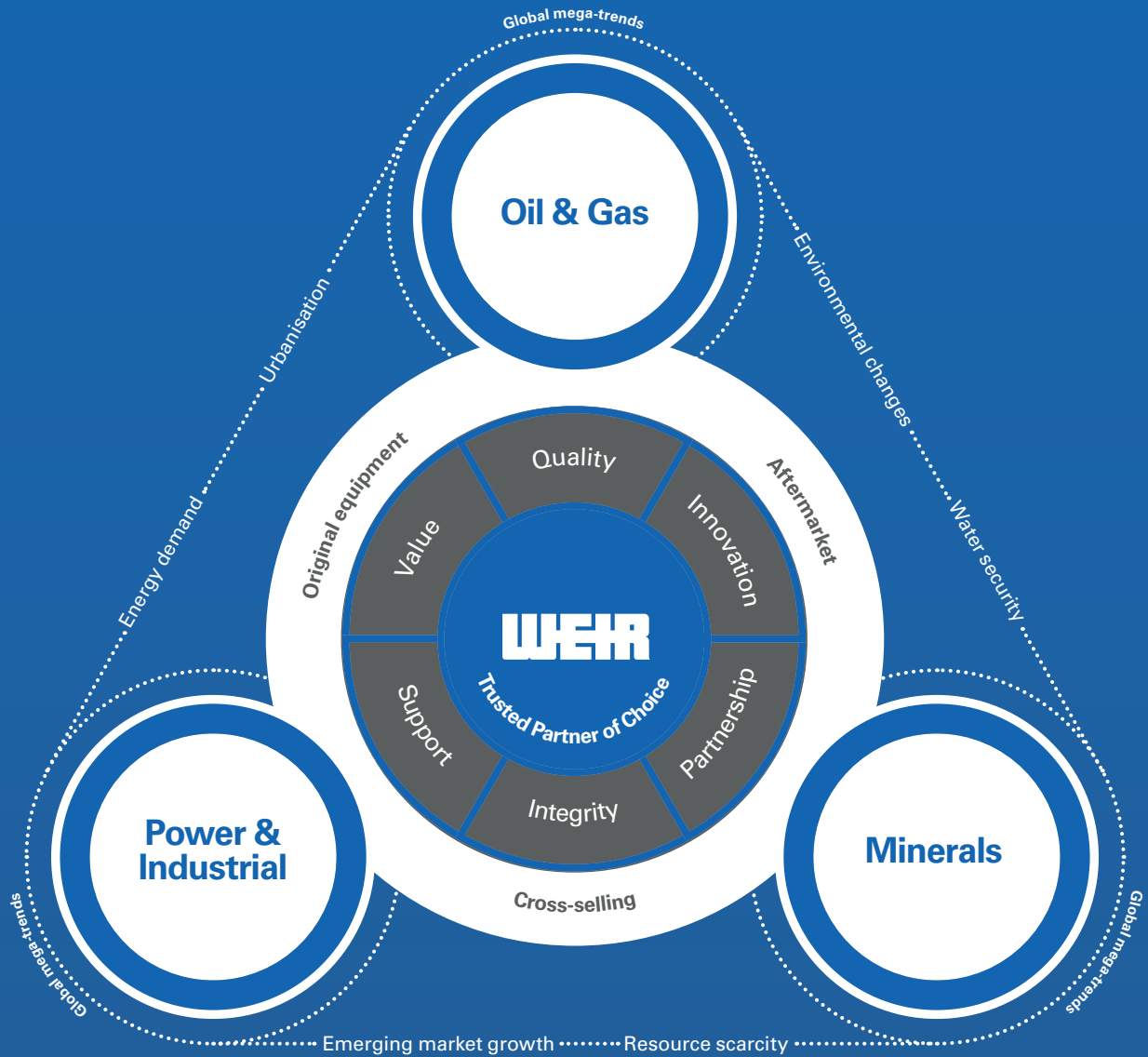
### **Original equipment**

Our business model begins with designing and manufacturing innovative and highly engineered equipment for use in some of the world's most challenging operating environments. We use our materials knowledge and technology expertise to grow a large installed base of original equipment.

### **Aftermarket**

As our equipment is used in highly abrasive environments such as processing rock into ore and fracking oil and gas wells using extremely high pressures, it needs regular maintenance and replacement leading to demand for spares, service and support. This is delivered through Weir's comprehensive global service centre network which means our customers have quick access to the products and services they need, when they need them. These valuable aftermarket opportunities provide the majority of the Group's earnings.





#### Cross-selling our wider portfolio

With a strong installed base and a comprehensive service centre network, the Group is able to use its close customer relationships to cross-sell our wider portfolio of products and services. We use our leadership in one market as a platform for entering and growing into adjacent markets, supported by targeted and strategic acquisitions. In Oil & Gas, this has included a move into pressure control markets from our strong base in pressure pumping. In mining, it has involved the extension into comminution markets for crushing, grinding and screening which serve similar customers.

#### Aligned to global mega-trends

The aftermarket focus of the Group's business model benefits from the increased complexity in accessing new supplies of energy and natural resources. Minerals' ore grades are declining which means more processing is needed to extract the same amount of ore while in oil and gas markets, shale gas and tight oil producers are reducing the breakeven costs of their operations significantly, making unconventional oil and gas a more sustainable source of long-term global energy supply. This is being achieved by drilling longer lateral wells with more stages which supports demand for the Group's aftermarket products and services.

## Key Performance Indicators

# Results

## Monitoring and evaluating our performance

The Board uses a range of financial and non-financial metrics, reported on a periodic basis, to monitor the Group's performance over time.

	Input <sup>1</sup> (£m)	Operating margin <sup>2</sup> (%)	Free cash flow (£m)	Return on capital employed <sup>3</sup> (%)	Inventory turns <sup>4</sup>	Total Incident Rate (TIR) <sup>5</sup>
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### Strategic goals

Strengthen and extend addressable markets in minerals, oil and gas and power sectors

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Attain status of partner of choice for engineered products and services in our chosen markets

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### Priorities

Innovation

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Collaboration

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Value Chain Excellence

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Global Capability

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### Notes

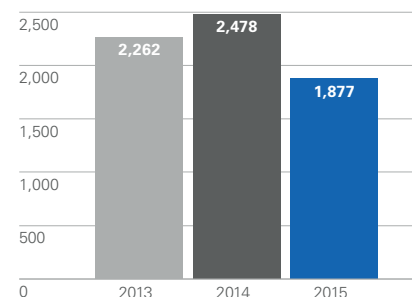
1. Calculated at 2015 average exchange rates.
2. Adjusted to exclude exceptional items and intangibles amortisation.
3. Continuing operations EBIT before exceptional items on a constant currency basis (excluding Trio and Delta Valves EBIT) divided by average net assets (excluding Trio and Delta Valves net assets) excluding net debt and pension deficit (net of deferred tax assets).
4. As reported.
5. 2015 average v 2014 average measuring medical treatment of any kind required by employees divided by 200,000 hours worked.

## #1 Input

Input<sup>1</sup> (£m)

### £1,877m

-24%

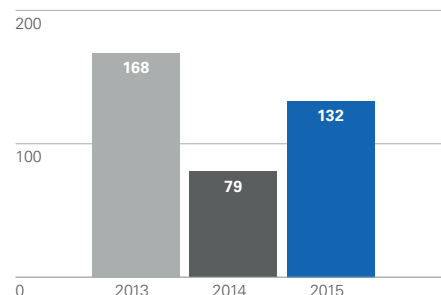


## #3 Free cash flow

Free cash flow<sup>2</sup> (£m)

### £132m

+67%

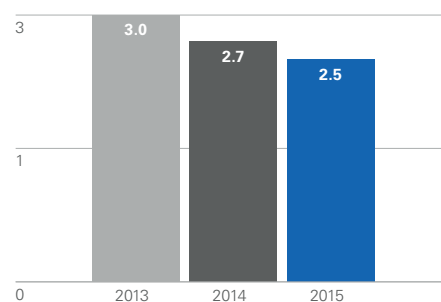


## #5 Inventory turns

Inventory turns<sup>4</sup>

### 2.5 times

-0.2 times



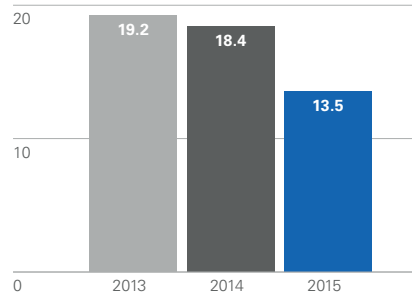
## #2 Operating margin

### Performance

- Lower commodity prices, primarily as a result of oil and gas declines, reduced demand for original equipment and aftermarket products and services.
- Aftermarket orders increased to 69% of Group input from 67% in 2014.
- Reduced Oil & Gas input reflected a substantial reduction in customer activity while Minerals was impacted by mine closures, customers reducing safety stocks and delaying scheduled maintenance.

### Operating margin<sup>2</sup> (%)

**13.5%**  
-490bps



### Performance

- Minerals margin resilient in challenging market conditions.
- The decline in Oil & Gas reflects substantial volume decline, negative operating leverage and pricing pressure across Upstream businesses.
- Power & Industrial benefited from previous restructuring actions.

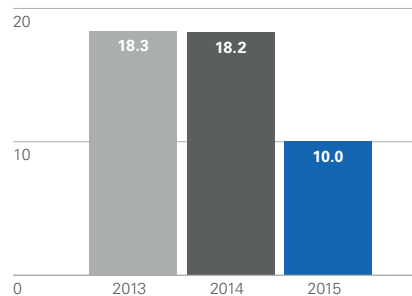
## #4 Return on capital employed

### Performance

- Strong cash generation.
- Cash generation from operations decreased 6% but represents an improved EBITDA to cash conversion ratio of 123%.
- Working capital inflows of £87m driven by excellent cash collections of receivables, particularly in Oil & Gas.

### Return on capital employed (ROCE)<sup>3</sup> (%)

**10.0%**  
-820bps



### Performance

- The decrease in ROCE reflects challenging market conditions.
- Oil & Gas' returns declined reflecting challenging market conditions as oil dropped to the lowest price since 2003 and North American Upstream activity levels fell significantly.

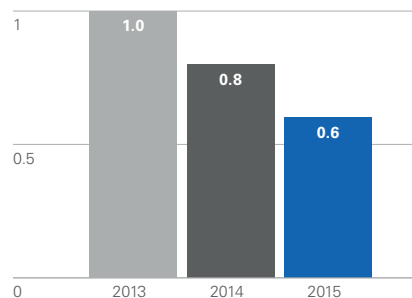
## #6 Total Incident Rate

### Performance

- Inventory turns fell as underlying inventory performance was skewed by market conditions and revenue decreased faster than stock levels.
- Inventory initiatives continued with a significant reduction in Upstream Oil & Gas.
- 'Engineer to order' businesses were impacted by an incremental £25m of Work In Progress as a result of project and delivery delays.
- Further reduction expected in 2016 as Value Chain Excellence initiatives deliver further benefits and the Minerals global ERP roll out continues.

### Total Incident Rate (TIR)

**0.6**  
-25%



### Performance

- Completed the roll-out of the EHS Roadmap 2012-2015.
- Next phase of the Roadmap developed.
- Vast majority of businesses increased EHS compliance scores by more than 10% in 2015.



## Chief Executive's Strategic Review

# Building a stronger Weir Group

Revenue

**£1,918m**

-21%

Operating profit

**£259m**

-42%



**KEITH COCHRANE**  
Chief Executive

2015 saw the Group pro-actively address changing market conditions ensuring that we remained cost competitive and highly customer-focused while building our technology leadership positions.

The scale of the market challenges faced by the Group was unprecedented in recent years. The steep decline in the price of oil and other commodities had a substantial impact on customer activity and consequently, the overall financial performance of the Group.

This was clearly disappointing but, as Weir has always done, we acted swiftly. Costs were aggressively reduced as the Group adapted to the new market environment. £110m in annualised savings was delivered, including the closure of smaller manufacturing operations in the US, Australia and Europe and the consolidation of 12 oil and gas service centres into larger, more efficient facilities. In total, the Group's workforce reduced by around 10%. In this process, we have been very careful to ensure we retain the capability to respond quickly when markets recover.

These were difficult but necessary decisions and I would like to thank everyone who worked for Weir during the course of the year for their dedication and commitment. In the tough market conditions of 2015 our people again demonstrated their ability to react quickly and work tirelessly to continue to serve our customers.

The Group also benefited from its highly cash-generative nature which allowed us to continue to prioritise investment in the people, technology and products which will position Weir to grow strongly in the future.

We were particularly pleased to have made further progress in reducing the Group's Total Incident Rate (TIR) which fell by 25%. This is the result of our Environment, Health and Safety (EHS) road map which is now being refreshed after an initial three-year period in which it substantially improved performance.

### **WEAKER GLOBAL GROWTH AFFECTING COMMODITY PRICES**

Slowing economic growth in China and other emerging economies coupled with a continued oversupply of oil and gas were the main reasons for falls in commodity prices in 2015.

International oil benchmarks Brent crude and West Texas Intermediate crude (WTI) fell by around two-thirds between their 2014 peak and the end of 2015, with a subsequent reduction in capital spending and activity by oil companies. Operators sought pricing discounts from suppliers as part of their focus on reducing expenditure.

In North America, the rig count fell by 61% in 2015. As a result, the number of active frack fleets fell with utilisation estimated to have reduced from 87% in 2014 to less than 50% in 2015. Similarly, the dramatic reduction in activity affected North American pressure control markets.

Globally, it is estimated that more than US\$400bn of projects were either delayed or cancelled. Both the International Energy Agency and the Saudi Arabian government highlighted the potential for a rebound in oil prices in the future as demand continues to grow but future supplies are constrained by under-investment and continuing depletion of resources. In this context, the fall in the breakeven price of shale gas and tight oil strengthened its position in the global energy mix.

The relatively low capital costs and the short time-frame between investment decision and production of shale resources means it is far quicker to respond to an upturn in the market than conventional energy sources. An unconventional oil well can be in production within six months of the investment decision compared to several years for conventional developments.

In mining markets, copper prices fell 26%, iron ore reduced 40% and gold fell by 12%, staying below incentive levels. Some miners with higher costs of production responded by closing mines, principally in Africa, North America and China. Production in lower-cost regions, such as South America and Australia, grew as miners sought to increase market share. Overall, global ore production increased with copper estimated to have risen by 4%.

Across the industry, mining companies intensified their focus on reducing costs as commodity prices fell. Some of the world's largest miners sought to protect their balance sheets by announcing the disposal or mothballing of less cash-generative assets and the acceleration of future cost saving initiatives. Globally, more than 70 mines were closed in 2015, with the biggest impact on higher-cost iron ore and copper mines.

Power markets were affected by weaker economic growth, particularly in emerging economies and Europe and North America. New nuclear opportunities were largely restricted to China although progress towards a new nuclear fleet in the UK was a positive development.

#### OUR FINANCIAL PERFORMANCE IN 2015

Overall, in the face of unprecedented market challenges, order input in constant currency terms was down 24% on 2014 and 27% on a like-for-like basis, with each quarter down on the prior year period. Original equipment orders were down 29% and 34% on a like-for-like basis, reflecting challenging market conditions across all our divisions but particularly within Oil & Gas. Aftermarket orders were down 22% and represented 69% of total input (2014: 67%), driven, primarily by Oil & Gas declines of 44%, although there was also an impact of reduced aftermarket orders for Minerals and Power & Industrial, which each also have exposure to oil and gas markets.

Group revenues were down 22% on a constant currency basis and 24% on a like-for-like basis. In Minerals, revenues were down 4% as resilient aftermarket demand was more than offset by lower demand for original equipment. Both original equipment and aftermarket revenues in Oil & Gas decreased, by 54% and 41% respectively, reflecting the significant decline in customer activity. Power & Industrial revenues were down 5%, with the aftermarket broadly flat and original equipment down 9%.

Group operating margin declined by 510bps on a constant currency basis. This reflected the significant negative impact on the Oil & Gas division of current market conditions. As expected, Minerals margins were also only slightly down year-on-year. Power & Industrial margins increased as it saw the benefits from its recent

restructuring. Combined with declining reported revenues, this translated into a 46% fall in underlying profit before tax to £220m. On a constant currency basis, operating profit decreased by 43% and pre-tax profits by 47%, reflecting the challenging conditions in all three main end markets, although the margin performance in the second half of the year improved. Overall, Group gross margins (before manufacturing overhead under-recoveries) were broadly stable supported by increases in both Minerals and Power & Industrial.

After a £3m foreign exchange impact, chiefly as a result of the US Dollar appreciating against Sterling, offset by the Australian Dollar and emerging market currencies depreciating against Sterling, reported pre-tax profits of £220m were 46% down on 2014. This foreign exchange exposure was largely translational and had limited impact on our competitive positioning.

Free cash flow, after dividend payments, increased to £132m, despite the significant reduction in operating profit. This was driven by an impressive working capital performance and the ongoing cash-generative nature of the Group. Return on capital employed, excluding 2015 acquisitions, decreased by 820bps to 10.0%.

Operating exceptional charges of £365m were incurred, reflecting impairments and restructuring actions taken across the Group. In 2015, the Group also delivered £110m in annualised savings and announced a further target of an additional £40m in annualised savings to be achieved in 2016. The Group also intends to realise up to £100m in non-core asset disposals.

#### STRATEGIC PROGRESS

Despite the market challenges faced by the Group in 2015 and reflected in our financial performance, we made significant strategic progress. This was achieved by remaining highly responsive and carefully controlling the levers available to us, while ensuring Weir continues to have the people, technology and products to fully benefit when markets improve.

The success of the Group's Downstream Forum, which brought together businesses from different divisions to share best practice and market opportunities, has been recognised with the strategic restructuring of the Power & Industrial division. Power & Industrial will be renamed Weir Flow Control and will incorporate downstream-oriented pump businesses Floway and Gabbioneta which were previously in Minerals and Oil & Gas divisions respectively, creating a division clearly focused on flow control opportunities in power, oil and gas and other aftermarket-orientated process industries.

Our strategy, which is to strengthen and extend our positions in structurally strong markets, is based on four strategic pillars: innovation; collaboration; value chain excellence; and global capability.

**Innovation** has been at the heart of Weir's approach since the Group's foundation almost 150 years ago. We have a proud history of increasing customer efficiency, but in the rapidly evolving technology landscape of the 21st century, we need to look beyond our own industry. That is why we established the Weir Technology Advisory Board which is chaired by Professor Sir Jim McDonald, one of our Non-Executive Directors and a leading UK engineering academic. The Technology Advisory Board includes experts from a diverse range of backgrounds and it will help guide Weir's technology priorities in future years, helping the Group maintain and extend our global market leadership positions.

## Chief Executive's Strategic Review **continued**

In addition, we have broadened our network of partnership agreements with leading technology universities. This now includes Imperial College London, which is consistently ranked as one of the best performing universities in the world. Our engineers are working with Imperial's academics to undertake fundamental research to improve minerals processing. This agreement builds on our already established relationships with the University of Strathclyde, the University of Cambridge, the Royal Melbourne Institute of Technology and the University of Sydney. In July, Her Majesty the Queen visited the Weir Advanced Research Centre at the University of Strathclyde and learned about the work being undertaken at the Centre to support our operations around the world.

These partnerships are an important supplement to our own innovation efforts, which in 2015 delivered new products and services which substantially improve customers' efficiency and performance. These include Oil & Gas' new SPM® QEM 3000 frack pump and Minerals new Cavex® 700 CVX Hydrocyclone and high-horsepower range of crushers. Power & Industrial launched a new safety valve for Liquefied Natural Gas (LNG) customers and a light-weight industrial pump for hydrocarbon applications.

The Group-wide development of 'Internet of Things' (IoT) technology is making good progress as we broaden our digital customer experience. When fully established, it will allow our engineers to better monitor and control equipment using predictive analytics; gaining a deeper understanding of performance and wear life and ultimately helping make our customers more efficient and productive. We have agreed to work with Microsoft Corporation to accelerate that process as we develop IoT solutions for our mining, oil and gas and power customers. The agreement recognises the importance of accessing the best skills and solutions to complement our own engineering expertise by working with one of the world's leading technology companies.

You can learn more about the new innovations introduced by each division in the operational review section which begins on page 30.

Our technology and safety initiatives have been led in recent years by Gavin Nicol, who retired as Director of Operations at the end of 2015. I would like to take this opportunity to thank Gavin for the substantial contribution he made to the Group. His legacy is a business with a culture of continuous improvement in safety and one which is well positioned to benefit from the opportunities of new technology. The leadership of our innovation and safety agenda is now part of the expanded remit of Dean Jenkins, who became Chief Operating Officer at the beginning of 2016. Dean was succeeded as Divisional Managing Director of Weir Minerals by Ricardo Garib, formerly Regional Managing Director of the division's Latin American operations and an engineer with more than 30 years of mining experience.

Weir's commitment to **collaboration** includes colleagues working closely together across different divisions to share best practice. It also involves working with other companies to jointly develop new products and services for our customers. As part of that process, the Group agreed to establish a joint venture agreement with Rolls-Royce PLC subsidiary MTU America to develop an integrated frack power system which will combine a frack pump, transmission and engine. The new power system will be offered alongside comprehensive aftermarket support which will be provided through Weir's Oil & Gas service network.

As we make our customers more efficient, the Group has also been focused on improving the operational performance of our facilities by ensuring the customer is at the core of our manufacturing and service performance. This constant attention to **value chain excellence** (VCE) has involved dozens of tailored initiatives to improve individual facility performance in areas such as reducing lead times and working capital, where there was substantial progress, particularly in Oil & Gas and Power & Industrial divisions. The Minerals division is continuing to implement a common Enterprise Resource Planning (ERP) tool across its global operations which will eventually consolidate 15 ERP systems into one. These initiatives helped deliver a £87m working capital inflow, in addition to the Group's ongoing procurement efforts which in 2015 delivered £37m in procurement savings, helping to offset some of the pricing pressure the Group experienced as customers sought to reduce costs.

The integration of Trio Engineered Products was successfully completed with early success in new comminution (crushing, grinding and screening) markets and sand and aggregates markets. A worldwide sales team was established to bring Trio's products to a wider range of customers building on the Group's **global capability**, which includes operations in more than 70 countries. The Group also acquired US-based Delta Industrial Valves, which is a leading supplier of knife-gate valves principally for mining and oil sands. Work is also continuing to develop the Group's manufacturing facilities with our new centre in Dubai, United Arab Emirates, moving to full production serving upstream and downstream oil and gas customers, and a new factory and distribution centre in Milan to serve downstream oil and gas customers.

Finally, I would like to express my appreciation to Keith Ruddock who retired as the Group's General Counsel and Company Secretary at the end of 2015. Keith was a valuable source of strategic advice for the entire business and played an important role in developing our ethics and compliance procedures in an increasingly complex global environment.



### Value chain excellence

The process by which every part of the Group's operations are focused on optimising efficiency and customer satisfaction.

See more from page 10.



### Global capability

Our equipment is "mission critical" to our customers which is why we have developed a comprehensive global service centre network.

See more from page 10.

## DELIVERING ON 2015'S KEY PRIORITIES

In last year's Annual Report, I set out a series of key priorities for the year:

*Deliver benefits from the Minerals facility restructuring programme, the integration of Trio and the investment in a common Enterprise Resource Planning (ERP) platform.*

The Minerals division delivered around £20m in cost savings during 2015 including realising the benefits of its efficiency review. The roll-out of the ERP system progressed from Malaysia to Europe and is expected to be in operation in Latin America later in 2016. The integration of Trio is complete and a new sales team is globalising its product range including the first in a new range of crushers developed using Weir's materials expertise.

*Ensure agile response to oil and gas end market conditions and maximise opportunities from new product launches.*

The Group reshaped its Oil & Gas division in response to deteriorating market conditions by insourcing manufacturing, cutting operating costs, consolidating facilities and reducing the division's North American workforce. It maintained core skills which will allow it to benefit when the market recovers. The division launched a new frack pump which can reduce total cost of ownership by approximately 20% and has received positive feedback from customers. In addition, the division's new frack valves offer double



Her Majesty the Queen visited the Weir Advanced Research Centre in Glasgow.

the life expectancy of their predecessors.

*Drive improved performance in Power & Industrial, including benefits of divisional reorganisation.*

Margins improved as the division benefitted from restructuring as a result of the Group-wide efficiency review. Restructuring resulted in a £8m reduction in the division's Selling, General and Administration (SG&A) costs in 2015.

*Accelerate pace of new technology developments.*

The Group has launched a large range of new products focused on improving the efficiency of customers operations. More details of specific innovations can be found in the operational review section. The Group has also established new partnerships with leading universities, is developing an IoT offering and established the Weir Technology Advisory Board.

*Drive reductions in lead times and working capital through application of the Value Chain Excellence roadmap.*

Each business in the Group undertook initiatives using the VCE roadmap. Oil & Gas achieved a 21% improvement in On Time Delivery (OTD) while in Africa, the Minerals division achieved significant lead time reductions through the use of a new Sales and Operating Process, while restructuring supply chain processes in Power & Industrial achieved substantial OTD improvements.

## OUTLOOK

Given ongoing market conditions, 2016 will be another challenging year. As a result, we are planning for a further reduction in constant currency Group operating profits, driven primarily by lower activity levels in upstream oil and gas markets. We will continue to invest for the medium term supported by our aftermarket-focused business model, further cost reduction initiatives, non-core asset disposals and a clear focus on cash generation, to ensure we benefit fully and quickly when markets improve.

More broadly and as part of our normal assessment of potential political and social risks, we will closely monitor the outcome of the referendum to decide whether the UK should continue to be a member of the European Union. The Group believes continued membership would be beneficial to the UK economy as it gives UK-based businesses access to one of the world's largest single markets, facilitating increased trade.

## 2016 PRIORITIES

- 1 Maintain competitiveness in challenging markets including delivering £40m in additional cost reduction benefits and more than £30m of procurement savings.
- 2 Prioritise cash generation with further reductions in working capital and up to £100m in non-core asset disposals.
- 3 Extend the Group's technology leadership through the development of 'Internet of Things' capability.
- 4 Capture benefits from comminution strategy in Minerals across both mining and sand & aggregates markets.
- 5 Continue to expand Oil & Gas product and service offering in the Middle East and launch integrated frack power systems joint venture.
- 6 Drive revenues from new product launches and deliver benefits from the new Weir Flow Control strategy.

**KEITH COCHRANE**  
Chief Executive

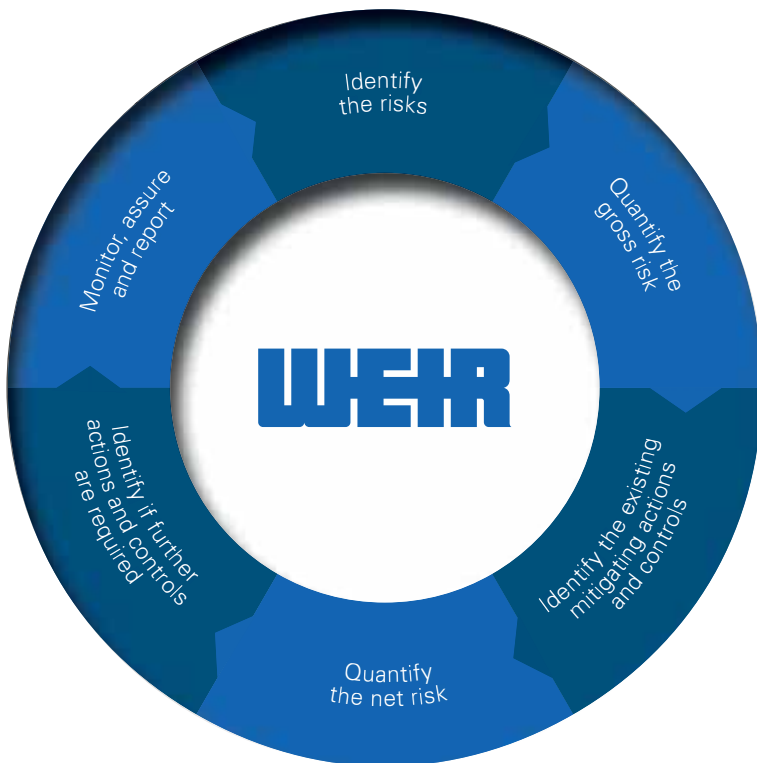
24 February 2016

## How We Manage Risk

# Managing risk effectively

We operate in a complex global environment, where risks offer opportunities as well as challenges. Our objective is to allow our people to be decisive, so we can take advantage of attractive opportunities whilst ensuring we are not exposing the organisation to excessive risk.

Figure 1: Risk Management Cycle



### THE RISK AGENDA

During the year, the Board has reviewed the Risk Appetite Statement, the effectiveness of the systems of risk management and internal control and conducted a robust assessment of the principal risks affecting the Group. These activities meet the Board’s responsibilities in connection with Risk Management and Internal Control set out in the 2014 UK Corporate Governance Code.

The Board reviewed the Risk Appetite Statement which was approved with only minor amendments and is set out below. The aim of the Risk Appetite Statement remains to highlight the risks that we should be willing to take, as well as those which are unacceptable. The statement includes a series of risk assertions which are aligned to our strategy, together with the risk parameters within which we expect our people to work. The risk appetite is all of the risk assertions and the parameters taken together. The parameters can apply to more than one risk assertion, and therefore the individual risk assertions should not be read in isolation. Compliance with the Risk Appetite Statement is monitored through the Group’s standard monitoring and reporting mechanisms. The Board will continue to review and update the Risk Appetite Statement on an annual basis.

Details of the review of the internal control and risk management systems undertaken during the year are contained in the Audit Committee Report on page 92.

### RISK MANAGEMENT

The management of risks is at the core of the internal control framework. We have a risk management policy which defines how we expect risks to be identified, assessed and managed throughout the organisation.

Risks are assessed, and quantified, in terms of impact and likelihood of occurrence, both before and after control mitigation. Assessing the gross risk before control mitigation allows the business to review the relative impact of the existing controls by comparing the gross and net risk assessment. This also allows the business to avoid wasting resources on mitigating controls and actions which have a negligible impact on the risk assessment.

The impact of risks is quantified across a range of factors including: financial; strategy; reputation; people and property; ability to perform services; regulation, environment, health and safety; and investors and funding. The risk management policy includes defined criteria for each risk impact factor, supporting a consistent measurement approach. Risk management takes place at the grassroots level, for example in individual projects, all the way up to Group level assessments, thereby providing an integrated bottom-up and top-down approach to risk management.



The specific risks identified across the business generally fall under one of the categories within the 'Risk Universe' as shown below.

Figure 2:  
Risk Universe

Strategic risk	Hazard risk	Operational risk	Compliance risk	Financial risk
Industry and market downturns.	Political and social instability.	People.	Laws and regulations.	Financial management.
Technological advances.	Natural disasters and other major incidents.	Delivery and supply chain.	Code of Conduct.	Credit.
Pricing pressures.	External and internal fraud and corruption.	Quality.	Environment, health & safety.	Debt and interest rates.
Acquisitions and mergers.		Commercial.	Governance.	Foreign exchange.
Planning and resource allocation.		Communication.	Intellectual property.	Accounting and reporting.
		IT.		Taxation.

Not all risks are controllable or foreseeable, a key example being natural disasters. Our response to such risks is having controls which lessen the impact to our business should they occur. For example, in the case of natural disasters, we have controls in place to reduce the risk of harm to our people, as well as response planning protocols, with clear accountability, to minimise disruption to operations and our customers.

### RISK APPETITE STATEMENT

The Weir Group is strategically positioned in markets with good long-term growth prospects. We will pursue ambitious growth targets, and we are willing to accept a higher level of risk to increase the likelihood of achieving or exceeding our strategic priorities, subject to the parameters below.

Risk assertions	Risk parameters
1. <b>Organic growth:</b> We will rigorously pursue divisional organic growth strategies to meet our market growth objectives. We recognise that our end markets are subject to cyclicalities and we plan to have sufficient flexibility to manage through the cycle.	Investment of resources will be consistent with divisional strategies and expected divisional compound annual growth rates over five year plans.
2. <b>Mergers and acquisitions (M&amp;A):</b> We will actively pursue M&A opportunities that enhance our strategic platform subject to meeting investment criteria.	Post-tax returns should exceed our cost of capital within three years of the acquisition.
3. <b>Returns and profitability:</b> We will not pursue growth at all costs, and expect high margins, strong returns on capital and working capital discipline together with cash generation.	Short term margin dilution is acceptable in gaining market entry but over the cycle we aim for top quartile operating margins and returns on capital.
4. <b>Capital allocation:</b> We will encourage capital expenditure in pursuit of our growth ambitions subject to Internal Rate of Return (IRR) and achievement of Group free cash flow targets.	Planned IRR on capital expenditure projects should not be less than 20%.
5. <b>Capital structure:</b> We are prepared to use leverage in pursuit of our growth agenda and will actively seek low cost debt to fund the Group but will maintain significant headroom against our financial covenants.	We will seek to maintain the ratio of net debt/EBITDA below two times (current financial covenants 3.5 times) and will retain adequate headroom within our debt facilities at all times.
6. <b>Reputation and brand image:</b> We will avoid/manage situations or actions that could have a negative impact on our reputation and brands. We aim to be transparent with all of our stakeholders unless prejudicial to our collective interests.	No tolerance for breaches of: <ul style="list-style-type: none"> <li>– Legislative/statutory requirements.</li> <li>– Weir Code of Conduct.</li> <li>– International sanctions.</li> <li>– Delegated authority levels.</li> <li>– Group and divisional policies.</li> </ul>
7. <b>Environment, health and safety (EHS):</b> We will not undertake or pursue activities that pose unacceptable hazard or risk to our people, the communities in which we operate, or the broader environment.	<ul style="list-style-type: none"> <li>– Total Incident Rate <math>\leq 0.8</math> and EHS Audit Score <math>&gt; 50\%</math>.</li> <li>– No fatalities.</li> <li>– Active community and environmental engagement is expected.</li> <li>– No tolerance for breaches of Weir EHS system.</li> </ul>
8. <b>Country presence:</b> We are prepared to enter new countries which offer opportunities for growth consistent with our overall strategy. We will not enter, or will exit, countries which present a high risk of harm to our people, damage to our reputation, or breach of international sanctions.	No tolerance for breaches of: <ul style="list-style-type: none"> <li>– Legislative/statutory requirements.</li> <li>– Weir Code of Conduct.</li> <li>– International sanctions.</li> <li>– Delegated authority levels.</li> <li>– Group and divisional policies.</li> </ul>
9. <b>Innovation:</b> We will invest in technology research and development to innovate our customer offering allowing us to maintain and expand our market share.	Target research and development spend $> 2\%$ of sales.

## How We Manage Risk *continued* Risk responsibilities and reporting

Ultimately, the Board is responsible for the Group’s risk and internal control framework. 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. This is articulated in a series of Group policies and delegated authority matrices, as well as the parameters within the approved Risk Appetite Statement. The Board and committee structure can be viewed on page 80.

The bottom-up risk reporting approach requires key risks identified, and reported, at project level to be escalated to the operating company management, which in turn may be escalated to divisional management, and ultimately to the Risk Committee and the Board. This is achieved through risk dashboard reports, which are maintained at operating company, divisional and Group levels. The dashboards provide a summary of the major net risks at each respective level, as well as a summary of the key mitigating controls and actions, and further control actions required.

The Risk Committee monitors quarterly risk dashboard reports from the operating companies and divisions. In addition, the Risk Committee has oversight of the Group Risk Dashboard, along with a routine review of key controls identified to manage each risk and the sources of controls assurance, providing an update to the Board at each Board meeting. The Board obtains assurance over risks and risk management through the internal control framework. More information on the internal control framework can be found within the Corporate Governance Report on page 84 and within the Audit Committee Report on page 92.



Figure 3: Risk responsibilities and reporting

Case study

### Information security training

**Information security, also known as cyber security, is the protection of information and information systems from unauthorised access, use, disclosure, disruption, modification or destruction in order to provide confidentiality, integrity and availability.**

Cyber security is set apart from most forms of corporate risk in that very minor

actions on the part of the individual can potentially have a disproportionately large negative impact on an organisation. In light of this, in 2015 the Company rolled out a new online information security awareness training programme, known as InfoSmart, to all employees with IT access. Through the promotion of good practice in their everyday activities, the programme aims to mitigate the overall risk to Weir by changing behaviours that

could ultimately lead to data leakage, financial loss, reputational damage or business disruption. The comprehensive training programme is mandatory and completion is monitored by the General Counsel and Company Secretary. Following the initial roll out in 2015, the training will form part of all staff inductions and refresher courses will be undertaken periodically.

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

	Risk management responsibilities
<p><b>Board</b> Overall responsibility for the Group's risk management and internal control frameworks, and strategic decisions within the Group.</p>	<ul style="list-style-type: none"> <li>- Annual review and ongoing monitoring of the effectiveness of the risk management and internal control frameworks.</li> <li>- Annual review of the Group's risk appetite.</li> <li>- On a biannual basis, receive a report from the Risk Committee which sets out the current assessment of each principal risk, the effect of mitigating controls on each risk, the direction of travel of each risk versus the prior year, the extent to which each could potentially impact the Group's strategic goals and any relevant findings relating to significant control failings or weaknesses which have been identified.</li> <li>- Taking decisions in accordance with the delegated authority matrices.</li> </ul>
<p><b>Audit Committee</b> Delegated responsibility from the Board to review the effectiveness of the Group's risk and internal control frameworks.</p>	<ul style="list-style-type: none"> <li>- Annual assessment of the effectiveness of the risk management and internal control frameworks.</li> <li>- Review of reports from the internal and external auditors.</li> <li>- Review of the results from the six-monthly self-assessment compliance scorecards.</li> </ul>
<p><b>Risk Committee</b> Management committee responsible for governance of the Group's Risk Management Policy and Framework.</p>	<ul style="list-style-type: none"> <li>- Review of the design and operation of the Group Risk Management Policy and Framework.</li> <li>- 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.</li> <li>- Review of the Divisional Risk Dashboards, considering the appropriateness of management's responses to identified risks and assessing whether there are any gaps.</li> <li>- Reporting key Group and divisional risks to the Board.</li> <li>- Prepare a biannual Risk Committee Report for the Board.</li> </ul>
<p><b>Group Executive</b> Executive committee with overall responsibility for managing the Group to ensure it achieves its strategic objectives.</p>	<ul style="list-style-type: none"> <li>- Managing risks which have the potential to impact the delivery of the Group's strategic objectives.</li> <li>- Monitoring business performance, in particular key performance indicators relating to strategic objectives.</li> <li>- Taking strategic decisions in accordance with the delegated authority matrices.</li> <li>- Escalating issues to the Board as required.</li> </ul>
<p><b>Excellence Committees</b> Engineering Environment, Health &amp; Safety Finance HR Group Information Services Value Chain</p>	<ul style="list-style-type: none"> <li>- Monitoring the management of key risks across the Group associated with the respective remits of the Excellence Committees.</li> <li>- Monitoring performance and compliance with Group objectives, policies and standards related to the respective remits of the Excellence Committees.</li> <li>- Taking decisions in accordance with the delegated authority matrices.</li> <li>- Escalating issues to the Group Executive as required.</li> <li>- Reviewing the results from relevant assurance activities.</li> </ul>
<p>Management committees with representatives from across the Group in their respective areas of focus. The committees govern activities and performance in the individual functional areas.</p>	
<p><b>Divisional management</b> 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.</p>	<ul style="list-style-type: none"> <li>- Managing risks which have the potential to impact the delivery of the divisions' strategic objectives.</li> <li>- Monitoring performance and compliance with Group objectives, policies and standards within the divisions with regard to the outputs from the Excellence Committees.</li> <li>- Taking decisions in accordance with the delegated authority matrices.</li> <li>- Escalating issues to the Group Executive as required.</li> <li>- Reviewing the results from relevant assurance activities.</li> </ul>
<p><b>Operating company management</b> Responsible for ensuring company objectives are achieved and business activities are conducted in accordance with Group policies and standards.</p>	<ul style="list-style-type: none"> <li>- Managing risks which have the potential to impact the delivery of their company's strategic objectives.</li> <li>- Monitoring performance and compliance with Group objectives, policies and standards within their company.</li> <li>- Taking decisions in accordance with the delegated authority matrices.</li> <li>- Escalating issues to divisional management and Excellence Committees as required.</li> <li>- Reviewing the results from relevant assurance activities.</li> </ul>

## How We Manage Risk *continued* Principal risks and uncertainties





As in any business, there are risks and uncertainties which could impact the Group’s ability to achieve its objectives in the future. However, we believe the Group’s risk management and assurance framework makes this less likely. The Board has conducted a robust assessment of the principal risks, alongside the risk appetite statement set out on page 21, meeting the Board’s responsibilities in connection with Risk Management and Internal Control detailed in the 2014 UK Corporate Governance Code. Each of the principal risks is assigned an owner from amongst the Board or Group senior management team and is either a standing agenda item at each Board meeting or subject to formal periodic review by the Board. A summary of principal risks and the Group’s mitigating controls is presented at every Board meeting.

The Directors reviewed the Group’s risk register, reassessed the validity of the principal risks identified in the prior year and considered whether any new principal risks have emerged or a risk is no longer considered a principal risk. The identified principal risks were subjected to a detailed assessment based on the following considerations:

- severity of each risk;
- existence and effectiveness of actions and internal controls which serve to mitigate the risk;
- the overall effectiveness of the Group’s control environment, including assurance and any identified control weaknesses or failings; and
- the extent to which each of the principal risks could impact upon the Group’s viability, in financial or operational terms, due to their potential effects on the business plan, solvency or liquidity.

The principal risks set out below are those which we believe to have the greatest potential to impact our ability to achieve the Group’s strategic objectives or which have the greatest potential impact on the Group’s solvency or liquidity.

### KEY TO SYMBOLS

-  Risk increasing
-  Risk unchanged
-  Risk decreasing
-  Considered as part of Viability Statement assessment

Risk	Why we think this is important	How we are mitigating the risk	Changes during 2015
<p><b>Global economic conditions</b></p> <p><b>Changes in key markets, including commodity prices affecting mining and oil and gas, have an adverse impact on customers’ expenditure plans. This may include delaying existing expenditure commitments.</b></p> <p></p>	<p>We need to remain sufficiently flexible to allow us to anticipate downturns, to allow us to adjust our operations accordingly, and equally to meet growth in demand when our customers’ markets are buoyant and therefore capital investment is high. Otherwise, we are at risk of incurring unnecessary costs during downturns, and not maximising our potential for growth in buoyant markets.</p> <p>In challenging market conditions, our supply chain risks are increased. These are described in more detail on page 26.</p>	<ul style="list-style-type: none"> <li>– We maintain regular engagement with our customers to understand their needs and challenges, and ensure our business is appropriately aligned.</li> <li>– Our strategic planning utilises extensive market intelligence to assist in forecasting opportunities and dips in markets.</li> <li>– We maintain contingency plans for downturns.</li> </ul>	<p> Market conditions have remained challenging during 2015, with commodity prices in oil and gas joining those in minerals markets at recent historical lows. Necessary adjustments have been made to our operations to accommodate our customers’ responses to these market conditions.</p>

Risk	Why we think this is important	How we are mitigating the risk	Changes during 2015
<p><b>Technology and innovation</b></p> <p><b>We fail to drive innovation or to react to emerging technology developments, and therefore fail to ensure that the business continues to deliver sustainable and attractive solutions for our customers.</b></p> <p>▼</p>	<p>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 lowering margins as demand will reduce.</p>	<ul style="list-style-type: none"> <li>– Continual investment in research and development, including the Weir Advanced Research Centre (WARC) in conjunction with the University of Strathclyde.</li> <li>– We have a dedicated governance team (Engineering Excellence Committee) focused on the delivery of our strategic objectives for technological advances and innovation to meet the needs of our customers.</li> <li>– Weir Technical Advisory Board established comprising highly regarded experts to ensure Weir continues to be at the leading edge of technology development in our chosen industries.</li> </ul>	<p>▲</p> <p>The pace of technological innovation continues to increase as we and our competitors seek to provide customers with solutions that improve the efficiency of their operations. To ensure we continue to retain competitive advantage in this area, our existing research and development initiatives within the business, at WARC, and at certain universities around the world, have been enhanced through our partnership with Imperial College London. This partnership will help the Group develop game-changing solutions to our customers' challenges. We are also devoting additional resources to reviewing and responding to developing technologies and have signed an agreement with Microsoft Corporation to develop Internet of Things (IoT) technology. Further information on progress made in this area is set out in the Products and Technology section of the Sustainability Review on pages 58 and 59.</p>

<p><b>Political and social risk</b></p> <p><b>Adverse political action, or political and social instability, in territories in which we operate may result in strategic, financial or personnel loss to the Group.</b></p> <p>▼</p>	<p>We operate across the globe and therefore have to work within a wide range of political and social conditions. Adverse events may occur in the territories in which we operate that may require us to act swiftly to protect our people, our property and to maintain our competitiveness, and we need to be flexible and able to anticipate such issues. Expansions into new territories are only undertaken after rigorous assessment of the risks, including the social and political situation within the territory.</p>	<ul style="list-style-type: none"> <li>– Regular review of market attractiveness.</li> <li>– Monitoring travel by Weir employees to higher risk locations.</li> <li>– External expert risk assessments and regular monitoring in higher risk locations.</li> <li>– Contingency plans and exit strategy planning.</li> <li>– Our strategic planning assists in forecasting potential political and social instability in regions.</li> </ul>	<p>II</p> <p>In response to increased security risks, arising from changes in the political environment in certain countries where the Group has operations, enhancements have been made to the Group's access to expert risk assessments and plans to respond to adverse events in higher risk locations. During the course of 2015, the environment in which a number of the Group's businesses operate continued to be challenging and uncertain, especially from a security perspective. During the year we appointed a Group Head of Security to a newly created role designed to improve the ways in which these concerns are addressed and mitigated.</p>
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## How We Manage Risk **continued**

### Principal risks and uncertainties **continued**

Risk	Why we think this is important	How we are mitigating the risk	Changes during 2015
<p><b>Supply chain management</b></p> <p><b>Failure to achieve supply chain management improvements and the associated reduction in costs and enhanced flexibility.</b></p>	<p>If we fail to improve our supply chain management, we risk:</p> <ul style="list-style-type: none"> <li>– losing the opportunity to invest capital into alternative value creating opportunities;</li> <li>– damaging our reputation and as a consequence losing customers and market share;</li> <li>– incurring penalties as a result of late delivery contractual clauses;</li> <li>– reducing margins by incurring unnecessary additional costs associated with late remedial actions taken to avoid missing delivery targets; and</li> <li>– holding excess inventory in the event of a market downturn.</li> </ul>	<ul style="list-style-type: none"> <li>– Regular KPI monitoring of the supply chain throughout the organisation.</li> <li>– The Group's operations are currently implementing Value Chain Excellence initiatives amongst other business improvement objectives.</li> <li>– Established Centres of Excellence drive cost savings, efficiencies and enhance delivery standards whilst maintaining quality.</li> <li>– The Group's forward purchase commitments are being closely monitored to manage inventories at levels appropriate to market conditions.</li> <li>– Our credit risk management procedures are under continuous appraisal and their application is subject to specific internal audit review.</li> </ul>	<p>II</p> <p>Supply chain remains an area of strategic focus for the Group. Supply chain improvements continue to be recognised year on year as the Group realises benefits from its focused approach to these matters. In 2015, we have seen underlying improvements in working capital, including circa £65m in our Oil &amp; Gas division, and substantial progress in improving on-time-delivery for all divisions with a 21% and 20% improvement in Oil &amp; Gas and Power &amp; Industrial respectively. A programme of Value Chain Excellence initiatives has been launched throughout the Group to drive supply chain improvements.</p>
<p><b>Environment, health and safety (EHS)</b></p> <p><b>Failure to adequately protect our people and other stakeholders from harm associated with a breach in EHS standards.</b></p>	<p>We operate in hazardous environments, and therefore 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:</p> <ul style="list-style-type: none"> <li>– reputational damage leading to a loss of customers;</li> <li>– legal action from regulators, including fines and penalties; and</li> <li>– exclusion from markets important for our future growth.</li> </ul>	<ul style="list-style-type: none"> <li>– 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.</li> <li>– The EHS Excellence Committee is responsible for monitoring performance and compliance with Group objectives, policies and standards relating to EHS.</li> <li>– There is a formal EHS assurance programme with issues escalated as required through the reporting structures.</li> </ul>	<p>II</p> <p>The Group is never complacent in relation to EHS matters. Committed to achieving the highest of standards, the Group continues to set higher benchmarks for EHS compliance and roll out cohesive programmes to address EHS risks and drive safe and sustainable working practices. Improvements have been made throughout the year to our EHS Board reporting and assurance activities and our key performance indicators in place to measure our success in mitigating EHS risks continue to show improvement.</p>

Risk	Why we think this is important	How we are mitigating the risk	Changes during 2015
<p><b>Contract risk</b></p> <p><b>We fail to adequately manage contract risk and as a result commit to obligations which the Group is unable to meet without incurring significant unplanned costs.</b></p> <p><b>In addition, failure to follow Group policies and procedures may lead to commitments without the desired level of contractual protections.</b></p> <p>▼</p>	<p>We operate in an increasingly complex and competitive environment where customers are not only highly focused on price and service but are also more challenging in contract negotiations.</p> <p>As we offer a broader range of products and services to our customers, including those that are more technologically advanced, we risk exposing the Group to reputational and financial loss should our contract acceptance, negotiation and approval processes fail to protect the Group accordingly.</p>	<ul style="list-style-type: none"> <li>– The Group has policies and procedures for contract acceptance and approval.</li> <li>– These are under continuous review and improvement to ensure they are adequate for current and future circumstances.</li> <li>– The tools and training available to employees responsible for contract management are similarly under continuous review.</li> </ul>	<p>▼</p> <p>Contract management has become an area of increased focus for the Group, given the competitive environment. Amongst other initiatives, certain of the Group's policies and procedures have been reviewed and refreshed to provide employees with improved tools to assist them in their contract management activities.</p>
<p><b>IT security and continuity</b></p> <p><b>Failure to maintain business systems or technical infrastructure that serves the business needs.</b></p> <p><b>Failure to successfully execute changes to these business systems or technical infrastructure; together with failure to minimise disruption and maintain business as usual activity during technical infrastructure or business system changes.</b></p> <p><b>Failure to adequately protect the business operations from cybercrime.</b></p>	<p>Up-to-date data allows us to make informed decisions about our business. Therefore, we require reliable and efficient IT systems and infrastructure to provide our data requirements. Breaches of our IT security could have serious consequences for our business, including:</p> <ul style="list-style-type: none"> <li>– interruption to business operations; and</li> <li>– loss of intellectual property and other sensitive data.</li> </ul> <p>The Group is investing in a significant IT transformation programme. If this is not managed effectively, the consequences could include interruption to business operations if data is unavailable due to unsuccessful execution of change, impacting our ability to compete and our reputation in the market.</p> <p>At present, the Group's principal exposures to cybercrime relate to the misappropriation of cash and data. Our revenue streams are largely protected as our products are not currently electronic in nature and we do not, as a rule, transact over the internet.</p>	<ul style="list-style-type: none"> <li>– We continually review the effectiveness of our key IT security controls in consultation with external experts.</li> <li>– There is regular reporting of unplanned outages and potential security breaches, with lessons learned across the Group.</li> <li>– We have an IT Governance Framework with a focus on structured change management techniques, including setting project governance levels in line with risk.</li> <li>– External assurance being obtained on the Tier 1 IT transformation projects.</li> <li>– The security arrangements around all of the Group's information assets will be revised following the transition to the Weir Cloud infrastructure.</li> <li>– Policies, procedures and baseline standards in relation to cyber risk and IT security more generally are continuously updated and rolled out to operations. A programme of user training in relation to cyber risk is being rolled out.</li> </ul>	<p>II</p> <p>IT security and continuity continues to be a matter of strategic priority for the Group. Progress to strengthen the Group's defences in this respect is being made, including developing the Weir Cloud programme which aims to rationalise our IT infrastructure and service.</p>

## How We Manage Risk **continued**

### Principal risks and uncertainties **continued**

Risk	Why we think this is important	How we are mitigating the risk	Changes during 2015
<p><b>Cost competitiveness</b></p> <p><b>Failure to deliver cost competitive products and services, or failure to deliver sufficiently differentiated products and services which justify a price premium through lowest total cost of ownership value propositions.</b></p>	<p>Customers are increasingly focused on the price competitiveness of products and services as they seek to lower operating costs. If the Group fails to demonstrate the value of our products and services, it risks losing market position.</p>	<ul style="list-style-type: none"> <li>– There is continual focus on maximising the efficiency of our products to ensure the solutions provided to customers deliver the best overall value, allowing our customers to meet their cost reduction strategies through lower energy costs and improved productivity.</li> <li>– The key component Centres of Excellence are driving cost efficiencies, whilst maintaining quality.</li> <li>– Expansion of production in best-cost locations, including foundry expansions in Malaysia and South Africa.</li> <li>– We regularly monitor market activity to ensure we remain competitive.</li> </ul>	<p><b>II</b></p> <p>Cost competitiveness remains a strategic priority for the Group. Initiatives to expand production in best-cost locations are developing in South Africa and Malaysia and the procurement function continues to drive cost and quality improvements through the Group's supply chain.</p>
<p><b>Ethics and governance</b></p> <p><b>Interactions with our people, customers, suppliers and other stakeholders are not conducted with the highest standards of integrity which devalues our reputation.</b></p>	<p>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:</p> <ul style="list-style-type: none"> <li>– reputational damage leading to a loss of customers;</li> <li>– increased scrutiny from regulators;</li> <li>– legal action from regulators including fines, penalties and imprisonment; and</li> <li>– exclusion from markets important for our future growth.</li> </ul>	<ul style="list-style-type: none"> <li>– The Code of Conduct, supplemented with Group policies on related topics, provides a clear benchmark for how we expect our business will be conducted.</li> <li>– Regular training is provided using a range of mechanisms including Town Hall style sessions, online and induction training.</li> <li>– The financial control framework is continually monitored for effectiveness.</li> <li>– 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.</li> </ul>	<p><b>II</b></p> <p>The governance and legislative environment in which the Group operates continues to evolve and become more complex. The Group has further developed and grown its operations in geographies where ethical standards may not be as well established as in other countries. The Group has reinforced its commitment to high standards of ethics and governance through the Code of Conduct and completed a programme of training for key individuals. In addition, the Group has developed and issued a Group Competition Law Manual, which again is being accompanied by related training for those in relevant roles.</p>

Risk	Why we think this is important	How we are mitigating the risk	Changes during 2015
<p><b>Staff recruitment, development and retention</b></p> <p><b>Failure to recruit, develop or retain key management and staff may lead to disruption to the Group's operations, functions and processes.</b></p>	<p>Our people represent our biggest asset and failure to attract, develop and retain key management and staff would have a detrimental impact on the Group's ability to deliver our key strategic objectives.</p>	<ul style="list-style-type: none"> <li>– Promotion of the Weir Group Values &amp; Behaviours, Code of Conduct and HR Policies sets the standards and expectations for all our staff, reinforcing our stated commitment to attracting and retaining the very best people.</li> <li>– High performer assessments are undertaken to identify and develop our very best talent. Succession plans are in place and periodically reviewed for all of our key management.</li> <li>– Personal Development Plans are set and reviewed for the effective development of all of our staff.</li> <li>– Continue to offer competitive compensation and benefits packages.</li> <li>– Personal development programmes including Weir University and the Weir Leadership Programme are open to participation by high potential staff members and these continue to attract high calibre individuals.</li> </ul>	<p><b>▲ (new)</b></p> <p>Recognising the ever increasing need to recruit, develop and retain the very best staff, this was included within our Principal Risk assessment during the year. We continue to focus on these key areas including obtaining feedback through staff surveys and measuring the success of our Leadership and Development Programmes. Recognising the importance of effective ongoing staff communication we continue to provide information and updates through our Global Intranet, Town Hall meetings and team briefings.</p>

## VIABILITY STATEMENT

The Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Those principal risks as described on the preceding pages and annotated with **▲** have been determined by the Board as having the most significant potential impact on the Group's longer-term viability.

The three year period to 31 December 2018 was used as the period over which to assess the prospects of the Company, reflecting the average duration of previous cycles in both the minerals and oil and gas markets. The Group is, however, currently experiencing a prolonged downturn in its key markets with a lack of short-term visibility over commodity prices, and related production activity. Given this, the Board believes a period of three years best presents the readers of the Annual Report with a reasonable degree of confidence over the longer-term outlook.

From a financial modelling perspective, the potential impact of those principal risks identified as most relevant to supporting the viability statement was considered relative to the Group's strategic plan. The strategic plan is prepared and submitted to the Board annually to facilitate discussion and decision-making in relation to longer-term business planning, for example geographic coverage, manufacturing footprint and capacity planning and so extends for a period of five years. The plan makes certain assumptions including those about market share, performance of the core revenue streams and market segments and the success of cost management initiatives, both ongoing and strategic. The output of this plan is also used to perform longer-term central debt and headroom profile analysis, including a review of sensitivity to 'business as usual' risks, such as profit growth, working capital variances and return on capital investment, as well as projected compliance with the Group's debt facility covenants.

Financial sensitivity modelling was undertaken by firstly considering each identified principal risk in isolation and then a stress-test scenario was modelled which comprised a severe but plausible combination of events to represent the crystallisation of a number of individual principal risks. The latter enhanced stress-testing resulted in scenario planning for further market downturn in relation to commodity prices, plus a combination of one-off shocks to the financial results of the Group corresponding to: political and economic risk; contract failure; market disruption due to innovative technology; and environment,

health and safety. A number of assumptions were made, including: (i) the period over which commodity prices would remain at their current lows; (ii) the impact on working capital cycles in an extended market downturn scenario; and (iii) the mitigating actions that could be executed to reduce the impact of the stress-test.

While this review does not consider all of the risks that the Group may face, the Directors consider that this stress-testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved. The geographical and sector diversification of the Group's operations helps minimise the risk of serious business interruption or catastrophic damage to our reputation. While the Group remains exposed to the cyclicity of the markets in which it operates, it continues to have a balance sheet that provides capacity in which to operate. In addition, our ability to flex our cost base to reflect our existing markets – as evidenced by our recent cost reduction programmes – protects our viability in the face of the adverse economic conditions and/or additional risks highlighted.

In light of the financial modelling undertaken, it was determined that none of the risks would compromise the Group's viability when taken individually. When taken in aggregate there are sufficient mitigating actions within the control of the Board and management to offset the impact of the stress-test such that the Group's longer-term viability would not be adversely impacted. The mitigating actions considered in the process included, but were not limited to, further restructuring actions, reduction in capital expenditure and dividend payable, and disposal of assets.

As set out in the Audit Committee Report on page 92, the Audit Committee reviewed and challenged the process undertaken by management and also reviewed the results of the enhanced stress-testing, alongside the available mitigating actions and potential impact on debt headroom and covenant levels.

On the basis of this assessment, and in accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018. The Directors' statement on going concern is presented in the Directors' Report on page 120.

# Operational Review

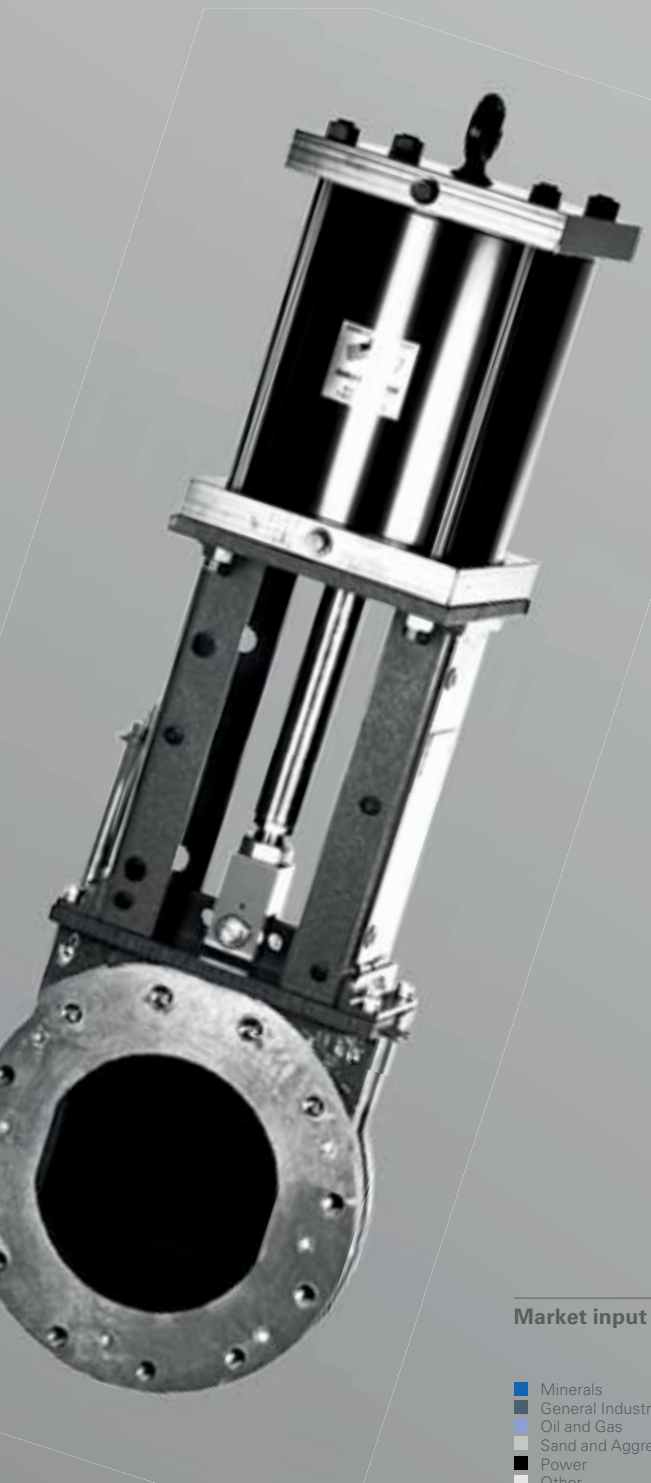
## Weir Minerals

### Adapting to a changing mining industry.

We delivered another resilient performance in 2015, adapting to reduced activity in mining and investing in our strategy to ensure we are ready to benefit from the long-term structural growth prospects in our end markets.



**RICARDO GARIB**  
Divisional Managing Director



#### PERFORMANCE SUMMARY

Revenue\*  
**£1,034m**  
-4%

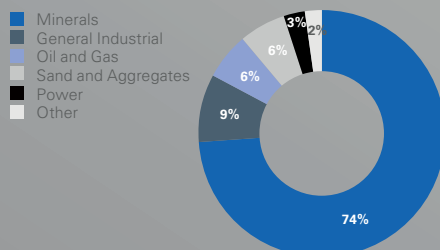
Operating profit\*  
**£198m**  
-9%

\* 2013 and 2014 are restated at 2015 average exchange rates.

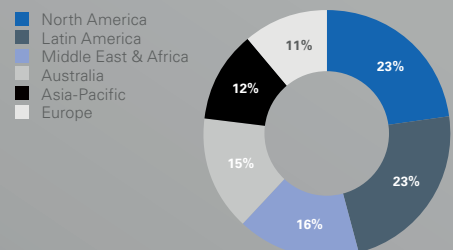
#### KEY PRIORITIES AND PROGRESS IN 2015

- Execute comminution strategy through effective integration of Trio.**
  - Integration of Trio successfully completed.
  - Globalisation of the product range well underway, helping to secure new projects.
  - Resources reallocated from traditional mining business to comminution.
- Increase investment in research and development to position the division for future growth.**
  - New R&D agreement in place with Imperial College London, initially focusing on Minerals applications.
  - R&D targeted on strategic focus areas of customer digital experience, mining energy efficiency, transformational ore processing and advanced product design and supply.
- Strengthen our interface with our customers through enhanced service capability and greater on-site presence.**
  - Plans developed for new service centres in Chile, Mexico and Kazakhstan.
  - Flexible business options offered to customers, with positive early results.
  - Key account management processes implemented to help develop further mutually beneficial relationships with customers.
- Progress implementation of new divisional ERP system.**
  - Successful roll-out achieved in Europe; division-wide roll-out proceeding.
  - Results in faster and more automated decision-making and more integrated supply chain and manufacturing.
  - Global view of opportunity management.
- Increase efficiency and deliver the benefits of the global rationalisation programme.**
  - Cost savings realised from manufacturing consolidation in the USA, France and Australia.
  - Good progress in procurement initiatives.
  - Efficiency gains realised at Trio manufacturing facilities.

#### Market input breakdown



#### Market input by geography







**Comminution**  
The process of crushing, screening and grinding material.

## MARKET DRIVERS IN 2015

Price declines continued across a number of key commodities as markets adjusted to slowing demand in China and new lower-cost capacity coming on line. Iron ore spot prices fell by 40%, copper prices fell by 26% and gold prices fell 12%. Supply outstripped demand in iron ore and coal, while some operators reduced production in higher-cost areas with iron ore mine closures in North America and China. In Africa and the United States, higher cost copper mines were closed.

Overall, in 2015, aftermarket demand was supported by the growth of global ore production which benefited from the start-up of several new low-cost mines in South America and the positive full year effect of mines commissioned in 2014, offset by maintenance delays and closures of higher-cost mines. Oil prices were down by around a third, significantly impacting oil sands capital expenditure although production volumes increased.

Mining sector capital expenditure fell by an estimated 25% in 2015 with both greenfield and brownfield spend experiencing further significant reductions from 2014 as customers deferred decisions on major projects. As ore production increased and ore grade declined, miners focused on optimising existing sites, resulting in brownfield opportunities for engineering solutions which clearly demonstrate efficiency improvements and short pay back timescales.

## “Aftermarket demand was supported by the growth of global ore production which benefited from the start-up of several new mines in South America.”

The recovery in African markets following industrial action in 2014 was affected by some reduction in production and concerns over further industrial action. In Asia Pacific, markets were relatively stable although weak iron ore and coal prices led to some production cuts in Australia, South East Asia and China. Similarly, lower commodity prices led to production reductions in North America. Political and economic instability in Eastern Europe contributed to subdued conditions.

In the second half of the year, some of the world's largest mining companies reacted to falling commodity prices by announcing substantial restructuring plans which included the mothballing or closure of mines that fail to offer sufficient returns.

## STRATEGIC PROGRESS

In the context of challenging market conditions, the division has continued to execute its strategy, including

applying its materials expertise to new opportunities. We are aligning our resources with strategic growth arenas, namely sand and aggregates and the broader product portfolio offered by the 2014 acquisition of Trio Engineered Products, to help us capitalise on the long-term structural growth prospects of our end markets. We are prioritising R&D and introducing new products to lower our customers' total cost of ownership. At the same time, we continue to improve efficiency in our own operations through a range of value chain excellence initiatives.

We advanced our **innovation** agenda through partnerships with leading academic institutions to undertake fundamental research, helping to develop our capability in areas like additive manufacturing and 'Internet of Things' or 'IoT' technology which will allow the division to monitor and ultimately control the performance of our equipment using data analytics. New technology trials are under way, and new product launches continued including the MDC gravel pump and the Cavex 700 CVX Hydrocyclone (which reduces costs for our customers via increased throughput and efficiency). In addition, a new Trio crusher moved from development to commercialisation within 12 months. The division was also appointed as technical advisers to the world's first electric power plant to base its energy on copper tailings: a project in Chile which aims to meet demand for more efficient energy production for mining operations.

The October 2014 acquisition of Trio has accelerated our comminution (crushing, screening and grinding) strategy. Increased **collaboration** across the division for comminution products helped to deliver cross-selling benefits for Weir and an improved product range and support for our customers.

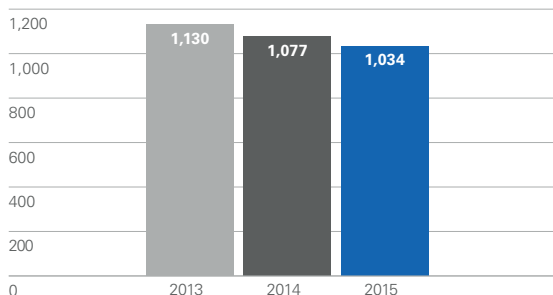
The acquisition of Delta Valves in July 2015 enhanced our **global capability**, bringing an expanded valves product offering primarily for the oil sands and mining markets. The division also successfully integrated Trio Engineered Products and built a global sales and marketing team to globalize its products. Plans were also developed to open new service centres in Chile, Mexico and Kazakhstan.

The division's **value chain excellence** projects remained on track during the year, notably the staged roll-out of a common Enterprise Resource Planning (ERP) tool. The roll-out of the system to our European operations is now complete, with Latin America due next. The introduction of a Sales & Operating Process system in Africa has contributed to lead time reductions across over 2,500 parts, resulting in an average lead time improvement of three weeks and in some specific cases up to twelve weeks.

### Revenue (£m)

**£1,034m**

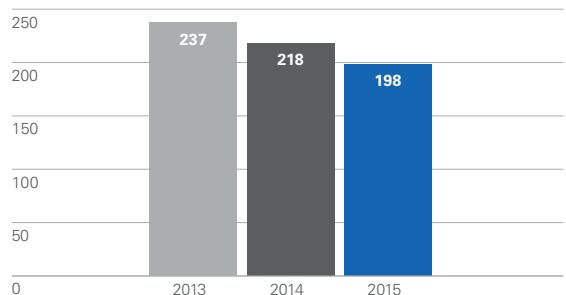
-4%



### Operating profit (£m)

**£198m**

-9%



## Operational Review continued

### Weir Minerals continued

We have taken steps to increase efficiency in response to market conditions by leveraging our best-cost manufacturing capability and consolidating smaller manufacturing sites into larger, more efficient centres. A reorganisation has been completed in North America, resulting in five manufacturing sites being consolidated into two, and we closed a small manufacturing facility in France with production transferred to sister sites. Consolidation of manufacturing activity has been completed in Australia, and workforce reductions have been implemented across Asia Pacific, Latin America and Africa.

#### FINANCIAL PERFORMANCE

**Order input** decreased by 4% to £1,033m (2014: £1,076m), with a 9% like-for-like decline partially offset by a full year contribution from Trio and a first contribution from Delta Industrial Valves. The division's book-to-bill at 1.00 was stable year-on-year. Original equipment orders were down 6% year-on-year (19% lower like-for-like), reflecting declines in capital expenditure by miners and oil and gas customers. Contrary to overall trends, the division had a strong performance from the Geho product line, which captured a large share of available mining projects.

Aftermarket orders decreased by 3% and represented 70% of total input (2014: 69%). On a like-for-like basis aftermarket input was down 5% against a strong prior-year figure, primarily due to declines in power, oil and gas and industrial markets. Mining aftermarket orders were broadly stable as the impacts of mine closures and customers reducing safety stock levels and postponing scheduled maintenance was offset by the move to full production in a number of greenfield sites in South America, together with underlying ore production trends.

In total, mining end markets accounted for 74% of input (2014: 74%) with orders down 6% on a like-for-like basis due to original equipment declines. Sand and aggregates markets were stable while oil and gas sector orders fell 34%.

**Revenue** was 4% lower at £1,034m on a constant currency basis (2014: £1,077m) and 9% lower like-for-like. Original equipment sales were 14% lower (25% lower on a like-for-like basis) and accounted for 29% (2014: 33%) of divisional revenue. Production-driven aftermarket revenues were relatively flat, up 1% over the prior year, but down 1% on a like-for-like basis.

Strong aftermarket growth in South America and higher activity levels in the Middle East only partially offset reduced revenues in Australia, North America, Europe and Asia Pacific. At a product category level there was a reduction in revenues from larger, more discretionary products such as HPGRs, hoses and other wear resistant liners, as well as a significant reduction in demand for swellable packers used in North American oil and gas completions. There was a 4% increase in slurry pump spares' revenues reflecting their critical importance to support increasing processing and their lower susceptibility to maintenance delays.

Reported revenues declined by 8%, reflecting a 5% foreign exchange headwind (2014: £1,128m).

**Operating profit** decreased by 9% on a constant currency basis to £198m (2014: £218m), reflecting lower volumes, £5m (2014: £1m) of one-off acquisition integration costs and increased investment in product development. Reported operating profit fell by 13% after a 4% foreign exchange headwind (2014: £226m).

**Operating margin** declined, as anticipated, by 100bps to 19.2% (2014: 20.2%), and was 19.5% (2014: 20.3%) on a like-for-like basis. Gross margins (before manufacturing overhead under-recoveries) increased by 120bps on a like-for-like basis, as a result of a more favourable aftermarket mix and the benefits of procurement and restructuring initiatives, which more than outweighed pricing pressure. This was offset at an operating level by the effect of negative operating leverage and increased investment.

**Capital expenditure** of £41m (2014: £45m) included investment in completing the restructuring and consolidation of the division's regional manufacturing footprint announced in November 2014. The division also continued the roll-out of its standardised ERP system in Europe.

Research and development spend increased to £13m (2014: £11m) and was focused on continuing to develop the division's product portfolio, materials technology and IoT and additive manufacturing capabilities which are being developed on behalf of the whole Group.

#### 2016 DIVISIONAL OUTLOOK

We expect further reductions in mining capital expenditure in 2016, marking the fourth successive year of reduced spend. Greenfield and brownfield capex is expected to fall, partly offset by a modest rise in sustaining capex. We anticipate slight growth in global ore production as increased capacity from low cost mines is largely offset by the full year impact of previously announced mine closures. Sand and aggregates end market prospects remain attractive, particularly in North America and South East Asia, helping to mitigate the impact of reduced mining original equipment revenues.

Oil and gas markets will remain challenging, impacting capital expenditure in oil sands and upstream North American markets, although production levels in the oil sands are expected to remain resilient.

Overall, the division is expected to deliver slightly lower constant currency revenues with operating margins broadly stable as additional cost saving measures offset pricing pressure.

#### KEY PRIORITIES IN 2016

- Actively respond to changing market conditions, ensuring ongoing competitiveness.
- Leverage the division's unrivalled service centre network to increase customer responsiveness in challenging market conditions to support financial performance.
- Reallocate internal resources to facilitate Trio product line growth in mining and sand and aggregates end markets.
- Align R&D spend with customer focus areas of efficiency, optimising ore recovery, data and control, reducing environmental impact and digital supply chain.
- Drive the benefits of the Delta Industrial Valves acquisition and leverage enhanced product offering to expand presence in oil sands and global mining markets.
- Utilise global resources to deliver value chain excellence including the continued consolidation of the division's ERP systems.

Strategy in action  
Collaboration



Engineering

# Efficiency

**When the Group acquired Trio Engineered Products in 2014 it purchased a business with a strong reputation and operational footprint in China and North America. Trio also allowed Weir to further pursue its strategy of using its technology leadership in one market as a platform for entering new and adjacent markets.**

Trio comminution products for screening, crushing and grinding sit alongside established Weir products in the mining mill processing circuit. Trio's presence in sand and aggregates markets also gave the opportunity to cross sell Weir products into this industry while Weir could globalise Trio's product portfolio by selling its products through Weir's worldwide network.

Teams from around the world worked together to fully integrate Trio into the Weir Group and develop the sales teams which would allow the Group to fully realise the benefits of the acquisition. Now, as an important part of the Weir Minerals division, Trio has a global sales team and new products – developed using Weir's materials expertise – which are being marketed to customers all over the world.

**Operational Review continued**  
**Weir Oil & Gas**

**The division responded quickly to challenging markets in 2015. We reduced costs significantly while continuing to invest in our strategic priorities.**



**PAUL COPPINGER**  
Oil & Gas Divisional Managing Director

**PERFORMANCE SUMMARY**

Revenue\*  
**£582m**  
-45%

Operating profit\*  
**£58m**  
-76%

\* 2013 and 2014 are restated at 2015 average exchange rates.

**KEY PRIORITIES AND PROGRESS IN 2015**

**Respond with agility to changing marketing dynamics and improve overall business performance through delivery of Value Chain Excellence improvement plans.**

- Rapid cost reduction programme implemented including the consolidation of one manufacturing and twelve service centres.
- Workforce reduction from more than 4,000 to approximately 3,000.
- Inventory was reduced by £64m or 24%.
- 21% improved on-time-delivery on average across the division.
- ERP systems reduced from nine to seven.

**Continue to globalize leadership position in Pressure Pumping and progress towards a Tier 1 offering in Pressure Control.**

- Pressure Control introduced bundled frack packages to further optimise drilling and well completion sites.
- Pressure Pumping broadened manufacturing capabilities to the Middle East and China.
- Pressure Pumping expanded its strategic partnership with Rolls Royce subsidiary MTU, agreeing to establish a joint venture.

**Enhance product offerings in Pressure Control & Pressure Pumping.**

- SPM® QEM 3000 launched which will deliver the industry's first continuous duty high horsepower hydraulic fracturing pump.
- SPM® RFID technology was launched to track the lifecycle of customer equipment.
- Mathena introduced the first stage of their 'Intelligent Sensor System' for monitoring and control of key drilling equipment in the field.

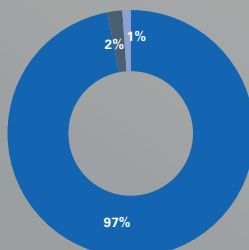
**Expand capabilities of Weir Oil & Gas Services in the UAE, Iraq and Saudi Arabia, including the benefits of its new regional manufacturing hub in Dubai.**

- Dubai facility represents the industry's first wellhead manufacturer in the Middle East region.
- The facility has received certification from Kuwait Oil Company (KOC) and BP entity ROO meaning it is now on their approved list of manufacturers.
- Acquired new Iraq facility to support recent growth in the country.



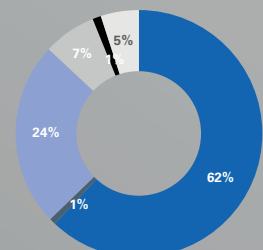
**Market input breakdown**

- Oil and Gas
- General Industrial
- Power



**Market input by geography**

- North America
- Latin America
- Middle East & Africa
- Europe
- Australia
- Asia-Pacific





## MARKET DRIVERS

International oil benchmarks Brent crude and West Texas Intermediate crude (WTI) fell by around two thirds between their 2014 peak and the end of 2015 while natural gas prices fell by more than 60%, with a subsequent reduction in capital spending and activity by oil companies. Operators sought significant pricing discounts from suppliers as part of their focus on reducing expenditure.

In North America, the division's biggest market, rig count fell by 61%. Oil-directed rigs fell 64% and gas-directed rigs reduced by 52%, both greater than market expectations at the start of the year. The number of wells drilled in North America fell 53% with the number of horizontal wells drilled down by around 40%, substantially reducing demand for pressure control equipment and services.

In pressure pumping markets, North American frack fleet utilisation fell from 87% in 2014 to below 50% in 2015. Pressure control markets also experienced sharp reductions in activity in line with rig count declines. With substantial additional equipment lying idle, there was an increase in destocking and component cannibalisation which reduced demand for both original equipment and aftermarket spares and maintenance services. In China, which has the largest frack fleet outside of North America, demand was subdued after strong growth in previous years.

In order to cut costs, many operators in North America negotiated pricing concessions which impacted the whole industry. USA oil production peaked in April and had fallen 6% by January 2016. As a result of ongoing efficiency gains in the industry and higher production levels, the breakeven cost per well fell by around a quarter in 2015.

In the Middle East, production increased, particularly in Saudi Arabia and Iraq, with the average rig count increasing 2%, although projects were subject to delay and customers targeted cost reductions from suppliers in line with the global industry. In higher cost production regions such as the North Sea and the Caspian, market conditions were more challenging.

## STRATEGIC PROGRESS

The dramatic change to oil and gas markets and the effect of substantially reduced activity across our main markets meant 2015 was a very challenging year. The division was quick to reshape, ensuring our capacity was closely aligned to customer demand with the consolidation of one manufacturing facility and 12 service centres. There was also a substantial reduction in the division's workforce, principally in North America where headcount reduced by more than 40%. In addition, the division further reduced

costs by insourcing production, reducing shift numbers and furloughing or suspending operations for short periods. These cost savings, which helped offset pricing pressure from customers during the year, have an annual run rate of £75m. These were achieved while continuing to make progress on the division's strategic priorities.

Progress in **innovation** included the launch of the first high-horsepower frack pump designed for continuous duty pressure pumping. The SPM® QEM 3000 was developed after extensive customer consultation and meets demand for more intense engineering solutions to improve productivity and lower costs. The QEM 3000 is estimated to lower customers' total operating costs by around 20%. The division also introduced the Mathena Mud-Gas Separator (MGS) intelligent sensor technology to pressure control markets. It allows for the monitoring and control of mud levels within the MGS system allowing Weir and our customers to more reliably predict component performance.

The division continued its **collaboration** with Rolls Royce subsidiary MTU and agreed to establish a joint venture to develop an integrated frack power system. Weir Seaboard established a cross-functional Product Development Team which is comprised of a majority of non-engineers. During the year, the team invited customers, Weir field service engineers, district sales and outside sales and production teams to participate in the development of new wellhead systems. The initiative has resulted in the development of five new wellhead systems; with the first due for delivery to a customer in 2016.

The division's **value chain excellence** (VCE) initiatives substantially reduced inventory levels through improved sales and planning procedures. They also significantly increased on-time delivery, particularly in Pressure Control, which benefited from recent restructuring. Initiatives across the division included multiple kaizen or continuous improvement projects and the implementation of Advanced Product Quality Planning to improve supplier quality, delivery and cost. At Mathena, optimal layouts were designed for each of its service centres increasing the effectiveness of floor design, improved equipment maintenance processes and a safer work environment for employees.

The division continued to extend its investment in its **global capability**. The new regional headquarters in Dubai, UAE, became fully operational in 2015 and is the first facility in the country to manufacture wellheads meeting demand for lower response times.



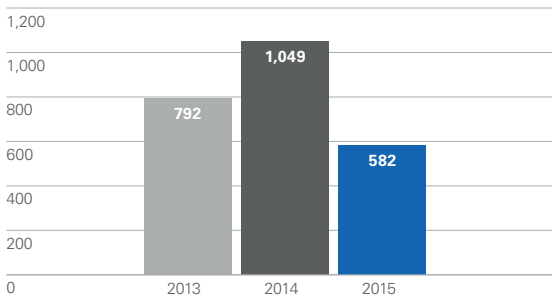
### Internet of Things

A network of devices which use computer chips and sensors to collect data and digitally transmit it through the internet.

### Revenue (£m)

**£582m**

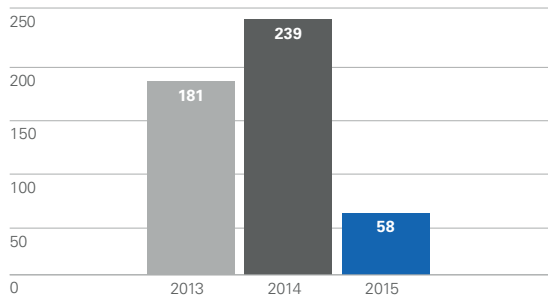
-45%



### Operating profit (£m)

**£58m**

-76%





## Operational Review continued

### Weir Oil & Gas continued

The division also acquired a new service centre in Iraq to add to its existing regional facilities in Abu Dhabi, the Kingdom of Saudi Arabia, Oman and Azerbaijan. A new service centre was also opened in China to support oil and gas development there.

A new manufacturing facility is under construction in Milan, Italy, which will bring operations currently undertaken across three buildings into one modern plant designed to optimise production and serve downstream oil and gas customers, principally in the Middle East.

**Order input** at £567m (2014: £1,088m) was 48% lower reflecting the reduction in activity as oil prices fell substantially over the year. Aftermarket input was down 44% year-on-year, primarily as a result of significant declines in the upstream North American markets, with Services also down, and a slight decline in Downstream. On a sequential basis, aftermarket orders were relatively stable from the third to the fourth quarter, despite further declines in activity as a result of continued falling oil prices. Aftermarket orders increased to 76% (2014: 71%) of divisional orders. Original equipment input was 57% lower, driven primarily by reduced demand for pressure pumping equipment and wellheads as frack fleet utilisation and the number of wells drilled fell substantially.

Pressure Pumping input was down 59%, with order rates declining sequentially quarter-on-quarter and original equipment orders falling below lows experienced in the downturn of 2009. As expected, cannibalisation of idle frack fleet continued throughout the year in response to rig count reductions, which together with destocking, significantly reduced aftermarket demand for flow control and fluid end products. Service and maintenance input was more resilient. Customers remain focused on achieving efficiency improvements and are actively trialling the business' broader technologically-differentiated product portfolio.

Pressure Control input also fell significantly, although both Seaboard and Mathena maintained market share in a very challenging environment. Seaboard continued to see good interest in its zipper manifold product line as customers targeted further efficiency improvements. Mathena input was impacted by customers downgrading the range and specification of the equipment used during drilling.

Input from Services operations decreased year-on-year, primarily due to reduced activity levels in the North Sea and Caspian although the core Middle East business was relatively resilient. Downstream order input was also down on a strong prior year, as customers continued to delay project activity in subdued markets.

**Revenue** decreased by 45% to £582m on a constant currency basis (2014: £1,049m), reflecting order input trends, particularly in North America. Original equipment and aftermarket revenues decreased by 54% and 41% respectively, with aftermarket accounting for 77% of total revenues (2014: 72%). Reported revenues fell by 41%, after a 6% foreign exchange benefit (2014: £992m).

Pressure Pumping benefited from a positive opening order book in the first quarter before the reduction in North American upstream activity impacted revenue. Pressure Control revenues decreased in line with order trends. Services revenues were more resilient with

growth in Iraq, partially offsetting declines in the North Sea and the Caspian. Downstream revenues fell slightly, with performance impacted by project delivery delays.

**Operating profit**, including joint ventures, was 76% lower on a constant currency basis at £58m (2014: £239m). The decline was entirely attributable to North American upstream operations, despite c. £40m of cost savings and strong profit growth from Services and Downstream. Reported operating profit decreased by 74% after a 6% foreign exchange tailwind (2014: £225m).

**Operating margin** was down 1280bps reflecting the impact of pricing pressure, lower volumes and negative operating leverage. Divisional gross margins (before manufacturing overhead under-recoveries) were down 370bps year-on-year, with double-digit North American upstream pricing pressure partially offset by cost and operational efficiency measures. Pressure Pumping manufacturing overhead under-recoveries totalled £20m in the year.

**Capital expenditure** of £36m (2014: £50m) included a new manufacturing facility for Downstream in Milan and further expansion of Services facilities in the Middle East, including the acquisition of a service facility in southern Iraq.

Total R&D expenditure of £10m (2014: £8m) was focused on expanding the division's product offering and included the launch of the new SPM® QEM 3000 continuous duty frack pump.

#### 2016 DIVISIONAL OUTLOOK

Having fallen materially at the start of the year, the market expects oil prices to remain low throughout much of 2016.

Many E&P and service companies have announced plans to further reduce their capital spending plans. As a result, market conditions are expected to remain challenging.

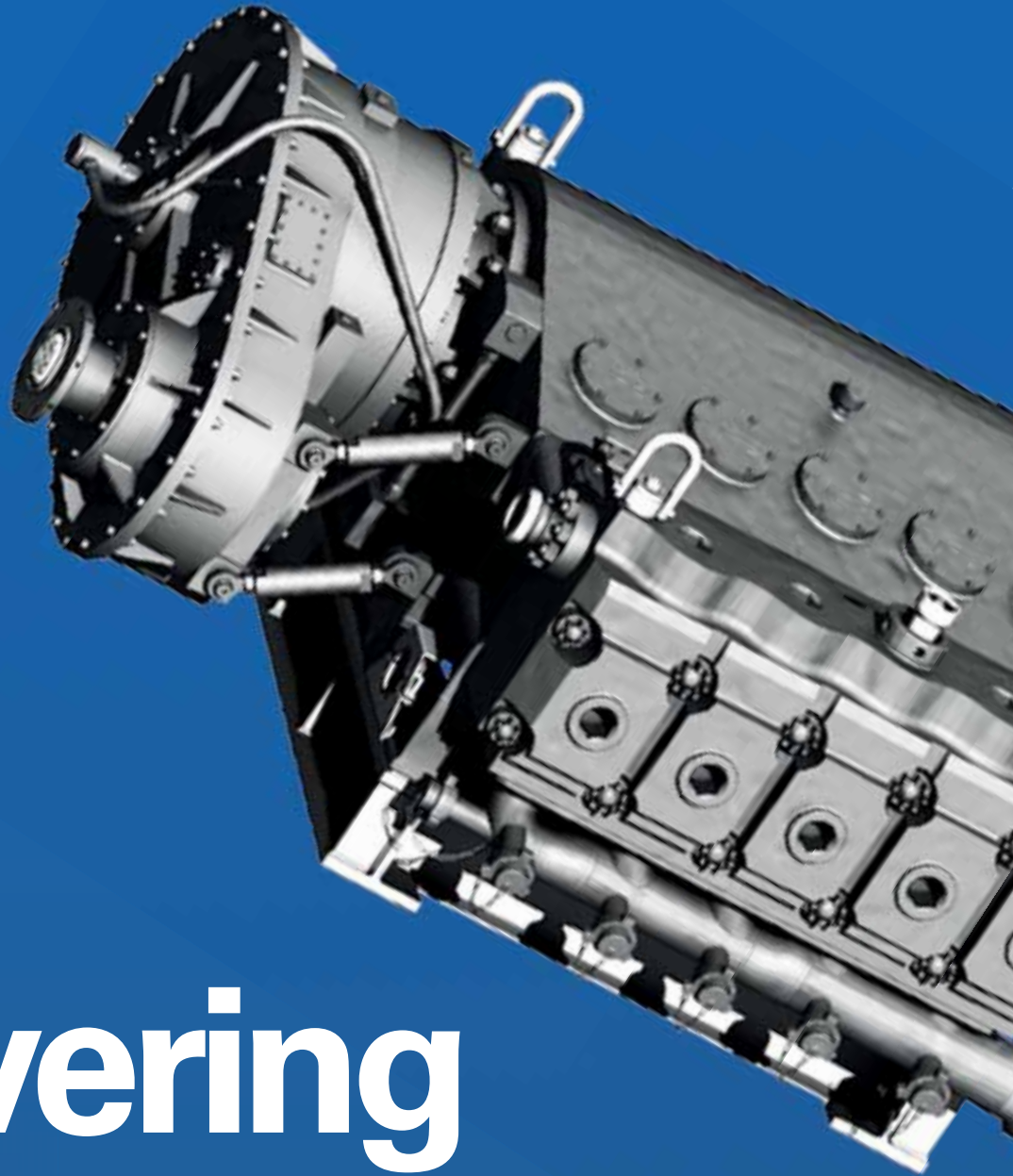
So far in 2016, North American rig count and activity levels have continued to fall with a consequent impact on upstream revenues. Continued declines in activity will extend the period of destocking and cannibalisation in pressure pumping markets through the first half of the year with market rationalisation expected to continue. Conditions are also expected to be more challenging in international and downstream markets.

The division continues to reduce costs and increase efficiency and will take proactive action to support operational performance as appropriate. However, these measures will not fully offset market impacts, and consequently a further significant reduction in constant currency divisional revenues is expected. Operating margins will be impacted by additional negative operating leverage, with North American upstream businesses currently operating around breakeven, albeit still cash generative.

#### KEY PRIORITIES FOR 2016

- Proactively respond to challenging market conditions through continued commitment to value chain excellence improvement initiatives.
- Leverage Weir's global capability to strengthen current market share positions and penetrate new markets.
- Enhance the division's relationships with key customers through innovative custom tailored products and solutions.
- Support the transition of Gabbioneta to its new facility in Milan and its successful integration into the Flow Control division.

Strategy in action  
Innovation



# Delivering

## continuous duty

Lower total  
cost of ownership

**20%**

**Engineers in our Oil & Gas division estimate Weir's new generation frack pump could reduce customers' total cost of ownership by around 20%. The SPM® QEM 3000 is also the first high-horse power frack pump designed for continuous-duty pressure pumping operation at 275,000-pound force rod load.**

The Texas based team worked closely with customers to fully understand their needs and developed the product to meet demand for increased operating hours and rod loads. Given the increasing intensity of hydraulic fracturing operations, traditional frack pumps were reaching the limits of their design capabilities. The SPM® QEM 3000 delivers a pump with unrivalled durability and cost-efficiency which reduced expensive downtime and allows for continuous operation.

The pump includes a number of innovations which have met with positive customer feedback, even in challenging market conditions. These include: new lubrication solutions to address pump failure due to poor lubrication; using the largest frack pump bearing on the market to increase component life and reduce downtime; a new frame structure to reduce cracking due to vibration and utilising the latest SPM® Duralast™ Fluid End Technology which lasts up to five times as long as conventional fluid ends.

The SPM® QEM 3000 pump will be integrated into purpose-built hydraulic fracturing power systems which is being developed as part of the joint venture between Weir and Rolls Royce subsidiary MTU.

**Operational Review continued**  
**Weir Power & Industrial**

**The division responded to market conditions by further streamlining its operations and improving operating margins.**



**JOHN HEASLEY**  
Power & Industrial Divisional  
Managing Director



**PERFORMANCE SUMMARY**

Revenue\*  
**£302m**  
-5%

Operating profit\*  
**£22m**  
+15%

\* 2013 and 2014 are restated at 2015 average exchange rates.

**KEY PRIORITIES AND PROGRESS IN 2015**

**Complete and deliver the benefits of the division's restructuring programme.**

- Successfully completed restructuring programme delivering improved margins which increased from 5.9% to 7.2% year-on-year.
- In addition, increased on-time-delivery, improved cost competitiveness and customer satisfaction ratings.

**Expand low-cost sourcing and leverage VCE to deliver further operational efficiency benefits.**

- The division increases its use of the Group's best-cost sourcing manufacturing facilities to improve competitiveness.
- More than 20 VCE initiatives delivering substantial improvements to lead times.

**Continue to grow valve aftermarket revenues.**

- Double digit increase in Valves aftermarket revenues as the division benefited from more intense use of assets by customers.

**Expand application and product range through new product development.**

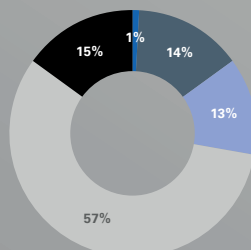
- Prioritised Research & Development investment with new products aligned to strategic markets.
- Sarasin-RSBD™ safety valve launched for Liquefied Natural Gas (LNG) customers.
- Roto-Jet® lightweight industrial pump developed and commercialised for hydrocarbon applications.
- Rapidly prototyped material tests for hydro runners in collaboration with the Weir Advanced Research Centre.
- Additive manufacturing and 'Internet of Things' programmes made good progress.

**Expand geographical reach.**

- Expanded Korean facility enabling a broader range of valves for regional customers.
- Continued to make progress with EPCs involved in the LNG market, particularly in Asia Pacific.

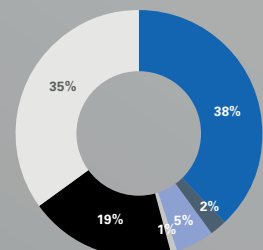
**Market input breakdown**

- Minerals
- General Industrial
- Oil and Gas
- Power
- Other



**Market input by geography**

- North America
- Latin America
- Middle East & Africa
- Australia
- Asia-Pacific
- Europe



## MARKET REVIEW

Uncertainty over the pace of global economic growth led to project delays in power and industrial markets, while activity in oil and gas was affected by the substantial reduction in prices that led to reduced capital and operational spending.

In conventional power markets, demand was subdued in Europe and the United States and there was a significant reduction in South Korean project activity. New build nuclear opportunities were concentrated in China with delays to planned investment in the United Kingdom. In the United States, hydro markets were stable. Reduced spending on new projects supported aftermarket demand as customers used their existing equipment more intensely.

## STRATEGIC PROGRESS

The division continued its **innovation** process through the launch of new products. The new Sarasin-RSBD™ safety valve for LNG customers and the Roto-Jet® lightweight industrial pump for hydrocarbon applications both add to the division's growing product portfolio.

Our engineers worked in **collaboration** with colleagues in other divisions as part of the Group-wide 'Internet of Things' and additive manufacturing programmes which saw good progress and delivered encouraging performance in terms of on-time-delivery, cost competitiveness and an enhancement to long-term servicing capabilities.

Researchers at the Weir Advanced Research Centre assisted with the development of materials testing technology for the hydro business which significantly reduced the design time and modelling process, enabling enhanced competitiveness and responsiveness for tenders.

We formed an alliance with Mitsubishi Heavy Industries to jointly seek opportunities in new nuclear build projects, including examining opportunities in the United Kingdom as it looks to start the development of a new fleet of nuclear projects.

**“Reduced spending on new projects supported aftermarket demand as customers used their existing equipment more intensely.”**

The division continued to take advantage of the Group's best-cost sourcing capability in China, Malaysia, India and Korea to support performance and competitiveness. It also undertook a number of other **value chain excellence** activities to further streamline operations and deliver improved on time delivery for customers.

Recognising the success of the Group's cross-divisional downstream forum, which brought together businesses from all three divisions, it was announced in 2016 that Power & Industrial would become the Flow Control Division with a greater focus on power, oil and gas and other aftermarket-orientated industrial pumps and valves. As part of the restructure, the Gabbioneta and Flowway businesses, which were previously part of the Oil & Gas and Minerals division respectively, will become part of the new Flow Control division.



### WARC

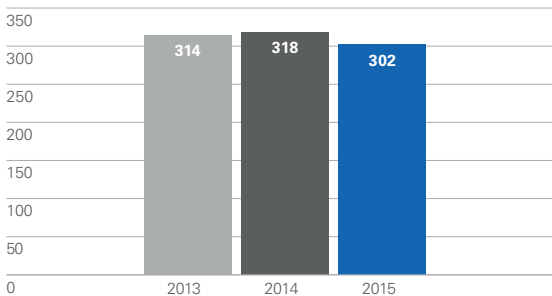
The Weir Advanced Research Centre at the University of Strathclyde brings leading academics together with Weir engineers to develop solutions which make our customers more efficient.

[Read more on p58.](#)

### Revenue (£m)

**£302m**

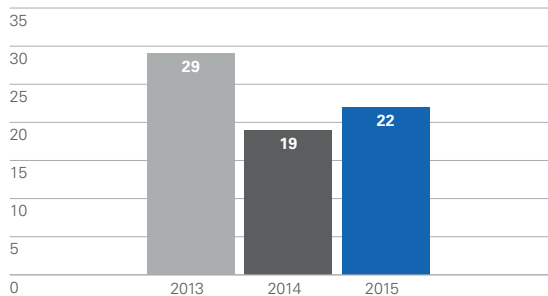
-5%



### Operating profit (£m)

**£22m**

+15%





## Operational Review continued

### Weir Power & Industrial continued

The division's **global capability** was enhanced by the completion of an expanded facility in Korea and an upgrade to the Group's Malaysia facility which benefitted our valve manufacturing process.

**Order input** decreased by 11% to £277m (2014: £314m) primarily due to large hydro and steam turbine orders in 2014 which were not repeated in 2015. In addition, customer decisions to delay projects across the division's power and industrial markets and oil price reductions impacted mid and downstream oil and gas activity levels. Excluding the impact of large one-off orders, input was down 8%. Original equipment orders were down 20%, driven by the timing of hydro orders, reduced Korean power orders and oil and gas project delays in Valves. Aftermarket input declined by 2%, with good Valves growth offset by lower Services input. Total Valves input was down 12% year-on-year.

### "Power, oil and gas, and industrial markets are expected to remain subdued in 2016, with uncertainty across most process industries."

Power markets represented 58% of orders (2014: 58%) and the proportion of orders from oil and gas markets decreased to 13% (2014: 14%). Emerging markets accounted for 26% of input (2014: 35%), with a fall in orders from Asia Pacific and the Middle East as a result of lower project activity and a subdued Korean domestic market.

**Revenue** decreased by 5% on a constant currency basis to £302m (2014: £318m), with aftermarket revenues broadly flat on the prior year and original equipment revenues down 9% supported by the opening order book. Valves revenues were 5% lower year-on-year, with strong double-digit aftermarket growth offset by project delays for original equipment. Reported revenues fell by 5% and were not impacted by foreign exchange movements (2014: £318m).

**Operating profit** was up 15% at £22m on a constant currency basis (2014: £19m), as the benefits of the cost reduction and operational improvement measures more than offset the impact of lower volumes. Reported operating profits increased 16% after a 1% foreign exchange tailwind (2014: £19m) and the benefits of an £8m year-on-year reduction in SG&A.

**Operating margin** was up 130bps to 7.2% (2014: 5.9%) against the prior year, which was impacted by strike action. Gross margins (before manufacturing overhead under-recoveries) increased by 140bps, reflecting the benefits of restructuring and low-cost sourcing. Cost reduction and efficiency measures broadly offset the impact of the negative operational leverage from the revenue decline.

**Capital expenditure** of £5m (2014: £9m) was primarily focused on expanding the capacity of the division's Valves facility in South Korea. Investment in research and development was stable at £2m (2014: £2m), with a new range of municipal pumps progressing to field trials.

#### 2016 DIVISIONAL OUTLOOK

Power, oil and gas, and industrial markets are expected to remain subdued in 2016, with uncertainty across most process industries leading to customers delaying new investment decisions. Mid and downstream oil and gas markets will be affected the most, with existing projects subject to delays.

The division, which enters 2016 with a lower order book but supported by the benefits of restructuring and strategic growth initiatives, expects broadly flat constant currency revenues. Operating margins are also expected to be broadly flat as the full year benefit of previous restructuring actions is offset by modest pricing impacts.

#### KEY PRIORITIES FOR 2016

- Successfully integrate industrial pump businesses into Flow Control division.
- Enhanced profitability and operational improvements.
- Grow aftermarket revenue.
- Fast-track new products and expand customer digital experience.
- Continue geographic expansion.



Strategy in action  
Global Capability



# Engineering

## nuclear solutions in France

**Weir Power & Industrial France was awarded a multi-million Euro contract to replace pneumatic controls across 28 nuclear reactors.**

The award means Weir will be responsible for the design, prototyping and testing, supply of 84 new items, as well as on-site installation, supervision and commissioning of the new equipment.

The modification programme managed by a Marseille-based subsidiary of EDF, EDF CIPN, will last seven years and will ensure future safety and integrity of flow control equipment throughout the enhanced operational lifetime of the EDF's reactors.

Weir's innovative solution incorporates a forged block design for the panels and full integration with MSIVs on site, an approach which offers optimal reliability and equipment lifetime while enabling ease of maintenance.

Weir's flow control experience in nuclear includes the manufacture of isolation, safety and control valves, supporting a global installed base, as well as track record for outage and refurbishment works in power stations.

Weir will work in collaboration with EDF Energy as well as alongside nuclear partner SPIE. Assembly and testing will be completed within Weir's state of the art St Victoret facility, while the project will require up to 30 on-site engineers to manage the modernisation programme across seven simultaneous sites with an estimated 8000 man hours to be delivered by a fully qualified team. The contract follows on from the Weir's 5 year valve maintenance agreement which was signed in 2012.

## Financial Review

# Stability

## Focus on cash and cost in prolonged market downturn

The Group has reacted strongly over 2015 in response to the severe conditions seen across all key end markets, through a keen focus on both cost and cash management. On a constant currency basis, operating profit (before exceptional items and intangibles amortisation) of £259m was down 42% year on year, a result underpinned by good strategic progress.

Free cash flow

**£132m**

+68%

EBITDA/Cash conversion

**123%**

+41%



**JON STANTON**  
Finance Director

**Order input** at £1,877m decreased 24% on a constant currency basis. Original equipment orders were down across all markets driven by weak commodity prices and the resultant impact on customer activity levels. Aftermarket orders were down 22%, reflecting a significant decrease in Oil & Gas and representing 69% of total input (2014: 67%). Minerals order input was £1,033m, slightly down on 2014 with customers closing mines, cutting safety stocks and postponing scheduled maintenance. On a like for like basis, Minerals input was £968m, down 9%. Input in Oil & Gas of £567m was 48% down on the prior year reflecting a substantial reduction in upstream activity as oil prices collapsed during 2015. Input in Power & Industrial was down 11% to £277m reflecting a reduction of 20% in original equipment input against a prior year which included large hydro and steam turbine orders.

**Revenue** of £1,918m was 22% down on a constant currency basis. The aftermarket accounted for 69% of revenues, a 3 percentage point increase over the prior year. Minerals revenues were down 4% at £1,034m (2014: £1,077m) on a constant currency basis, and down 9% like for like (excluding Trio and Delta acquisition). This result reflects the challenging original equipment markets, although aftermarket revenues performed resiliently, down only 1% year on year. The 2015 full year revenue impact of the Trio and Delta acquisitions was £63m. Oil & Gas revenues decreased by 45% to £582m reflecting order input trends, particularly in North America. Power & Industrial revenues decreased by 5% to £302m in 2015. On a reported basis Group revenue was down 21% on the prior year.

**Operating profit** from continuing operations (before exceptional items and intangibles amortisation) decreased by 42% to £259m on a reported basis. Restructuring related cost savings of £65m and procurement savings of £37m were realised during the year, an element of the latter passed on to customers to secure available volumes. One-off costs incurred in the period, excluding exceptional items, were £5m (2014: £2m) and related solely to acquisition and integration costs. The contribution from current and prior year acquisitions in 2015 was £8m, after charging integration costs. Unallocated costs were £19m (2014: £20m), reflecting our continued investment in innovation and strategic initiatives, offset by cost reduction measures implemented centrally.

**Operating margin** from continuing operations (before exceptional items and intangibles amortisation) was 13.5%, a decrease of 490 basis points on a reported basis on the prior year (2014: 18.4%; 18.6% on a constant currency basis). Minerals reported an operating margin, on a constant currency basis, of 19.2% (2014: 20.2%) for the full year demonstrating the division's resilience to the downturn in commodity prices and the benefits of a significant installed base. The like for like Minerals operating margin was 19.5% (2014: 20.3%). The Oil & Gas full year operating margin at 10.0% (2014: 22.8%

constant currency) reflects the substantial volume decline, negative operating leverage and pricing pressure seen across the division's North American upstream businesses. The operating margin in Power & Industrial was 7.2% (2014: 5.9% constant currency) and reflects the benefits from cost reduction and operational improvement measures taken at the end of 2014, which more than offset the impact of lower volumes.

#### **EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)**

Depreciation of property, plant & equipment in the period was £63m (2014: £61m) resulting in EBITDA of £322m (2014: £511m).

#### **EXCEPTIONAL ITEMS AND INTANGIBLES AMORTISATION**

An operating exceptional charge of £365m (2014: £212m) and intangibles amortisation of £53m (2014: £45m) resulted in a total Group operating loss for the year of £158m (2014: profit of £193m). The primary components of the exceptional items in the current year were the oil and gas downturn actions of £92m implemented to mitigate current market conditions, and the impairment charge against intangible assets of £251m. In addition, the final charges in respect of the Group-wide efficiency review announced in November 2014 were recorded in the first half of the year (charge of £8m (2014: £49m)) and other restructuring actions taken by the Minerals and Power & Industrial divisions, by way of continued response to market conditions, resulted in further charges of £16m (2014: £nil).

The oil and gas downturn actions included a range of activities designed to counteract the significant impact of the oil price collapse over the year, including consolidation of manufacturing facilities and service centres, combined with reductions in headcount. In addition the decision was taken to rationalise product lines and discontinue support for certain older product lines which have been superseded in the market by new technologies, as well as reassess actual and expected utilisation of rental assets based on the "lower for longer" outlook for the market. The total charge in relation to these actions comprised an anticipated cash cost of £31m, of which £7m was reflected in the current year cash flow statement, and an impairment of assets of £61m. Of the total asset impairment, £28m related to the write-down of inventory with the balance of £33m relating to property, plant & equipment.

The prolonged downturn facing oil and gas markets, and the resultant impact on the North American rig count and related activity levels, resulted in an impairment charge of £225m being recognised at the end of the year in relation to the intangible assets held in the Pressure Control cash generating unit (CGU). This has been allocated £193m against goodwill and £32m against other intangible assets and is further to the goodwill impairment of £160m that was recognised in 2014.

The cash flow forecasts underpinning the impairment testing reflect current oil price projections with depressed activity levels expected to endure for the next two years followed by a gradual pick up in year three and measured return to more normal levels thereafter, albeit not anticipating a return to the recent highs of 2012 for this business. With regard to impairment testing of the Pressure Pumping CGU, this business is more mature than Pressure Control and has significant levels of headroom between net asset value and value in use remaining, despite the current prolonged market downturn. Applying the same market assumptions as the Pressure Control financial modelling resulted in no impairment being assessed in respect of Pressure Pumping.

An impairment of £26m has also been recognised in relation to the goodwill of two other CGUs in Power & Industrial reflecting the planned disposal of non-core assets following the creation of the Weir Flow Control division. No impairment has been identified in relation to any of the other CGUs. Further detail is presented in note 14.

Other exceptional items in the period include the £2m unwind of inventory fair value adjustments in respect of Trio, offset by a gain of £2m (2014: charge of £1m) in relation to the fair value adjustment of contingent consideration liabilities and the release of a warranty indemnity provision of £4m which lapsed during the period.

Amortisation increased to £53m from £45m in the prior year, primarily as a result of the full year impact of Trio, and the Delta acquisition in 2015.

## Financial Review *continued*

### NET FINANCE COSTS

Total net finance costs, including exceptional items, were £41m (2014: £43m). There were four components of this net charge, the most significant being the interest cost of £41m (2014: £44m) on the Group's borrowings (including amounts in relation to derivative financial instruments). The other elements were finance income of £5m (2014: £6m), a charge of £3m (2014: £3m) in relation to the Group's defined benefit pension plans and an exceptional cost of £2m (2014: £2m) being the unwind of the discount on contingent consideration liabilities.

Net finance costs (excluding retirement benefit related amounts and exceptional items) were covered 7.2 times by operating profit from continuing operations, before exceptional items and intangibles amortisation (2014: 11.7 times).

**Profit before tax** from continuing operations (before exceptional items and intangibles amortisation) decreased by 46% to £220m (2014: £409m). The reported loss before tax from continuing operations of £200m compares to a profit before tax of £149m in 2014.

The **tax charge** for the year of £53m (2014: £106m) on profit before tax from continuing operations (before exceptional items and intangibles amortisation) of £220m (2014: £409m) represents an underlying effective tax rate (ETR) of 23.9% (2014: 25.8%). Our ETR is principally driven by the geographical mix of profits arising in our business and, to a lesser extent, by the impact of group financing arrangements. In the same way that the recent drop in US business activity has contributed to a reduction in ETR, any disproportionate recovery in the US will yield upward pressure on our ETR. Cyclical market conditions and anticipated changes in the international tax rules also mean that our ability to sustain current intra-group financing arrangements may be reduced in future periods. The Group's policy with regard to tax matters is discussed later in this report.

### DISCONTINUED OPERATIONS

There has been no impact of discontinued operations in the current year, with income in the prior year of £1m representing the release of unutilised provisions in relation to previous disposals, on expiration of the tax warranty periods.

### EARNINGS PER SHARE

Earnings per share from continuing operations (before exceptional items and intangibles amortisation) decreased by 45% to 78.4p (2014: 141.3p). Reported loss per share including exceptional items, intangibles amortisation and profit from discontinued operations was 83.6p (2014: earnings per share of 34.3p). The weighted average number of shares in issue increased to 213.7m (2014: 213.3m) following the issue of 593,934 shares as partial consideration for the acquisition of Delta Valves in July.

### CASH FLOWS

Cash generated from operations before working capital movements was £309m (2014: £503m). Cash generated from operations decreased by 6% from £421m to £396m but represents an improved EBITDA to cash conversion ratio of 123% (2014: 82%). Working capital cash inflows of £87m (2014: outflow of £82m) were driven by excellent cash collections of receivables, particularly in Oil & Gas. Exceptional items in the period resulted in total cash outflows of £33m across all restructuring activities (2014: £11m).

Net capital expenditure decreased from £101m in 2014 to £88m in the current year, reflecting the Group's focus on cash management while maintaining investment in key strategic arenas including operational efficiency, R&D and Group-wide Information Systems. The settlement of financing derivatives resulted in a net cash outflow of £2m (2014: £3m) and additional pension contributions of £3m (2014: £11m) were paid in the year in respect of agreed deficit recovery contributions. The reduction in the pension contributions is the result of a pension funding partnership agreement reached between the company and the Trustees of the main UK defined benefit plan, which reduced cash contributions payable in 2015 and, under which the agreed annual cash contributions going forward (over a period of up to the next 15 years) will be £2m in 2016; £3m in 2017 and £4m thereafter.

Free cash flow from continuing operations, before cash exceptional items and after dividends of £94m (2014: £103m), was £132m (2014: £79m). Outflows in respect of the acquisition of subsidiaries of £15m resulted in a closing net debt of £825m (2014: £861m), which includes an adverse foreign exchange movement of £48m. On a lender covenant basis, the ratio of net debt to EBITDA was 2.5 times and on a reported basis was 2.6 times, compared to a covenant level of 3.5 times.

Strategy in action  
Value Chain Excellence



Weir Cloud –  
Innovation and Collaboration  
**anywhere**

**Cloud computing has changed the way organisations deliver and consume IT services, benefitting companies both large and small. During 2014 and 2015, Weir worked closely with technology leaders Dell Corporation and Microsoft Corporation to design a cloud-based solution for IT infrastructure that would meet the complex needs of a workforce distributed over some 70 countries.**

Focused on delivering “best value”, the resultant approach uses a blend of public and private cloud services to provide Weir employees access to high quality IT services wherever they work, in the most secure and cost-effective way possible. The approach provides Weir with an agile platform, capable of taking advantage of new opportunities as they emerge in this rapidly changing space.

The roll-out of Weir Cloud will extend to the majority of employees during 2016.



## Financial Review continued

### RETURN ON CAPITAL EMPLOYED (ROCE)

The Group's ROCE of 10.0% for 2015 (on a like for like basis, excluding Trio and Delta) was lower than the prior year (2014: 18.2%), reflecting current market conditions.

### DIVIDENDS

The Board is recommending a final dividend of 29.0p resulting in a total dividend of 44.0p for the year, aligned with 2014. Dividend cover (being the ratio of earnings per share from continuing operations before exceptional items and intangibles amortisation, to dividend per share) is 1.8 times. If approved at the Annual General Meeting, the final dividend will be paid on 27 May 2016 to shareholders on the register on 29 April 2016 with a scrip dividend alternative being offered.

### ACQUISITIONS AND DISPOSALS

On 8 July 2015, the Group completed the acquisition of 100% of the voting shares of Delta Industrial Valves Inc., (Delta Valves) for a total consideration of £26m, represented by £14m in cash including settlement of external debt, £9m in new equity of the Company and contingent consideration of £3m. Delta Valves is a US-based manufacturer of knife gate valves for the mining, oil sands and other industrial markets.

In March 2015, the Group completed the acquisition of the remaining 49% of Trio Chile a minor joint venture acquired as part of the Trio acquisition in 2014, for a consideration of £0.4m.

### 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 them in a professional and timely manner.

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 in which we operate.

We operate in a complex global environment doing business in and between many countries. This complexity and the variability of our tax obligations, across a range of different tax jurisdictions, present risks which require to be managed. A principal tax risk faced by the Group arises as a result of uncertainty regarding the acceptance of the Group's intragroup transaction pricing policies by tax authorities around the world. This risk is mitigated by management through (i) ensuring compliance with local transfer pricing legislation in each relevant jurisdiction; (ii) proactive liaison with tax authorities; and (iii) the involvement of external tax advisers in the identification and management of pricing policies and related documentation.

Another principal risk arises from the uncertainty created by the changing international tax landscape which may impact our financing arrangements going forward. While anticipated changes to the tax environment are not yet finalised, we continue to actively monitor this as part of our tax risk management. Our decisions in relation to tax are governed by the Group's risk appetite statement which sets out the risk assertions and the parameters within which we operate. We also face the inherent risk that we fail to meet our compliance obligations given the size and diversity of the Group. The Group mitigates the risk of failure to meet our tax obligations through the application of a series of policies and procedures, defined roles and responsibilities and delegated authority matrices.

The risk that the application of management judgements and estimates in tax provisioning in the financial statements fails to present a true and fair view of the tax position is a risk which receives significant focus from management, tax advisers and auditors. Actions to mitigate include the following:

- local reporting entities prepare tax provisions and balances in accordance with Group Accounting Policy;
- procedures are in place to escalate issues to Group level and the Group tax team is involved in the progression and completion of tax audits;
- tax data in the financial statements, is reviewed quarterly in alignment with the broader quarterly financial reporting process. Variances against forecast are measured to ensure that movements in the ETR are explained;
- external tax advisers either prepare or review the annual tax provisions and balances;
- tax is a significant financial reporting matter regularly reviewed by the Audit Committee; and
- the external auditor reviews the tax figures in the interim statement and audits the tax figures and disclosures in the Annual Report and Accounts.

In terms of cash tax, the Group paid income tax of £50m in 2015 across all of its jurisdictions compared to £94m in 2014, the reduction driven by lower profits. Net cash tax paid in the UK in 2015 across corporation tax, VAT and payroll taxes was approximately £26m (2014: £41m).

### TREASURY MANAGEMENT

The Group is financed through a combination of bank debt, fixed rate private placement notes, commercial paper 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, commercial paper and long term fixed rate notes. The Group held net cash balances of £179m at the end of 2015 (2014: £167m) representing operating balances held by the Group's subsidiaries.

On 12 January 2015, the Group repaid US\$90m US dollar fixed rate notes and £12m sterling fixed rate notes as they fell due, using existing facilities including the US\$800m multi-currency revolving credit facility and certain uncommitted sterling borrowing facilities.

On 1 April 2015 the Group commenced a US\$1bn commercial paper programme, under which £166m was outstanding at the end of the year. All maturities are less than one year.

In September 2014, the Group amended the US\$800m multi-currency revolving credit facility, which was previously refinanced in July 2013 and due to mature in July 2018. The amendment extended the maturity date to July 2019, with the option of two one-year extensions. In July 2015, the option to extend the maturity to July 2020 was exercised. At 1 January 2016, US\$70m (2014: US\$210m) was drawn. Total unamortised issue costs at 1 January 2016 were £4m (2014: £5m).

All covenants were met at 1 January 2016 with headroom under each financial ratio.

The Group has additional committed and uncommitted bonding facilities under which guarantees are issued in support of 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 specific 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 who have a strong credit standing based on ratings provided by the major credit rating agencies.

### INTEREST RATE RISK MANAGEMENT

The Group's debt is 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. At the end of 2015, the proportion of the Group's debt at fixed rates was 76% compared to 78% as at the end of 2014.

### 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 four subsidiaries applied cash flow hedge accounting under IAS 39 during the period.

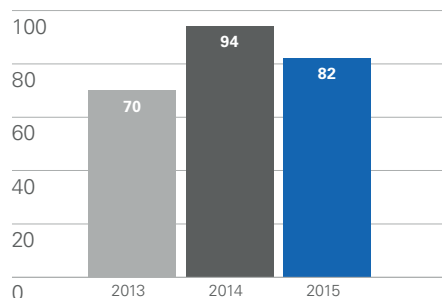
In respect of translational risk, the Group has a policy to partially hedge United States dollar (US\$), Australian dollar (AUD), Euro (EUR) and South African rand (ZAR) net asset exposures. This is achieved through designating an element of foreign currency borrowings, forward foreign currency contracts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

The weakening of Sterling relative to 2014, primarily against the US dollar resulted in a net loss on translation of net assets of £30m, including the effect of the balance sheet hedging programme.

### Net retirement benefit plan deficit (£m)

**£82m**

-13%



## Financial Review continued

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 four defined benefit pension plans, the largest of which are the two UK plans. The Group has sought to pro-actively manage its exposure to its pension plans with more than half of the liabilities of the main UK defined benefit plan (the "Main Plan") hedged using insurance policies, which provide significant protection against changes in market conditions. During the period to 3 January 2014, agreement was reached with the Trustees of the Main Plan to close the plan to future accrual of benefits with effect from 30 June 2015 and accordingly a curtailment gain of £3m was recorded as an exceptional item in the 2013 Income Statement. This was reassessed in 2015 with no adjustment required. During 2015 the Group entered into a pension funding partnership arrangement, under which it will contribute interest in a Scottish Limited Partnership to the Main Plan, details of which are included in note 24.

With regard to the key assumptions underpinning the IAS 19 (Revised) valuation, these have been updated to reflect market conditions at the end of the year with the only change being to the discount rate applied to the pension liabilities; this increased from 3.5% to 3.7%. Actuarial gains on the liability side due to changes in financial and demographic assumptions, coupled with a loss due to other experience, are partially offset by actuarial losses on the asset side. Combined these have led to a decrease in the net deficit in the Group's total net retirement benefit obligations from £94m to £82m over the year.

### NET ASSETS

Net assets at the end of 2015 were £1,198m, a decrease of £284m on the prior year (2014: £1,482m). This decrease is driven by the total net comprehensive expense for the year of £197m and dividends paid of £94m.

### 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 or claims, either individually or in aggregate, will have a material adverse effect on the Group's financial position. All actions are robustly defended.

A claim made in the prior year by Philippines Gold Processing & Refining Corporation against Weir Services Australia Pty Limited (WSA), a subsidiary of the Company, was successfully defended at an arbitration, with the judgement issued in favour of WSA in January 2016. During the arbitration process, the Group entered into a cap and collar agreement with the claimant, which limited the potential exposure for the Group to a de minimus amount.

### Asbestos-related claims

Certain of the Group's US-based subsidiaries are co-defendants in lawsuits pending in the United States in which plaintiffs are claiming damages arising from alleged exposure to products previously manufactured which contained asbestos. At the end of 2015, there were 1,263 asbestos-related claims outstanding in the US (2014: 1,503). The Group has comprehensive insurance cover for these cases and since the inception of the litigations in 2002 all claims have been directly managed by the Group's insurers who have, in the intervening period, made settlements totalling approximately £12m as well as meeting all associated defence costs. The insurers and their legal advisers agree and execute the defence strategy between them and there are no related cash flows to or from the Group. We expect this to continue for the foreseeable future as long as the litigation arises. Full details of the provision, and related insurance receivable, are provided in note 22.

In the UK, there are 21 (2014: 26) outstanding asbestos-related claims which are not the subject of insurance cover. The expected settlement costs of these and anticipated future claims in the UK are fully provided for within 'employee related provisions' in note 22.

### CRITICAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRS and the material accounting policies are set out on pages 135 to 141 of this Annual Report. There have been no significant changes to the accounting policies adopted in 2015.

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 136.

### Acquisition accounting

On the acquisition of a business, management assess: (i) the Purchase Price Allocation (PPA) in order to attribute fair values to separately identifiable intangible assets providing they meet the recognition criteria; (ii) the fair values of other assets and liabilities; and (iii) compliance with the disclosure requirements of IFRS 3, 'Business Combinations'.

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. The valuation of other tangible assets and liabilities involves aligning accounting policies with those of the Group, reflecting appropriate external market valuations for property, plant & equipment, assessing recoverability of receivables and inventory, and exposures to unrecorded liabilities. In deriving appropriate fair values the process will inevitably involve the use of estimates and the application of management judgement. The disclosure in relation to the acquisition of Delta Valves in the current year is provided in note 13.

### 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. During 2015, we completed impairment testing over the Group's cash generating units (CGUs) and the details and results of this exercise are discussed above and reported in note 14.

### Retirement benefits

The assumptions underlying the valuation of retirement benefit 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. Sensitivities to changes in key assumptions are provided in note 24.

### Provisions

Provisions are recognised where the Group has an obligation, as a result of a past event, that can be measured reliably and where an outflow of economic benefits is considered probable. Management judgement is used to determine the amount of such provisions taking into account the commercial drivers which gave rise to them, the Group's previous experience of similar obligations and the progress of any associated legal proceedings. Provisions for inventory and trade receivables are assessed along with those provisions set out in note 22. With regard to inventory provisioning, historical usage as well as anticipated future demand is considered (note 16). Where changes to these factors occur during the period this may impact on the assumption integral to management's assessment of the provision and the overall valuation. Any changes are recognised in the income statement in the period.

### 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. Detailed tax disclosures are provided in notes 7 and 23.



**JON STANTON**  
Finance Director  
24 February 2016

## Sustainability Review

# Responsible

**Corporate sustainability underpins our strategic priorities and is intrinsic to the Group’s purpose and values. We believe that acting in a sustainable way protects and creates long-term value, not just for our shareholders, but for all our stakeholders and the long-term future of our business.**

Sustainability is a broad topic and it is important that we understand our key priorities so that we can allocate time, resources and investment accordingly. For several years our sustainability approach has focused on six priorities that balance the broad environmental and societal benefits of our business with potential impacts arising from our operations.

During 2015, the formal materiality assessment undertaken in 2014 to identify and prioritise material sustainability issues for the Group was completed. The assessment, conducted in line with the Global Reporting Initiative G4 guidelines, identified and prioritised the sustainability issues that have a direct or indirect impact on our business. We took the opportunity to also review our existing sustainability priorities and examine their continued relevance for our business. The review found that our six key priorities continue to encompass the most significant material issues for our business and stakeholders and, as a consequence, our sustainability strategy remains appropriate to our evolving business, that of our critical suppliers and key customers, and the changing global climate in which we operate.

These priorities are important to us as we are aware that we have the opportunity to effectively manage our impacts and create and influence positive outcomes. By integrating these priorities into our business strategy, daily activities and operations, we will ensure that, wherever we operate, we are doing so fairly, ethically and responsibly. The following sections present the six priorities, our performance in each of these areas over the past year and the policies and practices currently used to monitor and manage our performance and deliver on our commitments. We will continue to review the balance and content of our reporting so that it reflects the development of our current and future programmes.

### Our sustainability priorities

#### Health and safety

Protecting the health and safety of our people, supply chains and the broader communities in which we operate.

#### Environment

Creating opportunities to improve environmental performance of our operations and those of our customers.

#### Products and technology

Embedding innovation into product development to help our customers increase resource efficiency, operate more safely and become more resilient to the changing climate.

#### Our people

Respecting and valuing the people who work in and with our business: their motivation, development and security is imperative to our business success.

#### Our communities

Working with, and adding value to, the communities in which we operate.

#### Ethics

Doing business the right way to provide positive impacts: working at all times in an ethical and transparent manner and selecting supply chains and business partners that share our ethos.





**DEAN JENKINS**  
Chief Operating Officer

## Health and Safety

**The Weir Group is committed to a zero harm environment for our people, supply chains and broader communities in which we work. During 2015 we have seen substantial progress as we aim to achieve our ambition of lowering our Total Incident Rate (TIR) to zero.**

Leadership for this crucial part of the Group's performance is direct from the Board with a clear recognition of the importance of safety among the entire Weir workforce. In 2015, there were no fatalities reported. The Group has a number of initiatives to keep our people safe and we measure progress towards our ambition through regular monitoring.

### **EHS EXCELLENCE COMMITTEE**

The Environment, Health & Safety (EHS) Excellence Committee has been tasked by the Board to set and assess rigorous standards to improve EHS performance across the Group. In 2015, the committee confirmed the successful implementation of The Weir Group EHS Roadmap 2012-2015 and developed the next phase of the roadmap which will operate up until 2018 and include new objectives to make Weir an even safer place to work.

### **EHS ROADMAP**

The refreshed EHS roadmap has 15 work streams which cover a range of areas from health and technical knowledge, to best practice in high risk areas such as work, pressure testing and material handling. Fundamental to the success of this approach is collaboration across the Group's three divisions to deliver consistent standards and best practice across our global operations.

### **WEIR EHS MANAGEMENT SYSTEM**

The Weir EHS Management System not only provides context and guidance but also establishes a common set of EHS standards and expectations for addressing the risks that our operations face. Its purpose is to embed health and safety within our culture, behaviours and actions. The EHS standards cover nine primary areas of risk, from supply chain to field operations, and provide step-by-step guidance on the minimum requirements expected at all of Weir's operations anywhere in the world. On an annual basis our internal auditors test each facility's compliance with these standards. For the third consecutive year the Group's average score has increased significantly with the vast majority of businesses improving by more than 10%. Four facilities recorded slightly lower scores than 2014 and action is being taken to redress this. The overall improvement is pleasing as the standards businesses must comply with have become steadily more stringent over the past three years.

### **WEIR ZERO HARM BEHAVIOURAL SAFETY SYSTEM**

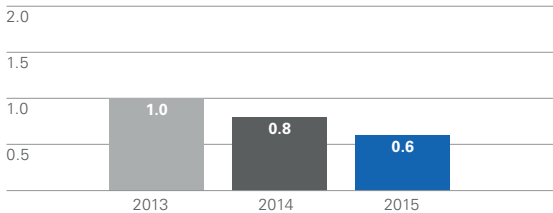
Progress continued in the roll-out of the Behavioural Safety System, known as Weir Zero Harm. The Weir Zero Harm programme is focused on establishing demonstrable behavioural change across the entire Group. It consists of three major strands: i) Safe Start; ii) climate surveys; and iii) participant observations. In 2015, we completed training of all operational employees in Safe Start and made significant progress in climate surveys. In 2016, in line with the Roadmap, we will implement the third strand of the system: training employees in our participant observation programme.

## Sustainability Review continued

### MEASURING PROGRESS

These efforts contributed to a reduction in the Group's TIR which measures lost time and recordable incidents divided by 200,000 hours worked. The results for 2015 show that our incident rate reduced by 25% compared to the previous year.

#### TIR performance



### KEEPING OUR PEOPLE SAFE AND HEALTHY

During the year, we appointed a Group Head of Security to a newly created role designed to improve the ways in which potential concerns regarding security (as detailed on page 25) are addressed and mitigated.

Across the Group, businesses engage in a range of individual initiatives to keep our people safe and healthy. These include hazard hunts to try to identify potential issues and, more generally, health assessments including fitness tests and annual hearing and pulmonary preventative tests.

#### Case study

## Award winning EHS promotion

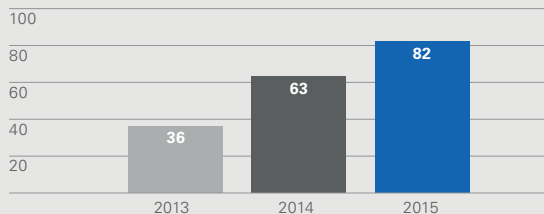
**Throughout 2015 Weir Power & Industrial India took part in a range of initiatives to further embed the culture of continuous improvement in EHS performance.**

These included regular campaigns and training aimed at making staff aware of moderating their behaviours to reduce the likelihood of incidents occurring.

Every employee was tasked with identifying a minimum of one safety risk every month. In March, during India's 'National Safety Week', the business maintained momentum through safety quizzes and employee's sketches.

Among the priorities were hand and finger protection and fire safety training. The intense and creative approach to promoting EHS improvement over 2015 helped to increase the business' EHS audit scores and was recognised with awards including: the Confederation of Indian Industry; Frost & Sullivan India Industrial Technologies Awards 2014; Asian Workplace, Health, Safety & Environment Leadership Award; and a 1st Prize at the Karnataka State Level Safety Awards, organised by the Government of Karnataka.

#### Weir Power & Industrial India EHS audit scores

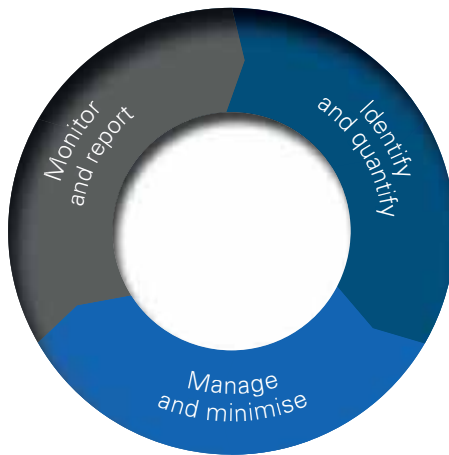


# Environment

The Group operates on a global scale, supporting customers through a network of more than 200 manufacturing and service facilities around the world. By integrating environmental issues into long-term strategic plans and decisions as well as our daily operational activities, we continually work hard to improve environmental performance of our operations and those of our customers.

The Group's strategy for environmental management is three-fold:

1. identify and quantify key potential risks within and facing the business;
2. manage and minimise potentially adverse impacts; and
3. monitor and report on the most significant potential impacts.



Where we acquire or open new sites, we assess the means by which potential environmental risks can be minimised and look to recognised good practice as well as new technologies to help achieve this. We also strive to innovate and enhance the positive benefit of our products and services.

Weir Canada's Marine Engineering Division manages the Naval Engineering Test Establishment (NETE) in Montreal on behalf of the Government of Canada. The NETE facility is currently undergoing a major renovation, scheduled to be completed in January 2017, during which two existing wings are being demolished and rebuilt.

The new construction will meet the LEED Silver Standard for Commercial Interiors (Leadership in Energy and Environmental Design). Disposal of old materials, new construction materials, fixtures and furniture, and arrangements for operations must meet strict environmental standards in order to achieve the LEED certification. Through this project, NETE will be eliminating the remainder of its heating, ventilating and air conditioning systems that contain ozone depleting substances (ODS) and will be implementing an energy efficient heating and lighting system. Whilst the project is funded and managed by the Canadian Department of National Defence, Weir Marine Engineering is providing support as the operator of NETE.

## IDENTIFYING POTENTIAL RISKS AND IMPACTS

Our risk management policy defines how we expect risks to be identified, assessed, and managed throughout the organisation. Risks, including environmental factors, are assessed in terms of impact and likelihood of occurrence before, and after, mitigation. The Group's key business risks are detailed on pages 24 to 29.

To ensure we continue to focus on the right priorities, a materiality assessment was undertaken during 2014 in line with principles of the Global Reporting Initiative (GRI) G4 guidelines. This was completed in 2015 and the assessment identified the environmental, social and governance issues with greatest potential to impact our business strategy over the next five-year period. The report reviewed Group-level management systems and controls, and disclosures made within our Annual Report and Financial Statements and via our corporate website. Recommended updates from this review will be prioritised for action, starting in 2016, to ensure our sustainability programme and risk management process remain relevant and robust.

The Weir businesses design and implement their own programmes to engage employees and communicate their individual obligations, along with those of the Company, to identify and manage potential environmental risks. For example, during 2015 Weir SPM in Aberdeen introduced a new Environmental Awareness training session to raise staff awareness of potential environmental risks and impacts. The training is a half day training session covering a wide range of environmental topics such as ISO 14001 requirements, compliant waste disposal and the control of hazardous substances. The training has been completed by all operational staff and will subsequently be rolled-out to office staff.

## Sustainability Review **continued**

### MANAGING ENVIRONMENTAL RISK

#### Environmental, Health & Safety (EHS) Management System

Identifying and managing environmental risks is a key component of Weir's internal control framework. The Weir EHS Management System sets out 11 key elements for assessing and measuring potential environmental impacts and the required control measures. These include, for instance, the use of registers to support compliance with permit and authorisation requirements, adherence to storage, containment and handling criteria to mitigate potential soil and groundwater impact, and assessment of environmental noise for all operations. Together, such measures are designed to enable conformance with all applicable legislation.

#### ISO 14001: Environmental Management System

ISO 14001 is an internationally-recognised standard which sets out a framework for effective environmental management systems. Certification to ISO 14001 also helps to demonstrate our ongoing environmental performance in terms of legal and environmental policy requirements. All our continuing operations are required to maintain ISO 14001 accreditation. As part of the integration process, new acquisitions are expected to implement an environmental management system and seek external ISO 14001 accreditation.

#### Extreme weather events

As a business with global reach we can be exposed to a wide range of extreme weather events in different geographic locations. Due to the variety of our operations, the length of, and any impact from, environmental incidents can vary. External insurance audits consider climatic event risks and inform crisis management plans for our operating sites, to reduce both the risk of harm to our people and to minimise disruption to operations and customers. We also review our management plans following key extreme weather events to ensure our management strategies are appropriate and our assets remain resilient.

### MONITORING PERFORMANCE

The Group operates an EHS audit programme which assesses compliance against a set of globally applicable EHS standards. A minimum standard has been prescribed against each of the criteria within the 76 EHS standards and ensures that there is both a leading EHS indicator of performance and an assurance process for all relevant stakeholders that EHS risks are adequately controlled across our operations. The 2015 audit programme gave an average 10.4% increase across our subsidiaries. Further details can be found on page 51.

#### Environmental incidents and fines

No significant environmental incidents were reported at sites under the operational control of the Group during the 52 weeks to 1 January 2016.

During the financial year, one Weir business settled an environmental fine of \$7,000 with the Utah Department of Environmental Quality for a minor infringement of environmental legislation which occurred during 2014.

#### Extreme weather events

Six incidences of adverse business impacts due to extreme climatic events were reported during 2015. These were as follows:

1. Extreme snow and ice created transportation issues for Weir Valve & Controls USA employees and impacted the site in Ipswich. The estimated financial impact was \$25,000 in snow clearance and almost \$100,000 in lost labour.
2. Weir Minerals Chile was impacted by flooding when slurry and water affected Copiapó city and operations were stopped due to absenteeism. Weir customers were supported from an alternative technical centre and the company provided support to those employees whose houses were affected.
3. In April 2015, Weir Minerals Australia suffered minor water ingress at the Beresfield service centre due to storm events. Whilst there was no significant property damage, it resulted in four days downtime due to a power outage. Measures are in place to minimise any potential disruption in the event of a long-term power outage.
4. Drought has resulted in the Weir Minerals foundry in Isando, South Africa, facing possible water restrictions. Mitigation measures have included the temporary use of water from back-up storage tanks. The Alrode facility already harvests rainwater for use on-site.
5. Weir India employees in Chennai were affected by flooding as a result of a cyclone in December. The sales office situated there was closed for over a week.
6. Flooding in the North of England in December 2015 impacted two Weir sites: the Weir Minerals Europe site in Todmorden and a Weir Valves & Controls UK storage facility at Sowerby Bridge. Existing flood elevation defences were in place at Todmorden but a small amount of localised flooding occurred requiring subsequent clean-up to the Distribution Centre. Plans are now in place to prevent a reoccurrence. Water ingress resulted in structural damage to the Pattern Store at Sowerby Bridge with some loss of content. Alternative premises have now been identified.

#### Greenhouse gas emissions

As an energy and carbon intensive business, operating seven foundries worldwide, the Group recognises the importance of measuring and minimising the greenhouse gas (GHG) emissions from operations over which it has control.

The Group's total annual GHG emissions in tCO<sub>2</sub>e for the 52 weeks ended 1 January 2016 was 127,633 tCO<sub>2</sub>e (2014: 156,236 tCO<sub>2</sub>e). We are continuing to see a reduction in absolute GHG emissions across the Group.

## TOTAL ANNUAL GHG EMISSIONS

	Total annual GHG emissions (tCO <sub>2</sub> e)			Emissions intensity (tCO <sub>2</sub> e per £m revenue)		
	2015	2014	2013 <sup>1</sup>	2015	2014	2013
Scope 1 emission sources <sup>2</sup>	36,012	46,640	53,316	18.8	19.1	21.9
Scope 2 emission sources <sup>3</sup>	91,621	109,596	107,581	47.8	45.0	44.3
<b>Total</b>	<b>127,633</b>	<b>156,236</b>	<b>160,897</b>	<b>66.6</b>	<b>64.1</b>	<b>66.2</b>

## TOTAL ANNUAL GHG EMISSIONS FROM ALL FOUNDRIES

	Annual GHG emissions (tCO <sub>2</sub> e)			Proportion of total global annual GHG emissions			GHG emissions intensity (tCO <sub>2</sub> e per tonne of metal poured)		
	2015	2014	2013 <sup>1</sup>	2015	2014	2013	2015	2014	2013
Scope 1 emission sources <sup>2</sup>	10,858	14,213	16,738	8.5%	9.1%	10.4%	0.3	0.4	0.5
Scope 2 emission sources <sup>3</sup>	42,683	46,196	48,705	33.4%	29.6%	30.3%	1.3	1.4	1.4
<b>Total</b>	<b>53,541</b>	<b>60,409</b>	<b>65,443</b>	<b>41.9%</b>	<b>38.7%</b>	<b>40.7%</b>	<b>1.6</b>	<b>1.8</b>	<b>1.9</b>

### Notes

- The restated 2013 emissions figures comprise the baseline against which year-on-year performance is measured.
- Scope 1 (direct emissions) sources are from activities owned or controlled by the Group that release emissions straight into the atmosphere, such as combustion of fuel for the operation of our facilities.
- Scope 2 (indirect emissions) sources comprise those emissions for which the Group is indirectly responsible, such as from the electricity and heat we purchase to use in our operations or equipment.
- We do not currently measure or report on Scope 3 emissions, which relate to sources not within our direct control, such as third-party warehouses and transport in vehicles not owned by the Group.

Whilst such a trend can be encouraging to see, decreased levels of production during the year are likely to have made a large contribution to this reduction. When the GHG emissions are normalised by annual revenue an increase in overall carbon intensity for the business since 2014 can be seen.

The Group now operates seven foundries, which accounted for almost 42% of our total GHG emissions in 2015. As the most energy intensive areas of the business, monitoring foundry performance is particularly important for driving onward performance. Our foundries emitted a total of 53,541 tCO<sub>2</sub>e during 2015 (2014: 60,409 tCO<sub>2</sub>e). When this is analysed per tonne of cast weight poured, a decrease in the carbon intensity of foundry production since 2014 can be seen.

The decrease in emissions intensity for foundry production indicates that certain foundries were able to operate more efficiently during 2015, despite a decrease in production. However, the overall increase in emissions intensity for the business as a whole by annual turnover suggests that other operational facilities were more energy intensive during the past year. We continue to actively seek improvements in energy efficiency to reverse this trend, examples are provided on page 56.

Annual emissions figures for 2013 and 2014 have been restated to correct a data processing error common to both years, which had resulted in an overstatement and was identified during our standard review process. Following a full review of our existing internal calculation processes, we have instigated specific improvements to prevent a similar error occurring in the future.

Our calculation methodology remains aligned with the requirements of the UK Government for 'Mandatory Carbon Reporting' and with the principles of the WBCSD/WRI's 'Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard'. Full details of our methodology and approach are available on the Company's website at [www.sustainability.weir](http://www.sustainability.weir).

## MINIMISING POTENTIAL IMPACTS

### Product stewardship and innovation

The most important component of our long-term strategy that has been influenced by climate change is innovation; developing new products and technologies to provide ourselves and our customers with competitive advantage. Our products and services aim to meet customer demands and their corporate sustainability goals, for instance, through reducing energy consumption, water usage and waste generation. Our Engineering Excellence Committee supports product design which delivers improved energy efficiency during manufacturing and product use. Further details on our products and technology are detailed on pages 58 and 59.

An example of this can be found at Weir Minerals China where one of its customers operates a Warman MCR 550 pump in their mine in Northern China. The pump utilises a relatively smaller power unit and its efficiency has resulted in an estimated financial saving of 1 million RMB (approximately £100,000) per year to the customer through reduced energy costs compared to the use of an equivalent pump on the market.

During 2015, Weir Minerals Netherlands have utilised technology for the safe disposal of waste materials in mining and minerals processing, which has traditionally focused around minimising costs for the operational lifetime of the facility. These waste materials, or tailings, need to be mixed with water to allow for their transportation. Unsurprisingly, the cost of water and the ongoing surge in tariffs for energy remain key drivers in the choice of tailings storage facilities. Long-term sustainability is increasingly an essential consideration as mineral processors look to create long-term environmentally sound tailings facilities.

Water scarcity and the location and operation of large tailings dams present real challenges to mine owners, driving a requirement for high density tailings solutions, minimising both the use of water and energy. Weir Minerals is a market leader in this area with the GEHO suite of High Concentrate Slurry Deposit (HCSD) technology. By pumping tailings slurries at a solid content in excess of 65%, users are able to save millions of litres of water annually and benefit from a high integrity disposal area, a dry and safe deposit without the need for a dam and land that can be reclaimed.



## Sustainability Review continued

### Energy and carbon reduction measures

One of our sustainability improvement priorities is to reduce our energy use and in relative terms associated GHG emissions. Our focus to date has been to set and manage targets at an operating company level. We have aspirations to define carbon and potentially broader sustainability performance goals across the business to supplement the site level process. Any future plans will take into consideration the findings of the recent sustainability materiality assessment.

We continue to have operations in the hydro, wind and nuclear energy industries which contribute to the production of cleaner, low-carbon energy.

Details of some of the improvement measures undertaken and targets set during 2015 are:

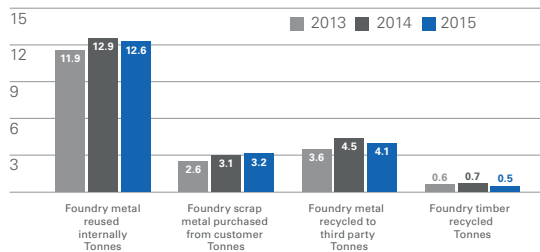
- As part of a systematic approach towards a more sustainable business, Weir Minerals Netherlands aims to reduce its total business carbon footprint by 20% by 2020.
- Weir Minerals Australia set a target to reduce energy usage per tonne of product manufactured at the Artarmon facility by 5% during 2015. Whilst this was not achieved by year end, the company met its other target of a 5% reduction in total scope 1 and 2 greenhouse gas emissions during the same period. This was achieved through a combination of a reduction in absolute electricity consumption and an improvement in the carbon intensity of the New South Wales electricity grid. Reductions in electricity consumption from a major lighting retrofit conducted at the end of 2014 were realised during the year.
- Weir Power & Industrial India have replaced the use of light diesel oil with bio-diesel in boilers, resulting in them meeting their target of 40% reduction in carbon emission against a baseline year of 2013.
- Weir Specialty Pumps, USA, completed an energy reduction project which included, among other improvements, the installation of LED lighting to the exterior of the building, as well as stairwells and the foyer area, with an estimated annual saving of 35,000-40,000 kWh of electricity and 17-20 tCO<sub>2</sub> emissions.
- WESCO Abu Dhabi, as part of a five year project to improve energy efficiency at its facility, has been installing additional skylights in various workshop areas to improve ambient light sufficient for safe working without the need for powered lighting. It is estimated that this will result in an annual saving of 150,000 kWh of electricity and 100 tCO<sub>2</sub> emissions.

The Group continues to make use of telepresence video-conferencing facilities at its major sites worldwide. There are now 16 sites in nine countries with dedicated telepresence conference rooms. These allow meetings to be held throughout the Group as though attendees were in the same location. During 2015, these facilities were used for a total of 6,740 hours. The facilities were used for both Board and Group Executive meetings as well as budget review meetings during the year, and their use continues to result in a notable avoidance in air travel and related GHG emissions. We estimate that the use of telepresence for these meetings alone has saved 1,300 tCO<sub>2</sub>e during 2015 (2014: 1,300 tCO<sub>2</sub>e).

### Resource efficiency

As part of our environmental sustainability strategy, our businesses also focus on improving resource efficiency; for instance, increasing the proportion of waste materials that are recycled and reducing the total quantity of waste going to landfill. 12,600 tonnes of metal were reused internally in our foundry operations in 2015 (2014: 13,000 tonnes) and 39% of all metal poured in the foundries in 2015 was reused internally (2014: 39%).

**Foundry recycling ('000 tonnes)**



In 2015, Weir Minerals China introduced a power station customer to its ceramic reshaping technology. The Tancang power plant was upgrading its flue-gas desulphurisation (FGD) unit and replaced the four pumps they had been operating since 2007 with new ceramic lined pumps from Weir China. In an effort to recycle as much of the old equipment as possible, Weir inspected the old pumps and reused the impellers in the new ceramic lined pumps. Given the wear that was evident on the impellers following extended operations Weir 'reshaped' the impellers using the ceramic technology to build back the missing material, creating an impeller that was in compliance with all specifications. The reshaping of the impeller increased the efficiency of the pump to 'as new' levels whilst at the same time reusing a part that still was substantially operable. It is anticipated that this reshaping service offered by Weir China will be of increased interest to other customers who wish to extend the life of the impeller and improve the efficiency of the pump.

Weir Minerals Brasil, as part of ISO 14000, offers the option to some customers to return worn parts to the company. This results in a positive environmental impact through their reuse in the foundry as well as providing a disposal solution for customers who considered the parts as scrap. The service also helps promote stronger relationships with our key customers.

Weir Minerals Australia is a member of the New South Wales (NSW) Government Sustainability Advantage programme. The purpose of the programme is to improve resource efficiency and environmental risk control in NSW businesses through workshops and sponsored consulting. During 2015, Weir Minerals Australia actively participated in a Waste Wise Forum and Circular Economy Forum as part of the programme. The forums comprised presentations from consultants and industry leaders on waste reduction initiatives and circular business models along with networking sessions where participants could share ideas. Information from the forums has been used as part of strategy development at Weir Minerals Australia.

Weir Minerals Mexico have introduced a waste management initiative that, through the optimisation of the reuse of wood packaging from import pallets and export crates, has successfully reduced waste wood by 20% during 2015. The company has now extended their target to achieve a further 10% reduction by the end of 2016.

## REPORTING ON PERFORMANCE

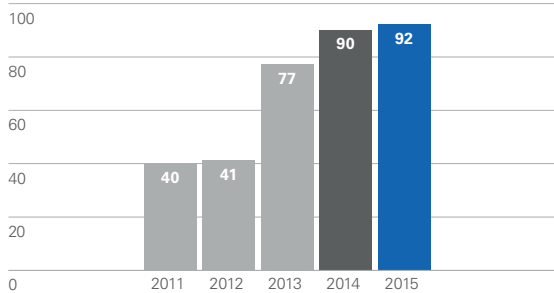
### CDP Climate Change Initiative

The CDP scheme (formerly known as the Carbon Disclosure Project) is a global, voluntary initiative for major companies to measure, disclose and share information about sustainability performance and associated risk management and performance with transparency and accountability.

In 2015, we achieved a disclosure score of 92 out of a possible 100 and a 'C' rating for our carbon management performance relative to that of other participants. This continues our year-on-year improvement in our results since we started participating in the programme in 2011, reflecting our ongoing commitment to continued improvement in all aspects of sustainability.

### CDP disclosure score

**92**  
+2%



A full copy of our 2015 CDP submission is available to download from our website at [www.sustainability.weir](http://www.sustainability.weir).

### UK Energy Savings Opportunity Scheme

Following a regulatory review in 2014, it was determined that the Group would be required to participate in Phase 1 of the Energy Savings Opportunity Scheme (ESOS) Regulations 2014. ESOS forms part of the UK Government's implementation of the EU Energy Efficiency Directive 2012, which requires member states to introduce a framework of measures for promoting energy efficiency. Companies who qualify under ESOS are required to measure and record energy consumption from all buildings, transport and industrial processes to determine their significant areas of energy consumption. Audits from a representative sample are then undertaken to identify cost effective energy saving measures.

The Group has engaged an external adviser to assist with the oversight and review of the energy audits and to ensure full compliance. In order to identify the audit sites, a GAP analysis of the total UK business energy and fuel consumption was undertaken. A sampling approach was adopted and out of our 20 UK sites, we conducted energy audits at our sites in Todmorden, Yateley and Alloa during 2015 to identify energy efficiency recommendations. Any energy conservation or carbon saving measures identified will be reviewed by the businesses in 2016.

### Case study

## Intelligent performance monitoring system

**Mathena, based in Oklahoma, USA, has introduced an intelligent performance monitoring system (IS) to its range of Mud-Gas Separator (MGS) products, providing real-time information to contractors and rig operators during the most critical stages of well-drilling operations.**

The MGS-IS can be used to actively control MGS performance and better manage unexpected pressure spikes when smaller reserves of gas are encountered while drilling for larger oil or gas reservoirs. The MGS-IS helps the operator control the unexpected pressure spike quickly and safely, separating the mud from the gas and providing real-time information on MGS internal pressures and fluid levels. Trial data indicates that due to its pioneering intelligent monitoring system, the system is capable of handling vent gas spikes twenty-times more severe than the handling capability of current passive MGS units.

The environmental benefits of the MGS-IS include a reduction in potential spills due to the MGS overfilling. The potential benefits of this to the customer are fourfold: reduced regulatory reporting and fines for uncontrolled discharge of MGS overfill; reduced drilling mud losses; reduced operational interruptions and shut downs; and eliminated clean-up costs for MGS overfill scenarios.

Improved mud-gas separation efficiency also reduces total drilling mud volumes and provides greater mud recycling capability. In addition, the product helps maximise the percentage of vent gas which is flared instead of simply vented into the atmosphere. Flaring converts volatile compounds like methane and ethane to water and carbon dioxide. One other important feature is the reduction in vent gas emissions due to uncontrolled vent gas discharge, which has important safety benefits by reducing the risk of the gas igniting and potentially causing a fire or explosion.

The MGS-IS product was installed at a customer site in 2015 and performed continuously without failure. With further performance and reliability testing complete, the product will be launched in 2016 and is set to provide customers with better visibility and monitoring information. The system allows the Weir Mathena team to improve safety and efficiency on customer sites. Weir plans to use data gathered from operating the product in the field to inform the development of future "intelligent" system performance alarms and alerts, further enhancing the information available to customers and improving safety, reliability and efficiency.



Sustainability Review **continued**

# Products and Technology

**Our technology innovation focuses on producing equipment and services for our customers that improve resource efficiency and emissions performance, contributes positively to workplace safety and enables lower overall operating costs. Our product development and sustainability goals are closely aligned, with new products designed to operate safely and with greater efficiency.**

Weir's network of academic partners continued to grow during 2015, with new research projects initiated with a number of institutions, including Imperial College London, Manchester University and Sheffield University in the UK; the Royal Melbourne Institute of Technology in Australia; and Aachen University in Germany.

In 2015, Weir launched the world's first continuous duty hydraulic fracturing pump, which meets customer requirements for 24/7 production. Full details on the SPM® QEM 3000 can be found on page 37.

Field trials on oil and gas and mining customer sites were initiated using the new Weir Synertrex™ technology platform (smart connected products) during 2015. An agreement was signed with Microsoft Corporation to develop Internet of Things technology for minerals, oil and gas, and power customers. This shows our continuing commitment to provide leading edge solutions for optimal performance in potentially adverse operating conditions.

## ENGINEERING EXCELLENCE COMMITTEE

Weir's Engineering Excellence Committee comprises senior engineering and technology leaders from around the business, including the Group Head of Technology, technology directors from each of the Group's three divisions, the business head of EnSci (Weir's dedicated engineering services team), and the director and project manager of the Weir Advanced Research Centre. Its role is to ensure that Weir is sharing and implementing best practices across all of our engineering teams and, specifically, to push each of the Group's businesses to

deliver leading-edge technology and innovation. During 2015, the Committee focused on driving the development of Synertrex™ smart connected products platform and additive manufacturing, also known as 3D printing.

## DESIGN AND INNOVATION

The Group spent £29.0m (2014: £24.8m) on research and development during the financial year. Weir continues to increase its expenditure on fundamental research and development in line with the corporate strategy of growing through innovation and technology development. Focus continues to be on fast-moving data acquisition, storage and analysis, as this activity is critical in continuing to improve the product operating performance, reducing environmental impact and lowering our customers' total cost of ownership.

The Weir Advanced Research Centre (WARC) is Weir's central research and development (R&D) hub, supporting each of the three divisions. The Group has links with over 20 universities around the globe. Weir's international academic partners carry out fundamental and applied research in the following areas: materials and surface treatments, advanced manufacturing processes, fluid flow and wear mechanisms. During 2015, the Group initiated research at Cambridge University, Imperial College London and Manchester University in the UK. Technology developed at WARC has continued to support the launch of innovative new products into the market place for the benefit of Weir customers.

WARC moved into the University of Strathclyde's Technology and Innovation Centre (TIC) in Glasgow in September 2015 following its official opening by Her Majesty the Queen. The aim of the TIC is to transform the way that academia partners with industry and the public sector. The WARC team includes 11 PhD students, three Research Associates, three members of the Open Innovation team and four other staff members.

WARC, either independently or in collaboration with the University of Strathclyde and other strategic partners, has been successful with a number of applications for both UK and European research funding. These include the following:

- Five new PhD projects funded by the European Union Horizon 2020 scheme.
- A programme to introduce the sourcing of new ideas from outside of the Company, known as 'Open Innovation' is being supported by Scottish Enterprise for a two-year period.
- Innovate UK is supporting a one-year leading edge material development programme.



### Innovate UK

is the UK's innovation agency, an executive non-departmental public body sponsored by the Department for Business, Innovation & Skills (BIS).

## Case study

## Designed for efficiency

During 2015, Weir continued to investigate the benefits of Near Net Shape Manufacturing. An assessment of our Control Valve range highlighted an opportunity to switch our manufacturing process from machining to centrifugal casting. By eliminating the need to machine large amounts of material from the component core, in the case of components above 250mm in diameter, we were able to reduce our machining hours by 35 man days, reduce scrap material by 12.25 tonnes and reduce the average component cost by almost 30% with an expected saving of around £50,000 at one facility. Plans are now being made to consider the wider implication across other valve products within the Company's portfolio. This was made possible through collaboration between WARC and our engineering and procurement leaders at our UK Valves business in Elland.

Recognising the need to improve collaboration and innovation, Weir Seaboard, based in Houston, Texas, established a new cross-functional Product Development Team in 2015. The team, the majority of whose members consist of people outside of the engineering department, was set up to gain a deeper understanding of customer needs and create solutions to meet those needs.

During the year, the team has invited customers, Weir field service technicians, district managers, outside sales and production team members to participate in the development of new wellhead systems. Since March 2015, five new wellhead systems have been developed under this arrangement.

### TECHNOLOGY ADVISORY BOARD

During 2015, Weir established a Technology Advisory Board under the chairmanship of Sir Jim McDonald, one of the UK's leading engineering academics and a Non-Executive Director of the Weir Group. The board includes highly regarded experts from a variety of disciplines, both academic and industrial, and is designed to ensure that Weir continues to be at the leading edge of technology development in our chosen industries. The main focus of the board's work is ensuring that the best technological ideas, wherever they may come from, are available to our engineers and customers.

**In 2015, Weir Minerals launched the Cavex® 700CVX hydrocyclone. A hydrocyclone, or cyclone, is a device to classify and separate particles in mining operations.**

The Cavex® can achieve up to 50% higher throughput in comparison with any other competitor cyclones in the 26-inch diameter range due to its larger inlet and vortex finder configuration: delivering substantial productivity and cost benefits to customers.

Cavex® hydrocyclones have been highly-regarded for their proven efficiency and high capacity performance for decades. The CVX hydrocyclones are designed to withstand severe abrasion caused by the rotational flow of solids and slurry. The unique shape of the Cavex® hydrocyclone range features a laminar spiral inlet geometry that allows the slurry to follow a natural path without encountering any shelves, edges

or corners. This reduces turbulence inside the hydrocyclone which helps maximise separation efficiency, hydraulic capacity and wear life, while minimising localised wear in the feed chamber and vortex finder.

The hydraulic design of the Cavex® 700CVX inlet head, with its smooth spiral laminar shape, reduces turbulence, which when coupled with the largest inlet open area, and largest maximum vortex finder available, results in a product providing substantial efficiency gains.

In addition to new installations, the Cavex® 700CVX hydrocyclone has also been designed to fit into existing cyclone clusters for easy retrofitting. This enables existing customers to benefit from its increased productivity with minimum impact to their operations.





## Sustainability Review continued



**PAULINE LAFFERTY**  
Director of Human Resources

# Our People

**Motivated, skilled and effective people are imperative to our business. In a year in which challenging markets have resulted in a substantial reduction to our workforce in some parts of the world, this philosophy is even more critical.**

Having the right people in the right place at the right time is at the heart of our business; it is this approach that lets us serve our customers quickly and, in the process, helps them become more efficient. In doing so, we seek to:

- ensure no form of prejudice stands in the way of recruitment, development or promotion opportunities;
- encourage, invest in and support our employees to achieve their full 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 address how we can support the development of our employees;
- 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; and
- provide development opportunities to internationally mobile employees by encouraging overseas appointments wherever possible.

### OUR VALUES

The Weir Group believes in doing business in an ethical and transparent manner at all times. Our core values underpin this belief, as follows:

- we value, support and care for our colleagues working towards a common purpose;
- we act with integrity and are accountable to ourselves and others;
- we strive to make our customers successful;
- we explore ideas and possibilities to deliver innovative solutions; and
- we are committed to quality in all that we do.

Since refreshing our values, we have continued to make progress in embedding them across the organisation. Values posters and cards are displayed prominently in English and local languages across each of our major facilities and offices. In addition, our internal blog ‘Talking Weir’ has been redesigned to ensure that articles are themed around our values.

However, displaying our values in isolation is not enough. We must continue to ensure that our employees follow our values as examples of the standards we expect, regardless of geography. That is one of the reasons why our values continue to be embedded within our personal development planning process through regular employee appraisals and within all of our personal development programmes.

The Weir Group is among a growing list of organisations which have signed the UK Government’s Armed Forces Covenant. The document is a written and publicised voluntary pledge from businesses and charitable organisations which wish to demonstrate their concrete support for the armed forces community. The covenant commits Weir to supporting the armed forces and its alumni by employing veterans, offering flexibility to employees who are reservists and supporting local cadet units. While the document has been produced by the UK Armed Forces community, the Group aims to adopt these principles, where possible, in every region in which it operates.

### ENSURING A SAFE WORKING ENVIRONMENT

We believe all accidents are preventable and as such we work to create a zero harm workplace in which all of our employees can return home safely to their families. We invest in the safety of our employees across the world and each of our employees is empowered to stop any work which they believe is unsafe. You can read more about our targets and performance in this area alongside our approach to safety on pages 51 and 52.

### PERSONAL DEVELOPMENT

We continue to make substantial investments in the personal development of our employees across the world. We do this because it makes good business sense. Our personal development programmes help to develop the skills and qualities necessary to run a successful organisation now and in the future.



## Case study

## Weir University continues to evolve

It is for this reason that we make a broad range of personal development opportunities available to our employees, regardless of level of skill or experience.

### Weir Leadership Programme

The Weir Leadership Programme aims to deliver a sustainable step change in Weir leadership capability, specifically addressing our drivers of growth, known as our four pillars: innovation, collaboration, value chain excellence and global capability.

The nine month programme consists of residential events and monthly virtual conferences. Participants are asked to bring with them a strategic business objective to progress along with a set of learning goals for the programme. Pre-work includes completion of a 360 degree Weir Leader Feedback Survey, Myers-Briggs Type Indicator® and pre-reading. The Group Executive and members of the Weir leadership team are involved in delivering elements of the programme and in actively supporting the learning process.

In 2015, 24 senior managers completed the second residential event; with a total of 275 managers taking part since the programme was launched in 2011.

### Weir Business Management Programme

The Weir Business Management Programme, run in conjunction with the University of Strathclyde Business School, puts in place a contextualised executive education programme that provides our leaders with the required management skills and knowledge to succeed within the Group.

Participants work towards the completion of a post-graduate certificate in management studies through modules including operations management, commercial law and innovation. As well as the academic benefits, the programme promotes greater networking and global collaboration by bringing together a team of people from a mix of divisions, regions and functional backgrounds, who complete the programme together.

In 2015, 17 managers took part in the programme, with a total of 158 managers taking part since the programme was launched in 2012.

### Weir MBA Programme

Participants of the Weir Business Management Programme have the opportunity to obtain a full Masters in Business Administration (MBA) qualification. There are currently 20 managers undertaking their Weir MBA journey and we look forward to their graduation in November 2016.

### Weir First Line Leadership Programme

The Weir First Line Leadership Programme was developed and rolled out across the Group in 2014, targeted at employees who are stepping up to their first line management role, or who are preparing to do so shortly.

**For nearly five years, Weir University has given employees easy access to training and development courses which increase their skills, knowledge and capability. Weir University is an online learning platform created in 2011 and available to all employees using a computer, mobile or tablet device.**

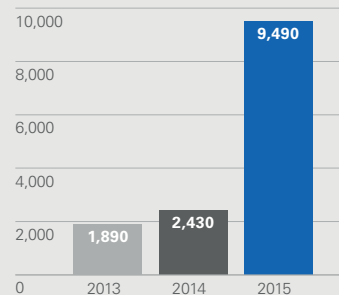
There are a range of courses available, from mandatory modules on ethical behaviour, the Weir Code of Conduct and information security to advanced modules in project management, leadership and managing communications in a global environment. In addition, language courses are available to assist our employees learn a new language due to a new job role or relocation to a new country.

Since its creation, the application has continuously grown and the increasing number of modules available has helped to support Weir's drivers of growth: innovation, collaboration, value chain excellence and global capability. There are currently over 24,000 learning resources, including books videos and modules. These are continually available online for employees to work through, helping them develop their career at the Weir Group.

One such module is the Weir First Line Leadership Programme which can be completed by managers across the organisation in a timeframe which allows them to balance their personal development with the needs of the role. This was launched in June 2014, and by the end of 2015, 781 first line leaders had accessed the programme. More information on the Weir First Line Leadership Programme can be found earlier in this section.

Throughout 2015, Weir University proved to be one of the most popular areas of the Group's Global Intranet with over 9,400 hours of training completed online during the year. Since its inception, employees have completed over 16,600 hours of training.

### Training undertaken on Weir University (hours)



## Sustainability Review continued

This programme has added to our management and leadership development framework and is a key building block in developing future managers and leaders to ensure the ongoing success of our business. Since its launch in 2014, 781 first line leaders had accessed the programme via the Weir University, as featured on page 61.

The programme offers a solution that is built around 12 key Weir leadership attributes including safety, innovation and planning. Its online accessibility makes it a flexible development resource that first time managers can fit round the demands of their job. During 2015, 5,571 learning assets were completed and over 2,817 training hours recorded.

### Developing our graduates

Our graduate development programme was established in 2011 and is designed to provide people joining Weir as a graduate with greater leadership understanding and experience. It prepares our graduates to take on more demanding roles as their career within the Group develops.

As part of the programme, 18 graduates from across the Group attended a week-long residential development programme in Scotland during 2015. In preparation, graduates complete pre-work including a learning style questionnaire and associated reading materials.

The programme includes the following elements: business overview presentations from each of the divisions; various briefings from the Weir Group Head Office team, including a breakfast talk from the Weir Group Chief Executive, Keith Cochrane; a visit to a Weir facility in the UK; various team building projects; an innovation challenge set by one of the divisions; and personal development which covers leadership styles, team building, communications and the creation of action plans to take forward after the event.

### CSCLeaders

CSCLeaders is a specialist global leadership development conference run by Common Purpose which "assembles exceptional senior people from across the Commonwealth to tackle challenges that businesses, governments and society face today", with the aim of building global relationships for the future. In 2015, another two of our senior leaders participated in the CSC programme.

### DIVERSITY AND INCLUSION

We seek to recruit and develop people regardless of background or personal circumstance. All of our businesses operate in compliance with the inclusion and diversity laws and regulations in their respective countries. In addition, there is a Group Diversity and Inclusion Policy which applies to all our employees. This provides guidance on the importance of diversity and inclusion for Weir and the responsibilities of all Weir employees in achieving our diversity and inclusion mission, which is to engender an inclusive environment where individuals are valued for their diversity and empowered to reach their full potential.

On 1 January 2016, we employed 14,720 people across the Group (2014: 16,347), a decrease of 10% since last year. This decrease is a result of the challenging markets that the Group has been operating in over the last year. Of our total employees, 12,847 are male (2014: 14,317) and 1,873 are female (2014: 2,030). There are ten Directors of The Weir Group PLC: eight males and two females. The Company has a Board Diversity Policy, details of which are contained in the Nomination Committee Report on page 87.

The Senior Management Group is made up of 271 people (2014: 302), 240 of which are male (2014: 269) and 31 are female (2014: 33). In addition, there are 83 individuals who are directors of subsidiary companies of The Weir Group PLC (2014: 99), who are not part of our Senior Management Group. Of these, 73 are male (2014: 90) and ten are female (2014: 9).

A joint cross-business group is in place to drive best practice in embracing diversity and inclusion across the organisation and our Group Finance Director, Jon Stanton, is the executive sponsor for diversity and inclusion. In 2015, the team built the platform for our diversity and inclusion strategy. The broad-ranging programme includes the use of management support tools such as self-assessment diagnostics, maturity models, standardised metrics and measures and education content. This all-encompassing approach, which has been endorsed by the Group Executive, provides our operating companies with the requisite resources to create a more inclusive workplace. In addition, we are in the early phases of working with specialist providers of talent with Autism Spectrum Disorder and a pilot programme is being conducted in the Australian business in 2016.

We are a member of Race for Opportunity, the race campaign from Business in the Community, and Opportunity Now, the women at work campaign from Business in the Community. Race for Opportunity is committed to improving employment opportunities for ethnic minorities across the UK. Opportunity Now empowers employers to accelerate change for women in the workplace.

### SUCCESSION PLANNING

Over 140 years of knowledge and expertise has enabled Weir to become the global engineering solutions provider that it is today. We recognise the absolute importance of strong succession planning to identify our engineers and leaders of the future. As such, we have developed a robust management and leadership development framework which supports the succession planning process across each of our businesses.

We recognise the importance of balance in developing talent from within the Group, as well as bringing in external expertise in order to successfully compete in the competitive markets of the future.

## Case study

## World record cycle challenge

Initiatives at a local level seek to ensure knowledge is retained within the business. In various parts of our business, we pair high potential employees with mentors who are nearing retirement. This programme actively supports succession planning and knowledge transition from our highly-skilled workforce.

### EMPLOYEE ENGAGEMENT

We believe strong employee engagement is an important attribute of a successful and innovative organisation. Over the past 12 months, the development of our employee engagement channels has focused on a greater amount of newsworthy content being made available across the organisation.

At our offices, factories, workshops and service centres across the globe, our employees take part in regular meetings known as 'Town Halls'. These sessions typically last 60 minutes and are designed to educate, inform and share knowledge and understanding of best practice and occasionally include external speakers. Topics regularly featured include safety, conduct and operational performance.

An internal employee blog called 'Talking Weir' was introduced in late 2013 and is consistently one of the most popular areas of our Global Intranet. In 2015, a significant number of blogs and news items have been published covering a range of topics. A series of blogs have been published in support of work under way to improve Value Chain Excellence across the organisation. This has included sharing case studies and videos to provide greater context and understanding at all levels within the Group. Stories have also focused on safety, health and well-being with the aim of increasing awareness of these important subjects. In total, 85 blogs were published during 2015 (2014: 83).

Members of the Group Executive meet monthly to discuss operational issues and Group strategy. Group Executive members take turns to write a blog after each meeting to highlight what is discussed and demonstrate openness and transparency at the most senior level. This trend began in 2014 and continued during 2015.

The Group also publishes an online newsletter, available to employees, which was recently integrated into the organisation's website with the addition of a 'Newsroom' area.

Employee engagement is measured throughout the year using a combination of methods, including Net Promoter® scoring which assesses and evaluates employee satisfaction.

Further information on our employment policies and employee involvement and feedback initiatives is contained in the Directors' Report on page 119.

**During 2015, the Weir Group supported the record breaking round-the-world cyclist and ultra-endurance adventurer Mark Beaumont as he cycled alone from the top to the bottom of Africa.**

Mark undertook the 10,000km challenge starting in Cairo and arrived in Cape Town 42 days later, setting a new world record. He arrived at the finish line escorted by a group of fellow cyclists which included Weir employees. He reached Mouille Point, Cape Town eight days ahead of schedule, averaging 238km per day in his 10,000km challenge. As he completed his world record breaking ride through Africa, more Weir employees gathered to cheer him on.

The British TV presenter's adventure helped raise funds and awareness for Orkidstudio, a humanitarian design organisation whose focus is to benefit children and communities worldwide through innovative architecture and construction. With Weir's well-known expertise in engineering excellence and innovation and our charitable focus on healthcare and education, supporting the charity made perfect sense.

Through Weir's charitable giving programme, we are providing £10,000 of sponsorship funding to the charity, in support of Mark's bike ride, for its project with the Sachibondu Health Centre in rural Zambia. As the only health centre within 300km, most patients travel long distances to reach the Centre, from within Zambia and over the neighbouring borders with Angola and the Democratic Republic of Congo.

The Centre provides a wide range of general health care including tuberculosis, malaria and HIV clinics, and also works hard to increase awareness, testing and education in order to reduce the numbers of new infections. Lessons in food nutrition and cookery are also provided to help families overcome malnutrition and improve childcare standards. Orkidstudio's aim is to work alongside the Sachibondu staff, patients and local community to develop new and renovated infrastructure which will enhance the medical environment through innovative approaches to ventilation, light and sourcing water.



Sustainability Review continued

# Our Communities

The Weir Group operates in over 70 countries around the world. We support those communities through the payment of taxes, employment and philanthropy and strive to make a positive impact.

We have clear expectations for how each of our businesses interacts and engages with people and organisations around the world. Wherever we operate, we aim to:

- be safe and responsible employers and neighbours;
- respect the communities we operate in;
- seek to enhance the local community by running our operations ethically and responsibly; and
- invest in the communities for the long-term mutual benefit of the community and Weir.

We firmly believe that the best people to look after the interests of the communities near to our operational sites are those who live and work there. Like any good neighbour, we build close relationships by keeping local people informed about projects which might affect them. When issues do arise, we listen and do our best to help find a solution. Our Ethics Helpline is available for any individual to use if they wish to raise concerns about ethical and compliance related conduct involving any Weir Group company. More details on the Ethics Hotline can be found on page 71.

In addition to approaching community relations in an open and transparent manner, we seek to support charitable organisations through monetary donations and volunteering. The interaction of our businesses is far reaching but is governed by our desire to support and improve the communities in which we work.

We recognise that as an organisation with a global reach, our influence is not insignificant, particularly in developing countries. As such, our charitable and philanthropic work centres around the key priority of improving the health and education of both our employees and the local community. Our experience demonstrates that contributing to these two areas can have an enduring effect on the local area.

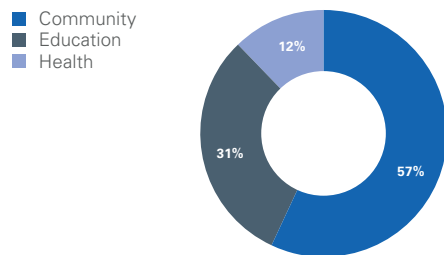
As well as directly supporting charitable organisations, Weir supports local communities by being a source of employment, education and training, through the payment of taxes and, in many instances, the contribution to local supply chains. Such benefits are often not overt but can make a substantial positive contribution to the communities in which we operate.

As a 145 year old engineering company, we are also particularly keen to develop engineering excellence. Weir was the first company in Scotland to set up an apprentice school and our commitment to training is as strong in the 21st century as it was in the 19th. Today, we are a founding member of the Institute of Primary and Secondary Engineers, an institution which seeks to promote science, technology, engineering and mathematics subjects to school children of all ages in the UK.

### CHARITABLE GIVING

In 2015, the total amount of charitable donations made by Group companies was £477,800 (2014: £597,700). We do not make any political donations. This includes cash and non-cash items such as services, materials, employee time and use of corporate facilities. The Group continues to work in partnership with AMAR International Charitable Foundation (AMAR), a British not-for-profit organisation. In 2013, we made a commitment to support AMAR financially to improve health, education and training in Basra, Iraq, where Weir has operations. In 2015, the Group contributed almost £150,000 to AMAR, which has been used to support two education and training centres and a community health education programme.

### Charitable donations



## EDUCATION

Our businesses provide experience and training to develop the next generation of engineers. Whilst our focus may be on engineering, we also provide work placements and internships across all sectors. Our placement projects allow school children and young people from around the world to see the opportunities available to them by working for a global business.

In 2015, the Group provided £20,000 to Primary Engineer, a not-for-profit organisation which aims to encourage young people to consider careers in science, technology, engineering and mathematics (STEM) related professions by offering primary schools a way to deliver practical mathematics and science to design and make activities. The class projects are aimed at each year group, mapped to the curriculum and designed to engage and inspire. Programmes include teacher training, interactive and paper-based resources, and regional and national competitions. All projects are linked to practicing engineers to provide a real-world context.

In 2015, Weir Minerals Europe in Todmorden, England, was approached by a local primary school, Sacred Heart Catholic Voluntary Academy, who were requesting support with a project to improve its current facilities. Working with the school, based in Sowerby Bridge, Halifax, the manufacturing team at Weir Minerals Europe came up with an innovative solution to assist with the project by improving the external facilities through recycling waste pallets and cable drums into tables and chairs that could be used as outdoor furniture in the school playground. The initial design was created by William Mannion, Operations Director, with the chairs painted Weir blue and the seats covered with Linatex rubber. The finished products were delivered to the school in November 2015 and the school is now looking to work with the Todmorden team to introduce site tours of the Weir Minerals Europe facility as part of their science and technology curriculum in the future.

**“I’d really like to thank Weir for giving us this fantastic opportunity to participate in the Micro-Tyco challenge. It has allowed us to gain some extremely valuable skills that I have no doubt we will all take forward and put into practice.”**

*Ruth Bryce, Micro-Tyco participant*

The Group continues to support The Arkwright Scholarships Trust following initial engagement in 2012. Partnering with organisations in industry and professional engineering institutions, the programme identifies and nurtures high-potential students in UK schools, encouraging them to pursue engineering or technical design at university or through a higher-level apprenticeship. In 2015, the two scholars who were recruited in 2014 undertook a ten day summer placement in our main manufacturing facility in Santiago, Chile. We were delighted to welcome another two scholars onto the programme at an awards ceremony in Glasgow in October 2015. One of the scholars was a former winner of the Weir Group Engineering in Schools competition. During 2015, we have been exploring how we can work in collaboration with Arkwright to take the scholarship programme into other countries where we operate. This has resulted in the programme being launched in Chile for 2016.

In 2015, the Weir Group have been piloting the creation of a Weir Ambassador network consisting of individuals who have engaged with Weir in the recent past through a number of our early career initiatives in the UK. To launch this, we partnered with WildHearts, a charity which in the UK and North America aims to stimulate entrepreneurship, deliver enterprise education and create employment opportunities for young people via, among other things, their Micro-Tyco programme. Micro-Tyco is a month long competition that enables participants to practice and learn fundamental business principles. Teams from schools, universities or businesses have one month to turn £1 seed capital into as much money as possible and a group of ten Weir ambassadors participated in the programme in November 2015.

All money created by the Micro-Tycos is invested by WildHearts in micro-loans for disadvantaged entrepreneurs in the developing world. During 2015, the Weir teams managed to raise just over £600. This will be used to fund three microloans, which in turn will be recycled three times a year as the average loan repayment timeframe is four months. WildHearts estimates that each loan impacts on an average of seven people which means that the money raised by the teams will help transform approximately 63 lives on average every year.

Other examples of the education initiatives undertaken by our businesses internationally include Weir Minerals Floway, which formed a partnership with the ITT Technical Institute, a higher learning institution in the United States offering career-related educational programmes to undergraduate, graduate and continuing education students. During 2015, two interns attended the facility under the programme. They were teamed with experienced employees to learn about the business, with a focus on manufacturing and quality assurance.



## Sustainability Review continued

In March 2015, Weir Minerals Brasil hosted a group of 35 MBA students from Wisconsin School of Business in Madison, USA. One of the students, Richard Rindy, is also an employee of Weir Minerals North America in Madison. The students received a presentation about the mining market in Brazil and undertook a tour of the facility to learn about the products and processes involved.

Weir Minerals Africa offers bursaries to third and fourth year engineering students from the University of the Witwatersrand (WITS) and the University of Pretoria in Johannesburg. These students are eligible to join the company's graduate development programme upon graduation, and upon completion of the programme they may be offered permanent employment if a position becomes available.

### HEALTH

Being a truly global company, health can play a key issue in the communities in which we operate. The Group supports the health of its employees, their families and communities through various programmes and initiatives, which are often run in partnership with local service providers. A small selection of the activities undertaken by Weir companies is outlined below.

Weir Minerals Andean delivered a training programme to relatives of employees and the local community during the year with a focus on first aid and food. The objective of the programme was to generate new options of employment for those that attend, for instance working in the food industry or as a carer for people with special needs.

The Ebola outbreak in West Africa, which was first reported in March 2014, rapidly became one of the deadliest occurrences of the disease since its discovery in 1976, with more than 28,000 suspected cases subsequently being reported. During this time, the Weir Group supported aid efforts to transport much needed medical supplies to the region. In addition, the Weir Minerals Ghana offices in Accra supported the immediate community and employees with the provision of basic foodstuffs, water, latex gloves and other supplies.

Weir India has partnered with a local not-for-profit organisation, Mahila Vidya Peetha, to offer Hospital Oriented Nursing Aide Training, a one-year vocational course which, on completion, qualifies the students as Auxiliary Nurse Midwives. A total of 20 female students from the local community, who in some instances were also relatives of Weir employees, were trained and placed for employment as part of the programme in 2015.

For a number of years now, Weir Minerals Netherlands has sponsored the Venloop, a popular athletic event held annually in Venlo. The 2015 Venloop marked the event's ten year anniversary and consisted of multiple walking and running races over two days. The focus of the event was participation with 26,000 entrants, of which 180 were Weir employees from the local Venlo facility.

During the year, the Group also sponsored humanitarian design organisation, Orkidstudio, on the redevelopment of Sachibondu Health Centre in Zambia to provide significantly increased healthcare facilities for the increasing numbers of people in the local community who rely upon this vital service. More information can be found on page 63.

**The 2015 Weir Venloop once again demonstrated that it is an event for the whole community, for all ages and abilities. Weir Minerals Netherlands is proud to be the main sponsor of such a prestigious and successful event.**

## Case study

## An elephant for Glasgow

### EMPLOYEE ACTIVITIES

The Group is very proud of the charitable work that our people undertake. Our businesses operate their own policies for supporting these, whether by matching donations, providing support or equipment or by allowing employees to participate in charitable activities during working hours.

A small selection of the numerous projects undertaken by our employees in 2015 is highlighted below:

- Employees at Pressure Pumping in Fort Worth, Texas, spent a day building a home as part of Habitat for Humanity and 29 employees participated in a 'Color Me Rad' 5k run raising funds for Ronald McDonald Houses, a not-for-profit organisation which provides free 'home away from home' accommodation for families with children in hospital.
- In 2015, Weir India employees donated 226 units of blood for the community and 33 employees signed up to the Indian Stem Cell Registry to help blood cancer patients looking for a matched unrelated stem cell donor.
- Weir Minerals Floway employees in Fresno, California, participate in Toys for Tots, a not-for-profit organisation in America, where toys are collected and donated to local children whose parents cannot afford to buy them gifts for Christmas. The company typically matches the contributions made by employees.
- During the year, Weir SPM Canada employees in Edmonton, Alberta, donated non-perishable items to a food bank for the less fortunate in the community; provided Christmas holiday hampers containing food and gifts to five families in the local community and collected winter clothing for the homeless.
- Employees of Weir India in Hubli volunteered to educate local school children regarding road safety, hygiene, health and AIDs awareness. They undertook a two hour presentation and donated small hygiene kits to approximately 300 pupils.

**In 2015, the Weir Group worked with Scottish artist Kenny Hunter and House for an Art Lover, an art gallery and visitor attraction in Glasgow, Scotland, to create a life-size Asian elephant which has been installed on the site of the famous 1938 Empire Exhibition in the city's Bellahouston Park, where House for an Art Lover is also based.**

A year in the making, the 11 tonne elephant formed part of the Legacy 2014 project and commemorates the city's hosting of the Commonwealth Games in the summer of 2014. It was cast in iron at Weir's Todmorden foundry in Yorkshire using now redundant and scrap locomotive parts made in the shipyards of Govan, Glasgow and exported to the Commonwealth. The elephant casting needed to be hollow otherwise it would have weighed closer to 50 tonnes, so it was very much a test of the business' engineering skills. The team used computer modelling to ensure the structure's appearance was maintained in the process.

William Mannon, Operations Director of Weir Minerals Europe, Todmorden, and responsible for the project said, "Weir exhibited at the Empire Exhibition in 1938 and as a Glasgow-based global engineering business, we have operations in many Commonwealth countries. We were therefore delighted to help turn Kenny Hunter's and House for an Art Lover's exciting concept into reality. As engineers, we always like a challenge and creating a life-sized Asian elephant is one of the more unusual requests we've had, but we are delighted it has been such a success."

The elephant was unveiled at House for an Art Lover during a ceremony attended by Weir engineers and delegates in September. At the ceremony, Garry Sanderson, CEO of House for an Art Lover said, "We are thrilled to be unveiling the elephant and hope that it will become a new landmark for the south side. It's a celebration of our city's strength and contribution to industrial and cultural developments across the Commonwealth and a reminder of the very successful Commonwealth Games the city hosted in 2014."



## Sustainability Review continued



**ANDREW NEILSON**  
 Director of Corporate Affairs & Strategy and Company Secretary

# Ethics

**As a company we are committed to business integrity and high ethical standards. We operate under a Code of Conduct which promotes honest and ethical behaviour and our aim is to ensure that our customers, suppliers, investors, employees and the communities where we operate have the confidence to trust us and our business.**



The Weir Group is a member of FTSE4Good, an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria.



The Company is a member of Transparency International UK's Business Integrity Forum, the UK's leading anti-corruption forum for businesses in all sectors. All members sign up to a set of principles and are dedicated to ensuring their operations and business dealings are corruption free.

### CODE OF CONDUCT

All our employees operate under a Code of Conduct, which provides a clear framework for decision-making in line with our values and behaviours. The Code promotes compliance with applicable governmental laws, rules and regulations and provides details on how we expect our people to conduct themselves on a day-to-day basis. It requires prompt internal reporting of any breaches, which can be carried out without fear of retribution. Following its introduction in 2011, the Code was revised in 2014 and is available to download from our website.

Supporting the second edition of the Code of Conduct is a mandatory e-learning programme. Training is targeted at employees who are deemed to have a potentially higher risk of exposure to bribery and corruption as a consequence of their decision-making responsibilities with regard to third parties, including customers, suppliers and sales agents. This includes the Senior Management Group, as well as sales and marketing, purchasing and finance employees within certain sectors of the Company's operations.

Since the launch of the second edition of the Code of Conduct in 2014, in excess of 4,000 employees have undertaken the anti-bribery and corruption online compliance training which accompanies it. All new employees who are deemed to fall into the higher risk category must also undertake the training as part of their induction. After completion of the training, all participants are asked to complete a compliance statement to confirm that they have read, understood and comply with the Code of Conduct in their work for Weir.

The Code of Conduct is also reinforced through various means of communications with our employees, such as Town Hall meetings, conferences, training courses and our 100 day integration plan for new acquisitions. During 2015, face to face training was undertaken by the Weir Legal team with employees of various operating companies worldwide including, Weir Minerals Mongolia, Trio USA, Weir Minerals West Africa and Weir Solutions Dubai. The Code applies to everyone who is employed by the Weir Group and compliance is of the utmost importance. As a company, we not only stress the importance of complying with the Code but also encourage our employees to report any concerns or apparent breaches they may have. Anyone found in breach of the Code may be liable to disciplinary action, up to and including termination of employment or cancellation of contract.

Information on the Code of Conduct and its application in the Company's supply chain can be found under the Suppliers and third parties section below.

### ANTI-BRIBERY AND CORRUPTION

In 2015, the Company introduced a new conflicts of interest policy. This was produced to provide clear guidance to all employees of the Company with regards to the mandatory requirements for the identification, reporting and management of actual or potential conflicts of interest. In particular, it outlines what may constitute a conflict and the correct process for disclosing any perceived conflict to management.

As part of our commitment to continually monitoring and improving anti-bribery and corruption practices within the Company, our Internal Audit department undertake anti-bribery and corruption reviews. They maintain a cyclical, risk-based plan with 14 specific anti-bribery and corruption reviews undertaken during 2015, in addition to our standard internal audit programme of both full and limited scope reviews. From this work there were no indicators of any bribery or corruption found.

During 2015, the Weir Group scored 93.6% on a Corporate Anti-Corruption Benchmark report produced by Transparency International. 11 Business Integrity Forum members participated in the report, comprising some of the largest companies with the most robust compliance systems in the UK. Weir's score ranked fourth in the sample.

### COMPETITION LAW

Following a comprehensive review of the Company's competition law (anti-trust) policies and procedures in 2014, the Weir Group Competition Law Manual was produced and is accessible to all employees via the Weir Global Intranet. Training to accompany the manual continues to be administered on competition law, focusing in particular on employees in roles which have been identified as potentially high risk. This is delivered both face to face and through e-learning.

The manual is being translated into different languages to reflect the Company's global footprint, with the latest version published in Russian. This was rolled out during 2015 in conjunction with targeted training to an increased sales team located in Russia.

During 2015, targeted training was also administered to 40 employees in Brazil on Brazil's Clean Company Act 2014. The introduction of this legislation prohibits, among other actions, bid rigging and fraud in public procurement and direct or indirect acts of bribery or attempted bribery of Brazilian public officials and foreign public officials.

### HUMAN RIGHTS AND THE MODERN SLAVERY ACT

As part of its human rights policy, which can be found on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir), the Company has adopted a series of human rights principles across all of its businesses. These principles relate to: anti-discriminatory attitudes and respect for ethical values; employee rights, which include health and safety, living wages, working hours, freedom of association and the right to collective bargaining; and prohibition of child labour.

By promoting sound ethical values and human rights principles, Weir aims to be a business with which people are proud to be involved. The Weir Group Human Rights Policy expresses the organisation's commitment to promoting and upholding the "common standard of achievement for all people and all nations", as endorsed by the Universal Declaration of Human Rights. Other guiding principles include those of the Conventions of the International Labour Organisation and the United Nations Convention on the Rights of the Child. These manifest themselves in Weir's anti-discriminatory attitudes and respect for ethical values, providing our people with a safe and healthy working environment and fairness in employment terms. For example, national living wage is applied and working hours determined in accordance with applicable laws, as well as the recognition and non-discrimination of rights of association in collective bargaining. In addition, the Company has a zero tolerance of the employment of children in any of its businesses and no forced, bonded or involuntary prison labour is permitted.

We will not exploit anyone, wherever in the world we are working. We will respect the human rights of all those working for or with us, and of the people in the communities where we operate. We will not do business with companies, organisations or individuals that we believe are not working to acceptable human rights standards.

We expect employees to maintain the highest standards of conformity with these principles and their adoption, and adherence is contained within Weir's Code of Conduct. There were no human rights violations reported through the Ethics Helpline during 2015.

In October 2015, the Modern Slavery Act 2015 came into force and as a result the Company will need to make a statement on its website in 2017 detailing what steps, if any, we are taking to ensure that slavery and human trafficking is not taking place in any of our supply chains or in any part of the business. In preparation for this requirement coming into effect next year, we are undertaking a review of our current policies and practices in light of the new legislation. As a consequence we have updated our Human Rights Policy to specifically refer to the Modern Slavery Act. Weir already has a number of measures in place to protect human rights including the

## Sustainability Review continued

Code of Conduct, Weir Supply Chain Policy, Weir EHS Standards and a programme of supplier audits and reviews. In 2016 we will be reviewing these to confirm that they adequately deal with modern slavery. A training programme will also be developed for Procurement to increase awareness of the Modern Slavery Act and Weir's responsibilities.

### SUPPLIERS AND THIRD PARTIES

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. Embracing a closer relationship with our key suppliers is fundamental to our Value Chain Excellence initiative. In 2015, we have expanded our supplier business review programme designed to fully engage our key suppliers in performance reviews and mutually agreed improvement programmes. The introduction of a global supplier performance scorecard provides insightful information to identify and support such joint improvement activity.

The Group recognises that its responsibilities extend to our supply chain. We have a Supply Chain Policy which sets out the minimum standards we expect our suppliers to abide by with respect to:

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

During 2015, the Group has continued to work on increasing the level of contractual agreements in place with our supply base. These now equate to over 50% of our total spend. Weir is also a member of the UK Government sponsored Prompt Payment Code, which is a scheme designed to support on time payment to small and medium sized suppliers (SMEs).

In addition, our 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 regularly 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 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.

During 2016, we will be increasing our focus in this area through the introduction of a web based compliance tool, designed to assess our key suppliers' compliance with our Code of Conduct.

### Case study

## Lawyers in Schools

**In January 2015, the Newlands Junior College opened in Cathcart, Glasgow, on the site of the former Weir headquarters and factory. This is a newly established vocational school providing career opportunities to young people who may have become disengaged with the traditional educational system and yet have the potential to excel in their field.**

Each year, the school aims to recruit 30 pupils from local schools and put them through an alternative approach to their education in their third and fourth year of Secondary School, when pupils are approximately 15 and 16 years old. This, in addition to academic subjects, combines vocational training and motivational training with sports, nutrition and outdoor activities.

As part of the sustainable partnership that Weir has developed with the college, the Weir Group Legal team has participated in a Lawyers in Schools project. This is run through the not-for-profit Citizenship Foundation,

which supports schools and colleges to deliver empowering citizenship education. Lawyers in Schools is a skills-based employee volunteering programme designed to raise young people's awareness and understanding of the law and day to day legal issues. Whilst the programme has been established since 1999, Lawyers in Schools was only launched in Scotland in 2015 and the Weir Group is proud to be one of the first Scottish companies to participate in it.

During 2015, three members of the Group's legal department visited Newlands Junior College on four separate occasions to work with the pupils and debate issues including human rights, social media and the law. The programme will continue into 2016, when it will address consumer law, youth justice and discrimination.

Andrew Neilson, Director of Corporate Affairs & Strategy and a member of the Group Executive, is also a Trustee of the College.





**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. The Group has a Commercial 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 and overseen by the legal department. The standard Weir contract must be used unless the legal department has agreed modifications, but the terms of the agreements always include a 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.

In 2015, the Weir Group became a member of TRACE International. TRACE International is a non-profit business association that pools resources to provide members with anti-bribery compliance support. During the year we have begun to utilise these tools to undertake additional due diligence and compliance checks on our overseas external sales agents.

**GIFTS AND HOSPITALITY**

Although in some markets gifts and hospitality are a prevalent and fundamental part of business transactions, such practices can also leave an organisation vulnerable to accusations of bribery or corruption. To ensure that all of our employees operate ethically, the Group has a Gifts Policy and a Hospitality Policy. Both of these were updated during 2015 to address the use of gift certificates, the giving of Christmas or national holiday gifts and to provide greater clarity on the difference between gifts and sponsorship. The revised policies received Group Executive approval in January 2016 and were subsequently circulated throughout the Company.

Employees should only give or receive gifts or hospitality for business if they are reasonable and not if they could influence a business decision improperly. All gifts and hospitality above a minimum threshold detailed in the policies must be pre-approved using an online gifts and hospitality register. Our Internal Audit team assess compliance with the Group's gifts and hospitality policies during audit visits and desktop reviews. Summary reports of the register are shared with senior management on a monthly basis.

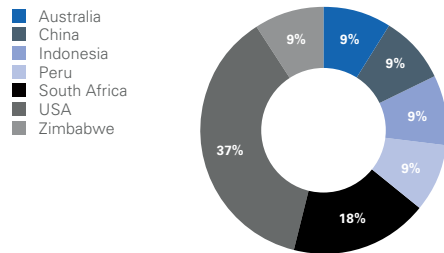
**REPORTING ISSUES**

The Group encourages our people to discuss any ethical concerns they may have with local management or the legal department. In addition, the Weir Ethics Hotline, an independent and confidential telephone helpline and online reporting system, is available for our employees, partners and third parties to call or email with any concerns that they have concerning unethical behaviour. Calls to

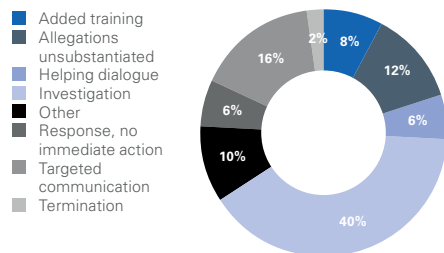
the helpline are free and lines are open 24 hours a day, seven days a week. Reports can be made in a wide range of languages, reflecting our global footprint. Online reporting remains the most common form of reporting matters, with 85% of reports being made in this way.

During 2015, 58 reports were submitted via the Weir Ethics Hotline with each report being fully investigated. Details of the geographic location of the reports and their respective resolutions can be seen below. Whilst the majority of reports were from employees, the service was also utilised by persons connected to employees and our suppliers.

**Weir Ethics Hotline reports by country**



**Weir Ethics Hotline case resolutions**



The Strategic Report, covering pages 1 to 71 of the Annual Report and Financial Statements 2015, has been approved by the Board of Directors in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

On behalf of the Board of Directors

**ANDREW NEILSON**  
 Company Secretary  
 24 February 2016

## Board of Directors



**CHARLES BERRY**  
Chairman (63)



**KEITH COCHRANE**  
Chief Executive (51)



**ALAN FERGUSON**  
Non-Executive Director (58)



**MELANIE GEE**  
Non-Executive Director (54)



**MARY JO JACOBI**  
Non-Executive Director (64)

### Nationality

British

British

British

British

Dual American and British citizenship

### Date of appointment

Non-Executive Director since March 2013 and Chairman since January 2014.

Joined the Group as Finance Director in July 2006 and appointed Chief Executive in November 2009.

December 2011.

May 2011.

January 2014.

### Committee Membership

Chairman of the Nomination Committee.

Member of the Nomination Committee.

Chairman of the Audit Committee and member of the Remuneration Committee.

Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.

Member of the Remuneration Committee.

### Expertise

Charles was an Executive Director of Scottish Power plc from 1999 to 2005 and Chief Executive of its UK operations between 2000 and 2005. Prior to joining Scottish Power, he was Group Development Director of Norwest Holst, a subsidiary of Compagnie Générale des Eaux and held management positions within subsidiaries of Pilkington plc.

He is a former Non-Executive Director and Chairman of Eaga plc, Drax Group plc and Thus Group plc, and a former Non-Executive Director of Impax Environmental Markets PLC and Securities Trust of Scotland plc.

Following a number of years with Arthur Andersen, Keith joined Stagecoach Group plc in 1993. He was appointed Finance Director in 1996 and Group Chief Executive in 2000. He joined ScottishPower plc in 2003 where he became Director of Group Finance.

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

Keith is Chairman of the selection group for CSCLeaders, a senior leadership programme for leaders from across the Commonwealth.

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.

Alan is a member of the Institute of Chartered Accountants of Scotland and sits on their Business Policy Committee.

Melanie is a Senior Adviser at 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. Her executive career has involved providing corporate finance advice to a broad range of clients in both the UK and overseas.

She was an alternate member of The Takeover Panel – LIBA (CFC) between 2006 and 2013.

Melanie was reappointed as a Council member and Trustee of Fauna & Flora International in 2013, having previously served from 2008 until 2010.

Mary Jo is Managing Director of her own consultancy, a board mentor with CriticalEye and on the faculty of the Gerson Lehrman Group. She is also a member of the Advisory Committee on Business Appointments and the Leadership Council.

She was formerly a Senior Executive of Royal Dutch Shell plc, BP America Inc., Lehman Brothers Inc., HSBC Holdings plc and Drexel Burnham Lambert Inc. She was a Non-Executive Director of Tate & Lyle plc between 1999 and 2004.

She served in the administrations of Presidents Reagan and George H.W. Bush and was one of Her Majesty's Civil Service Commissioners from 2005 to 2010. From 2010 to 2015 she was a visiting Fellow of the University of Oxford.

### Key external appointments

Non-Executive Chairman of Senior plc.

Senior Independent Non-Executive Director of Carillion Plc.

Lead Non-Executive Director for the Scotland Office and the Office of the Advocate General.

Senior Independent Non-Executive Director and Audit Committee Chairman of Johnson Matthey plc.

Non-Executive Director and Audit Committee Chairman of Croda International plc.

Senior Independent Non-Executive Director and Audit Committee Chairman of Marshall Motor Holdings plc.

Non-Executive Director of Drax Group plc.

Non-Executive Director of Standard Life plc.

Non-Executive Director of Mulvaney Capital Management Limited.

Member, UK Government Advisory Committee on Business Appointments.

Advisory Board co-chair, George Washington University Institute for Corporate Responsibility.



**DEAN JENKINS**  
Chief Operating Officer (44)



**PROFESSOR SIR JIM McDONALD**  
Non-Executive Director (58)



**RICHARD (RICK) MENELL**  
Non-Executive Director (60)



**JOHN MOGFORD**  
Non-Executive Director (61)



**JON STANTON**  
Finance Director (48)

Australian

British

South African

British

British

January 2016.

January 2015.

April 2009.  
Senior Independent Director since February 2015.

June 2008.

April 2010.

None.

Member of the Audit Committee.

Member of the Nomination and Remuneration Committees.

Member of the Audit and Nomination Committees.

None.

Dean joined the Group in November 2010, becoming Power & Industrial Divisional Managing Director in January 2011 and Minerals Divisional Managing Director in August 2012. He was appointed to the role of Chief Operating Officer in January 2016.

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.

Sir Jim McDonald has been Principal and Vice Chancellor of the University of Strathclyde since March 2009 and has held the Rolls-Royce Chair in Electrical Power Systems since 1993.

Sir Jim is Chairman of both the Institute for Energy and Environment, the largest engineering and energy systems research group internationally, and the Rolls-Royce University Technology Centre.

He is a member of the Innovate UK Energy Catalyst Board, the Emerging Technologies Strategy Board and sits on the Scottish Enterprise Technology Advisory Group.

He co-chairs (with the First Minister of Scotland) the Energy Advisory Board in Scotland. He is a fellow of the Royal Academy of Engineering, the Royal Society of Edinburgh, the Institution of Engineering and Technology, the Institute of Physics and the Institute of Energy.

Rick 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).

Rick is a Senior Advisor to Credit Suisse and Chairman of Credit Suisse Securities (Johannesburg) (Pty) Limited. He serves as a Director on a number of unlisted companies and non-profit organisations.

He is a fellow of the Geological Society (London), and both the Australasian and South African Institutes of Mining and Metallurgy.

John was formerly a Managing Director for First Reserve, a large global energy-focused private equity firm, and sat on several boards as part of this role.

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 was formerly Chairman of Amromco Energy LLC in Romania and White Rose Energy Ventures LLP in the UK, and a Non-Executive Director of Deep Gulf Energy LP in America and CHC Helicopters SA in Luxembourg.

He is a fellow of the Institution of Mechanical Engineers.

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.

None.

Non-Executive Director of Scottish Power Limited.

Non-Executive Director of UK Offshore Renewable Energy Catapult Board.

Non-Executive Director of National Physical Laboratory.

Non-Executive Director of Glasgow Science Centre Charitable Trust.

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.

Non-Executive Director of DOF Subsea AS in Norway and Midstates Petroleum Company, Inc. in America.

Non-Executive Director of ERM Worldwide Group Limited.

None.

## Group Executive



**Name and title**

**PAUL COPPINGER**  
**Oil & Gas Divisional**  
**Managing Director (54)**

**RICARDO GARIB**  
**Minerals Divisional**  
**Managing Director (61)**

**JOHN HEASLEY**  
**Power & Industrial**  
**Divisional Managing**  
**Director (41)**

**Biography**

Paul is the Divisional Managing Director for Weir Oil & Gas, based in Fort Worth, Texas, USA. He has held this position since January 2015. Prior to this, he held the position of President of the Pressure Pumping business within the Oil & Gas division. He joined Weir in 2011 as President of SPM. Prior to joining Weir, Paul was the President of the Energy Group for ten years at Circor International, Inc., a diversified manufacturer of valves and related products. He is a director and former Chairman of the Petroleum Equipment & Services Association.

Ricardo joined the Group Executive in January 2016 as the Divisional Managing Director for Weir Minerals. He joined Baker Hughes in 1980 and became the Managing Director of Weir Chile following the purchase of Baker Hughes' Minerals division in 1994 by the Weir Group. In 2001 he was promoted to Regional Managing Director of Weir Minerals Latin America. Ricardo is Vice President of the Mining Suppliers Association and an elected council member of the Board of the Chilean Federation of Industry. He holds an MBA and is a Civil Mechanical Engineer.

John joined the Group Executive in January 2014 as Divisional Managing Director for Weir Power & Industrial. He is based at the divisional headquarters in East Kilbride, Scotland. A chartered accountant, he has held a number of senior financial, commercial and operational roles. At PwC, he worked in mergers and acquisitions before joining Scottish Power in business development and financial posts. John joined Weir in 2008 as Group Financial Controller before becoming Valves Managing Director in the Power & Industrial division. John is a Non-Executive Director of Royal Scottish National Orchestra Society Limited.



**Name and title**

**PAULINE LAFFERTY**  
**Director of Human**  
**Resources (50)**

**ANDREW NEILSON**  
**Director of Strategy &**  
**Corporate Affairs and**  
**Company Secretary (40)**

**Biography**

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. Pauline is a Non-Executive Director of Scottish Exhibition Centre Limited.

Andrew joined the Group Executive in January 2014 as Director of Strategy & Corporate Affairs and was appointed as Company Secretary in December 2015. He is based at the Group's Head Office in Glasgow. Andrew holds a Masters degree in engineering from the University of Strathclyde and is a qualified accountant. Before joining Weir in 2010, he held a variety of senior roles with banking, energy and professional services companies, including HSBC, HBOS, Scottish Power and KPMG. Andrew is a member of CBI Scotland Council.

Keith Cochrane, Jon Stanton and Dean Jenkins are also members of the Group Executive Committee. Their biographical information can be found on the previous pages.

Keith Ruddock held the position of General Counsel & Company Secretary and was a member of the Group Executive until 31 December 2015.

Gavin Nicol held the position of Director of Operations, Support & Development and was a member of the Group Executive until 31 December 2015.

## Corporate Governance Report

### Chairman's Introduction



**CHARLES BERRY**  
Chairman

**The Board is committed to the highest standards of corporate governance. Under my Chairmanship, the Board is responsible for ensuring that these high standards and the Company's values and behaviours are consistently applied throughout the Group. These elements are critical to the integrity of our business and we strive to continually evolve best practice and procedures to deliver long-term sustainable shareholder value.**

The following Corporate Governance Report, including the Committee Reports and the Directors' Report, set out how we apply these governance standards in practice and demonstrate our compliance with the UK Corporate Governance Code.

#### UK CORPORATE GOVERNANCE CODE

In September 2014, the Financial Reporting Council published a revised UK Corporate Governance Code (the 'Code'), as well as guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Key changes included disclosures with regards to longer-term viability, risk management and internal controls, as well as Directors' remuneration. Both the Audit and Remuneration Committees, along with the Board, undertook reviews of current practices to ensure that the Company effectively managed the required changes to our governance arrangements and now operate with regard to these additional disclosures.

This is the first year that we have been required to report under the revised Code, and I am pleased to report that the Company has complied fully with all the principles of the Code for the 52 weeks to 1 January 2016, and from that date to the date of approval of this Annual Report, with the exception of one part of a provision which is detailed on page 76.

The most significant change to this year's Annual Report as a result of the updated Code is the inclusion of a new viability statement. This is a statement based on the Board's assessment of the Company's current position as well as its assessment of the principal risks facing the Company and their potential impact on its future development and prospects. This new disclosure is contained in the How We Manage Risk section of the Annual Report on page 29.

#### CHANGES TO THE BOARD

Board and Committee changes during 2015 and early 2016 were as follows:

- Lord Robertson retired as a Non-Executive Director with effect from 31 January 2015. He therefore also ceased to be Senior Independent Director, and a member of the Remuneration and Nomination Committees, on that date.
- Rick Menell was appointed Senior Independent Director on 1 February 2015.
- Alan Ferguson was appointed to the Remuneration Committee on 1 February 2015.
- Melanie Gee was appointed to the Nomination Committee on 18 June 2015.
- Dean Jenkins was appointed as an Executive Director on 1 January 2016.
- Keith Ruddock retired as Company Secretary on 18 December 2015 and Andrew Neilson was appointed to this role on the same date.

Changes in the membership of the Board enable fresh perspectives to be brought to different aspects of the Group's governance framework. We continue to review the Board composition and have spent time on succession planning to ensure that we continue to evolve as a Board, enabling us to further enhance our leadership of the Group.

During 2015, as part of the review of the current composition of the Board, it was determined that to enhance the balance of skills and experience at Board level, it would be advantageous to create a new role of Chief Operating Officer. As a result, Dean Jenkins, a former Divisional Managing Director and Member of the Group Executive, was appointed in January 2016. Further details are contained in the Nomination Committee Report on page 87.

#### BOARD INDUCTIONS

The induction of our new Directors and Committee members remains an important focus, and we continue to work hard towards providing a comprehensive programme which allows new members to contribute most effectively. The induction programme is tailored according to the background and knowledge of each new Board member.

During 2015 and the start of 2016, Sir Jim McDonald and Dean Jenkins both received inductions following their appointments to the Board. Full details can be found on page 83.

**CHARLES BERRY**  
Chairman

24 February 2016



## Corporate Governance Report **continued**

### GOVERNANCE PRINCIPLES

<p><b>Leadership</b></p> <p>The Board sets the tone of the Company with regards to corporate governance and ensures the application of the Company's values and behaviours. It demonstrates the clear division of responsibilities and the constructive challenge and development of strategy.</p> <p><a href="#">Read more on p76</a></p>	<p><b>Effectiveness</b></p> <p>The Board operates effectively for the long-term success of the Company. The Board members demonstrate the correct balance of skills, experience, independence and knowledge and are able to commit sufficient time to undertake the duties and responsibilities appropriately.</p> <p><a href="#">Read more on p81</a></p>	<p><b>Accountability</b></p> <p>The Board maintains sound risk management and internal control systems and has well established committees to assist it in the undertaking of its duties.</p> <p><a href="#">Read more on p84</a></p>	<p><b>Remuneration</b></p> <p>The Board ensures an open and transparent remuneration policy for the effective recruitment and retention of Board members and Company employees.</p> <p><a href="#">Read more on p85</a></p>	<p><b>Relations with shareholders</b></p> <p>The Board maintains an open dialogue with shareholders and Board members attend investor events globally.</p> <p><a href="#">Read more on p85</a></p>
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### THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code is published by the Financial Reporting Council and 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. Paper and downloadable versions can be obtained from the Financial Reporting Council via its website at [frc.org.uk](http://frc.org.uk).

As a listed company, we must detail how we have complied with the Code and provide an explanation of instances where we have not. This report, in addition to the Nomination, Audit and Remuneration Committee Reports, details how the Company has applied the main principles of the Code. For the 52 weeks ended 1 January 2016 and from that date to the date of approval of this Annual Report, except in the instance of one part of a provision detailed below, the Board considers that the Company has complied fully with the UK Corporate Governance Code 2014 (the 'Code').

Code provision E.1.1 states that the Senior Independent Director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders. During 2015, Lord Robertson and Rick Menell undertook engagement with various stakeholders but neither attended meetings with a range of major shareholders in their role as Senior Independent Director. It is considered that the Company has a robust Investor Relations department who oversee such meetings and that there are sufficient processes in place for the issues and concerns of major shareholders to be communicated to all members of the Board, and in particular, if necessary, to the Chairman, such that it is not necessary for the Senior Independent Director to attend these meetings. They were willing to attend such meetings had the need arisen. The Board does not feel that this in any way impeded its good corporate governance and believes that the practice was in compliance with the main and supporting principles under section E of the Code regarding dialogue with shareholders. Further details of the Company's relations with its shareholders can be found on page 85.

### Leadership

#### BOARD COMPOSITION

During 2015, the Board comprised two Executive Directors, the Chairman and six Non-Executive Directors. In January 2016, the number of Executive Directors rose to three on the appointment of Dean Jenkins as Chief Operating Officer.

Lord Robertson retired as Senior Independent Director and as a Non-Executive Director with effect from 31 January 2015. Lord Robertson was succeeded by Rick Menell as Senior Independent Director.

The current Directors of the Company as at the date of this report are as follows:

#### Table of the Board of Directors

Name	Designation	Date of Appointment	Date of most recent re-election
Charles Berry	Chairman	1 March 2013	29 April 2015
Keith Cochrane	Chief Executive	3 July 2006	29 April 2015
Alan Ferguson	Non-Executive Director	13 December 2011	29 April 2015
Melanie Gee	Non-Executive Director	4 May 2011	29 April 2015
Mary Jo Jacobi	Non-Executive Director	1 January 2014	29 April 2015
Dean Jenkins	Chief Operating Officer	1 January 2016	–
Sir Jim McDonald	Non-Executive Director	1 January 2015	29 April 2015
Rick Menell	Non-Executive Director	1 April 2009	29 April 2015
John Mogford	Non-Executive Director	1 June 2008	29 April 2015
Jon Stanton	Finance Director	19 April 2010	29 April 2015

Biographical information on the Board of Directors, including their relevant experience and significant appointments, can be found on pages 72 and 73.

Andrew Neilson was appointed as Company Secretary on 18 December 2015 following the retirement of Keith Ruddock, who held the position since May 2012. Andrew Neilson is Secretary to the Board of Directors and to the Nomination Committee. He is also Director of Strategy and Corporate Affairs and a member of the Group Executive. His biography is set out on page 74.

## BOARD RESPONSIBILITIES

The Board of Directors has a collective duty to promote the long-term success of the Company for its shareholders. The Board provides leadership of the Company and sets the Group's strategic aims. It ensures that the necessary resources are in place to achieve the agreed strategic priorities and provides guidance to senior management. 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. The Board reviews management and financial performance and monitors the delivery of strategy and the achievement of business objectives. At all times, it 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.

Each Director brings different skills, experience and knowledge to the Company, with the Non-Executive Directors bringing additional independent thought and judgment. The roles of the Chairman and Chief Executive are separate, with each having clearly defined duties and responsibilities set out in writing and approved by the Board. The roles and responsibilities of the Senior Independent Director are also set out in writing and both documents are available to view on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir).

The key responsibilities of Board members are set out below.

Chairman of the Board	Group Chief Executive	Senior Independent Director	Non-Executive Directors, including the Chairman	Company Secretary
<ul style="list-style-type: none"> <li>Leading the Board in an ethical manner and promoting effective Board relationships.</li> <li>Building a well-balanced Board, considering succession planning and its composition.</li> <li>Ensuring the effectiveness of the Board and individual Directors.</li> <li>Overseeing the Board evaluation and acting on its results.</li> <li>Ensuring appropriate induction and development programmes.</li> <li>Setting the Board agenda and chairing the Board meetings.</li> <li>Ensuring effective communication with shareholders and other stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Planning the Group objectives and strategy for Board approval.</li> <li>Ensuring the effective delivery of Group strategy.</li> <li>Providing leadership to the Group and communicating the Company's culture, values and behaviours.</li> <li>Day-to-day management of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>Supporting the Chairman in his duties where necessary.</li> <li>Leading the annual review of the performance of the Chairman.</li> <li>Being available to Directors and shareholders with concerns that cannot be addressed through the normal channels.</li> </ul>	<ul style="list-style-type: none"> <li>Contributing independent challenge and rigour.</li> <li>Assisting in the development of the Company's strategy.</li> <li>Ensuring the integrity of the financial information, controls and risk management processes.</li> <li>Monitoring the performance of the Executive Directors against agreed goals and objectives.</li> <li>Advising senior management.</li> </ul>	<ul style="list-style-type: none"> <li>Advising the Board on governance, legislation and regulatory requirements.</li> <li>Ensuring the presentation of high-quality information to the Board and its committees.</li> <li>Ensuring best practice in Board procedures.</li> <li>Facilitating inductions and development programmes.</li> <li>Facilitating the Board review process.</li> </ul>

## Corporate Governance Report **continued**

### Leadership **continued**

#### BOARD MEETINGS

The Board's scheduled meetings are held in person or by telepresence videoconferencing. During 2015, there were eight scheduled meetings, six additional unscheduled Board meetings held by telephone and one by telepresence. In September 2015, the Board meeting was held in Alberta, Canada and full details can be found on page 82. In addition to the formal Board meetings, the Board maintains an open dialogue throughout the year and contact by telephone occurs whenever necessary. As encouraged by the Code, the Non-Executive Directors, including the Chairman, met twice during the year without Executive Directors present, once at a dinner held in February and once whilst on their overseas site visit to Canada.

The table below details the attendance at Board meetings of each of the Directors during their term of office for the 52 weeks to 1 January 2016.

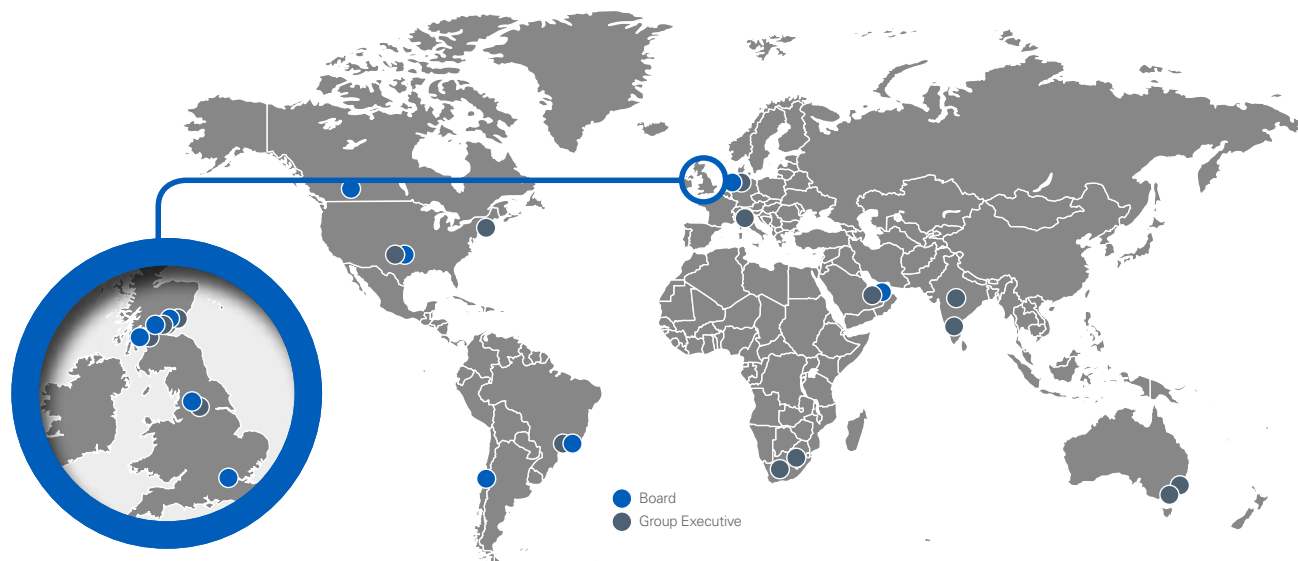
Name	Maximum number of possible meetings		Number of meetings attended	Percentage of meetings attended
	Scheduled	Short notice		
Charles Berry	8	7	15	100%
Keith Cochrane	8	7	15	100%
Alan Ferguson	8	7	15	100%
Melanie Gee	8	7	15	100%
Mary Jo Jacobi	8	7	15	100%
Dean Jenkins <sup>1</sup>	–	–	–	–
Sir Jim McDonald	8	7	15	100%
Rick Menell	8	7	15	100%
John Mogford	8	7	15	100%
Lord Robertson <sup>2</sup>	1	–	1	100%
Jon Stanton	8	7	15	100%

#### Notes

- Dean Jenkins joined the Board on the last day of this financial period and his attendance will be included in next year's Annual Report.
- Lord Robertson retired from the Board on 31 January 2015.

The annual timetable is discussed at least 18 months prior to its commencement allowing the Directors to plan their time accordingly. The 2017 annual timetable was discussed at the Board meeting in April 2015 and circulated as soon as it was finalised. The 2016 timetable had been reviewed during 2014. This process ensures that the Chairman can be comfortable that each Director is able to devote the time and resources required to act as a Director during that period. The system for establishing agenda items means both the Chairman and the Board have the confidence that all required items are included at the most appropriate time of the year and there is sufficient time allocated for discussion by the Board, allowing the Directors to discharge their duties effectively.

#### Board and Group Executive meeting locations for 2010-2015



## 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 entitled Matters Reserved to the Board for Approval which can be found on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir). The matters reserved to the Board for approval are reviewed by the Board on an annual basis to ensure they remain appropriate and adhered to.

## BOARD ACTIVITIES DURING 2015

During the year, the Chairman, supported by the Chief Executive and Company Secretary, continued the practice of maintaining a rolling 12 month agenda for Board and Committee meetings. At each meeting, the Board receives reports from the Chief Executive and other members of the Group Executive, including information on safety, strategy, human resources, finance and legal matters. The Board also receives updates from each Committee Chairman on items from the most recent committee meeting as well as periodic updates as required. Other standing items include reviewing the Risk Dashboard and internal controls, safety, strategy and succession planning.

In order to undertake their duties appropriately, the Non-Executive Directors meet regularly with senior management and make periodic site visits. The Board receives presentations by members of the Weir Group senior management team and external advisers as required. The Board receives annual reviews on the following: asbestos, insurance and risk management, the Ethics Hotline, Value Chain Excellence, HR/talent, tax, treasury and agents.

The Board's time during 2015 can be grouped into six key areas as outlined below. A portion of their time is also spent on administrative matters.

Strategy	Risk	Governance	Finance	Stakeholder engagement	Safety
Setting strategy targets.	Risk Appetite Statement.	Legal updates and new disclosure requirements.	Oversight of the preparation and management of the financial statements.	AGM and other shareholder feedback.	EHS Standards and Management System.
Reviewing potential mergers and acquisitions.	Group's risk and internal control framework.	The UK Corporate Governance Code.	Dividend policy.	Investor calls, meetings and roadshows.	EHS Audit System.
Product development and innovation.	Crisis management.	Board review.	Pensions.	Oversight of remuneration consultation process.	
		Succession planning.	Tax and treasury.		

## 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 at [www.corporategovernance.weir](http://www.corporategovernance.weir). The roles and responsibilities of the committees, along with the activities undertaken during the period, are outlined in each of their respective reports found on pages 86 to 117. The Company Secretary acts as Secretary to the Nomination Committee; the Acting General Counsel acts as Secretary to the Audit Committee, having taking over this role from the Company Secretary in February 2015; and the Deputy Company Secretary acts as Secretary to the Remuneration Committee, having taking over this role from the Company Secretary in October 2015.

Only committee members are entitled to attend meetings. However, other Board members may attend at any time, while professional advisers and members of the senior management team may 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.

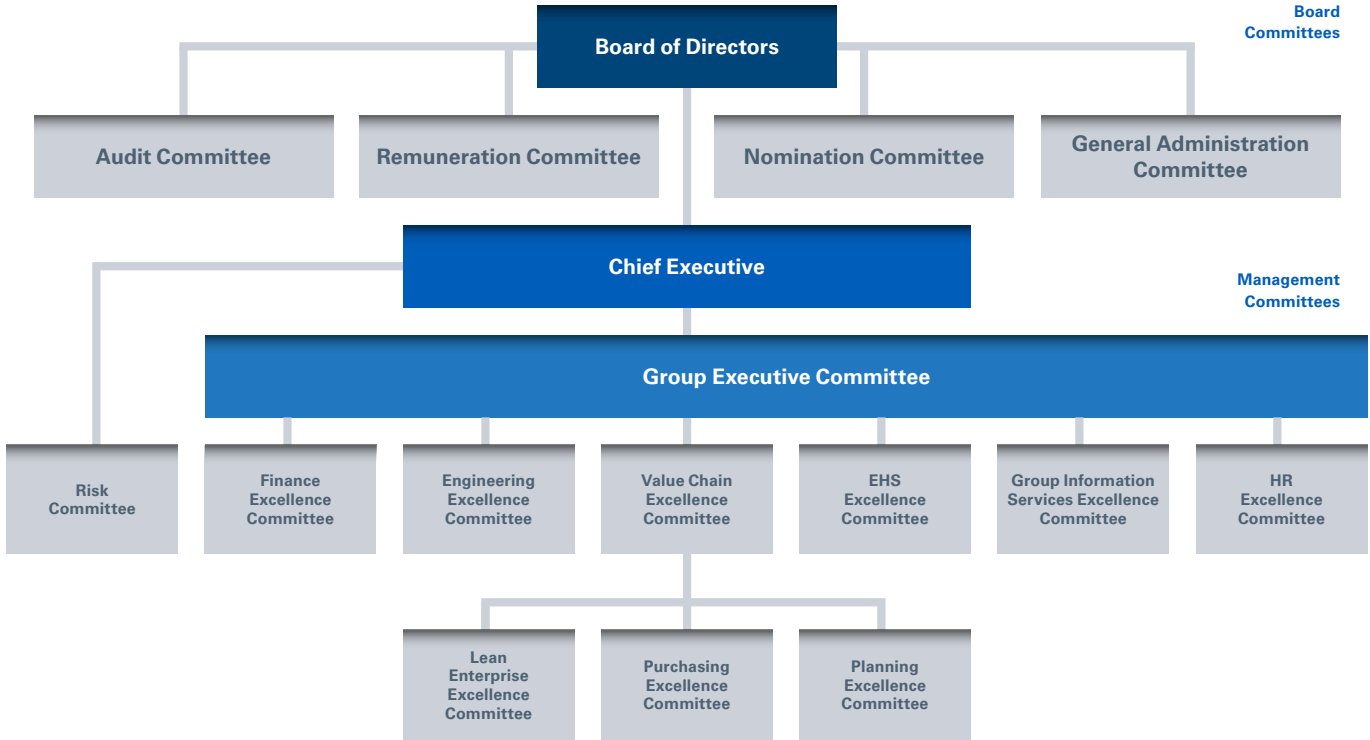
### General Administration Committee

The General Administration Committee is a sub-committee of the Board which comprises any two Board members of the Company, at least one of whom must be an Executive Director. The Committee is responsible to the Board as a whole and meets as required. 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 has written Terms of Reference which are periodically reviewed, most recently in January 2016, to ensure their continuing appropriateness. Minutes of meetings of the General Administration Committee are made available to all Directors.

# Corporate Governance Report continued

## Leadership continued

### Board and committee structure



### GROUP EXECUTIVE

The Group Executive comprises the Chief Executive, the Finance Director, the Chief Operating Officer, the three Divisional Managing Directors, the Director of Strategy & Corporate Affairs and the Director of Human Resources. Biographical details of the members of the Group Executive can be found on page 74. The Group General Counsel & Company Secretary and the Director of Operations, Support & Development were both members during 2015 but retired as employees of the Company and members of the Group Executive in December 2015. The Group Executive is chaired by the Chief Executive, Keith Cochrane.

In the 52 weeks ended 1 January 2016, 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 Board committees detailed above, there exist several management committees, known as Excellence Committees. These have been created to deal with specific areas and under their clearly defined remits they work across the Group promoting best practice and information sharing. The Executive Directors and members of the Group Executive are able to delegate their responsibilities to these committees and utilise the areas of expertise contained within them. The Excellence Committees report to the Group Executive and to the Board as required.

The composition of the various committees along with their accompanying terms of reference, the matters reserved for approval by the Board, and delegated authority matrices combine to create a clear authority matrix across the Group for timely and effective decision-making. This structure provides the Board with confidence that the appropriate decisions are being taken at the appropriate levels, and information flows both up and down reporting lines.



## Effectiveness

### BOARD SKILLS AND ATTRIBUTES

	Skills and experience								
	Independence	Banking & finance	Governance	International	Leadership	Engineering	Mining	Oil and gas	Power
Charles Berry <sup>1</sup>			X	X	X	X			X
Keith Cochrane		X		X	X				
Alan Ferguson	X	X	X	X			X		
Melanie Gee	X	X		X					X
Mary Jo Jacobi	X		X	X	X			X	
Dean Jenkins				X		X	X		X
Sir Jim McDonald	X			X	X	X			X
Rick Menell	X	X		X			X		
John Mogford	X			X				X	
Jon Stanton		X		X					

#### Note

1. Charles Berry was considered independent on his appointment as Chairman in January 2014.

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.

During the year, the Board approved a decision to create a new Executive Director role of Chief Operating Officer. Full details on this are contained in the Nomination Committee Report on page 86.

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.

### APPOINTMENT AND TENURE

Name	Length of tenure at 1 January 2016										Date of next election or re-election
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years	
Charles Berry											28 April 2016
Keith Cochrane											28 April 2016
Alan Ferguson											28 April 2016
Melanie Gee											28 April 2016
Mary Jo Jacobi											28 April 2016
Dean Jenkins											28 April 2016
Sir Jim McDonald											28 April 2016
Rick Menell											28 April 2016
John Mogford											28 April 2016
Jon Stanton											28 April 2016

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. Further details can also be found in the Directors' Remuneration Report.

In accordance with the Company's Articles of Association and good practice, Dean Jenkins will offer himself for election at the Company's AGM on 28 April 2016. All other Directors on the Board at 1 January 2016 will seek re-election at the Company's AGM in compliance with the Code.

Corporate Governance Report continued

Case study

## Board site visit to Edmonton

**IN SEPTEMBER 2015, THE BOARD OF DIRECTORS VISITED WEIR'S OIL & GAS CANADIAN FACILITIES AND MET WITH WEIR'S SENIOR CANADIAN MANAGEMENT TEAM IN EDMONTON, ALBERTA.**

Weir has a long and important association with Canada, dating back more than 100 years. Today, Weir's Canadian operations form a substantial part of the Group's worldwide reach and as such, especially given the significance of oil sands to Weir's future growth potential, the Weir Board chose Canada, and in particular Alberta, for this year's annual site visit.

In Canada, all three of Weir's divisions are significantly present. The Power & Industrial division is represented with state-of-the-art Rotating Equipment repair services in its new 100,000 ft<sup>2</sup> facility located in Montreal and services the power, mining, pulp and paper industries. A second component of this division is the Naval Engineering Test Establishment (NETE), also located in Montreal, providing complex engineering and testing services for the Department of National Defense. The Weir Minerals division has facilities from coast to coast supplying and servicing pumps, barges and a wide array of mining equipment to assist in extraction for coal, iron ore, precious metals and the Fort McMurray oil sands in Alberta. The Oil & Gas division is located exclusively in Western

Canada with the majority of its employees based in Edmonton, Alberta. This group has two major operating units: Pressure Pumping and Pressure Control. Pressure Pumping focuses on the manufacture and sales of well service pumps and high pressure flow control equipment to the Hydraulic Fracturing market while Pressure Control provides and installs wellhead and production tree equipment directly at the well site to oil and gas producing companies.

The Board's visit centred on the Weir sites in Alberta. On their first day, the Board held its scheduled Board meeting followed by a presentation on NETE by Serge Lamirande, President & General Manager. During the presentation the role held by NETE of servicing the needs of the Royal Canadian Navy and other allied navies was explained. In the evening, the Board had dinner with senior Weir North American employees and Justin Reimer, an Assistant Deputy Minister in the newly elected Alberta Provincial government.

The next day, Paul Coppinger, Oil & Gas Divisional Managing Director, presented the division's strategy to the Board. This was followed by specific presentations on the Pressure Pumping and Pressure Control Canadian businesses led respectively by Ian Dundee, Regional Managing Director, and Cam Smith, General Manager. After the presentations the Board attended an employee

prepared barbeque with the Edmonton based staff at the Pressure Pumping Manufacturing and Service Centre. Charles Berry gave a speech that commented on how impressed and appreciative he was with the significant tenure and contribution that many of the assembled employees had made to Weir's success.

In the afternoon, the Board toured two facilities. Pressure Pumping showcased the breadth of its capabilities in both manufacturing and service and Pressure Control presented its new Rod Guide manufacturing facility which had just opened the previous May. The day finished with a Canadian Minerals presentation by Aaron Ravenscroft, Regional Managing Director, Richard Stephenson, Managing Director, Ricky Nolan, General Manager and Russ Mackie, Sales Manager. The discussion centered around the current state of the business, including the expansion of the R Wales rubber products group in the Vancouver area and future growth opportunities in oil sands.

A dinner was held in the evening for the Non-Executive members of the Board. In line with the UK Corporate Governance Code, this provided the opportunity for them to meet without the Executive Directors being present and for them to discuss matters of the Company before returning home the following day.



## Effectiveness continued

### 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. The induction process for Sir Jim McDonald during 2015 included introductory meetings with senior executives in the Company and planned visits to the Company's facilities in Todmorden in the UK and Fort Worth in the USA, in addition to a formal briefing on legal and governance matters from the Company Secretary.

In early 2016, an induction programme was provided for Dean Jenkins following his appointment as Chief Operating Officer. As Dean was an existing member of the Group Executive he did not receive the full induction programme or one-to-one meetings with management as would normally be provided. As part of his induction he attended a briefing session with Herbert Smith Freehills on Director's Duties and had a meeting with Non-Executive Director, Sir Jim McDonald. Dean was provided with an electronic version of all relevant materials and met with the Acting General Counsel, Deputy Company Secretary and Insurance Risk and Control Manager.

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. In addition, the Board meets once a year or more at one of the Group's operational sites, which includes presentations from key senior employees and the opportunity to meet employees across the global operations.

The Chairman regularly reviews and agrees with each Director their training and development needs, and additional induction and training is also available to new committee members as required.

### 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. At the outset of every Board meeting, the Chairman also checks that no new conflicts have arisen. 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. Overall, the Board is satisfied that there are appropriate procedures in place to deal with conflicts of interest and that they have operated effectively.

None of the Non-Executive Directors has any material business or other relationship with the Company or its management. Although Sir Jim McDonald is the Principal and Vice Chancellor of the University of Strathclyde, he has no direct involvement on a day-to-day basis in relation to the Weir Advanced Research Centre (WARC) which is operated by the Company in conjunction with the University of Strathclyde. Nevertheless, he will offer to recuse himself from any discussions in relation to the relationship between the Group and the University of Strathclyde, whether in relation to WARC or otherwise.

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 disclosed in the Directors' Remuneration Report.

### BOARD EVALUATION

An external review of the Board and its Committees was undertaken by Independent Audit Limited in 2014. Following the outcome of the review, actions were taken during 2015 based on its recommendations. This has resulted in there now being enhanced management system linkage between risk management at Board level and the internal control policies already in place across the Group. In addition, the Board has spent significantly more time during 2015 on wider ranging strategic matters. Individual Non-Executive Directors have also made more informal site visits to Group locations worldwide and increased resources have been made available for the Board Secretariat to provide a more focused level of support to the Board.

Building on the external Board evaluation in 2014, this year's evaluation of the Board and its Committees was carried out internally in December 2015, with assistance from Independent Audit Limited, by way of a confidential on-line questionnaire. The questionnaire had quantitative ratings and also sought comments on each of the following areas: strategy and risk taking, leadership and accountability, how the Board works, Board culture, line of sight, risk management, support and progress.

The findings of the evaluation were discussed by the Board as a whole at its meeting in January 2016. The evaluation confirmed that the Board and Committees continued to function well and had made significant progress and improvements against the prior year's recommendations. No specific new areas for improvement were identified and it was the Board's desire to see continued progress in the same areas through 2016.

As is customary, Rick Menell, as Senior Independent Director, oversaw the review of the Chairman.

## Corporate Governance Report **continued**

### Accountability

#### THE AUDIT COMMITTEE AND AUDITORS

Details on the roles and responsibilities of the Audit Committee, and its members can be found in the Audit Committee Report on pages 88 to 94. Information on the Company's external auditors is also contained within this section.

#### INTERNAL CONTROL AND RISK MANAGEMENT

In accordance with the 2014 UK Corporate Governance Code and the accompanying Guidance on Risk Management and Internal Controls, 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 2015. The Audit Committee conducted a review of the effectiveness of the Group's systems of internal control and risk management during 2015, as detailed on page 92, and more information can be found on risk management on pages 20 to 29.

Our internal control framework has four key layers:



#### Functional and front line 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 appraisals 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.

#### 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. Following the Board and Committee structure set out on page 80, various internal and external sources of assurance report to the Board and management. These are principally external audit, internal audit, EHS audits, intellectual property audits, engineering audits, procurement audits, IT audits, legal 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.

#### Ethical and cultural environment

We are committed to doing business at all times in an ethical and transparent manner. 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 within the Sustainability Review on page 68 provides more details on the Group's activities to promote ethical behaviour.

The Group's internal control procedures described on page 92 of the Audit Committee Report 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.

## Remuneration

Details of the Company’s Remuneration Committee, including its roles, responsibilities and members are contained within the Remuneration Report on pages 95 to 117. The Remuneration Report also details the Company’s remuneration policy and the remuneration received by Directors in 2015.

## Relations with shareholders

The Board recognises the importance of establishing and maintaining good relationships with all of the Company’s shareholders. The Company’s investor relations programme includes formal presentations of full year and interim results and meetings with individual investors. Through this programme, the Company has directly engaged with 422 investors in 2015 either face-to-face or via telephone or video-conferencing. Other areas where the Company engages with shareholders include attendance at investor conferences held by the financial community and roadshows and Investor Relations events held by the Company, of which there were 25 during the year held in Canada, France, Germany, Sweden, the UK and the USA.

The Company holds an annual capital markets day, which in 2015 was held in London in June. This event allows shareholders to meet the broader management team and to gain a more in-depth understanding of one business or one aspect of the business. The capital markets day this year focused on progress in Weir’s Oil & Gas division.

During the period under review, the Chief Executive, Finance Director, Chairman and Remuneration Committee Chairman have met or had contact 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.

Our brokers, Goldman Sachs International and UBS, and public relation advisers undertake investor roadshow feedback which is shared with 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.

The primary means of communicating with the Company’s shareholders are the Weir Group’s Annual Report and Financial Statements and the Interim Report. Both are available on the Company’s website and the Annual Report is posted out to all shareholders who elect to receive it. Copies are available upon request to the Company Secretary.

The Board 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. As well as the Interim and Annual Report, the website contains information on the business of the Company and corporate governance, all Group press releases and Company news, key dates in the financial calendar and other important shareholder information. The terms of reference for the Audit, Nomination and Remuneration Committees can also be found on the website.

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 2016 AGM is to be held on Thursday 28 April 2016. Together with the rest of the Board, the Chairmen of the Remuneration, Nomination and Audit Committees will be available to answer questions relevant to the work of the Board and the Committees. It is the Company’s practice to propose separate resolutions on each substantive issue at the AGM. Details on proxy voting will be contained in the proxy form and the Notice of Meeting sent to shareholders. Electronic proxy voting is available and details of this are also included in the Notice of Meeting.

## ENGAGEMENT WITH STAKEHOLDERS DURING 2015

We recognise the value of engaging our stakeholders – their opinion and perspective enhances our approach to both managing risk and identifying opportunities for business growth.

Engaging with stakeholders				
Employees	Investors	Communities	Suppliers and customers	Government and regulators
<ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Global intranet</li> <li>Formalised staff meetings ('Town Halls')</li> <li>Net Promoter® surveys</li> <li>Personal Development Plans</li> <li>Training programmes</li> <li>Weir University (e-learning facility)</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Calls and face-to-face meetings</li> <li>AGM</li> <li>Reports and announcements</li> <li>Website</li> <li>Roadshows</li> <li>Capital Markets Day</li> <li>Investor Relations app for mobile devices</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Fundraising events</li> <li>Sponsorship</li> <li>Partnerships with educational institutes</li> <li>Trainee and mentorship programmes</li> <li>Volunteering</li> <li>Armed Forces Covenant</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Weir customer experience programme</li> <li>Global supplier scorecard for strategic suppliers</li> <li>Code of Conduct</li> <li>ISO 14001 certification</li> <li>Trade shows and industry events</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Consultation responses</li> <li>Commissioning of reports</li> <li>Face-to-face meetings</li> <li>Visits to sites</li> <li>Briefing papers</li> <li>Industry events</li> </ul>



## Nomination Committee Report



### ROLE OF NOMINATION COMMITTEE

The Committee has responsibility for considering the size, structure and composition of the Board of the Company, for reviewing Director and 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.

### TERMS OF REFERENCE

The terms of reference of the Committee are reviewed annually by the Committee and then by the Board. The terms of reference are available on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir).

The Committee was evaluated as part of the 2015 Board evaluation process, which was undertaken internally, and it was concluded that the Nomination Committee continues to operate effectively in line with good corporate governance. There were no specific areas for improvement highlighted.

### MEMBERSHIP AND ATTENDANCE

The Nomination Committee is currently made up of three independent Non-Executive Directors in addition to the Chief Executive and myself as Chairman. Senior members of management and advisers are invited to attend meetings as appropriate. Lord Robertson retired from the Committee in January 2015 when he retired as a Non-Executive Director of the Company. Melanie Gee was appointed to the Committee in June 2015.

There were five scheduled meetings held during the year. Details of the attendance of the members of the Committee for the 52 weeks to 1 January 2016 are contained in the table below.

Members	Member since	Maximum number of meetings	Number of meetings attended	Percentage of meetings attended
Charles Berry (Chairman)	1 January 2014	5	5	100%
Keith Cochrane	2 November 2009	5	5	100%
Melanie Gee	18 June 2015	3	3	100%
Rick Menell	14 June 2012	5	5	100%
John Mogford	21 January 2014	5	5	100%
Lord Robertson <sup>1</sup>	1 February 2004	–	–	–

#### Note

1. Lord Robertson retired from the Committee on 31 January 2015 and there were no Committee meetings held between 3 January 2015 and this date.

I do not chair Committee meetings when the matters under consideration relate to me or my position. Similarly, should a matter under discussion relate to any of the other Committee members, they would excuse themselves from the meeting.

### MAIN ACTIVITIES OF THE COMMITTEE DURING 2015

#### Succession planning

During the year, the Committee continued to give significant meeting time and focus to succession planning at both Board and Group Executive level. During the year, the Director of Human Resources presented her annual review on succession planning within the Group. As part of this, she provided details of senior executive succession planning, containing information on ongoing or proposed talent development, the methods for identifying and cultivating potential internal candidates, and the balance of internal and external recruiting for the most senior positions.

### Board appointments

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.

During the year a review of the current composition of the Board was undertaken and it was recommended that a new Executive Director position of Chief Operating Officer be created. The Committee supported the establishment of this new role and the Board approved the establishment of the Chief Operating Officer position and the appointment of Dean Jenkins to it in July 2015.

During the year, the Committee reviewed each of the members of the Board, taking into account the findings of the 2015 Annual Board Evaluation exercise which had been considered by the Board at its January 2016 meeting. The Committee confirmed its support for the election of Dean Jenkins, and for the re-election of all other members of the Board, at the Company's forthcoming 2016 Annual General Meeting.

A formal search process was also undertaken in 2015 to recruit a new General Counsel and Company Secretary to succeed Keith Ruddock, who retired from the Company in December 2015. The Company engaged an external search consultancy, Spencer Stuart, to identify a successor. Spencer Stuart has no other connection with the Company. At present the search for a successor is ongoing. In the interim, Andrew Neilson, Director of Strategy and Corporate Affairs, was appointed Company Secretary and Christopher Morgan, Deputy General Counsel, was appointed Acting General Counsel.

### Committee appointments

When considering appointments to Board Committees, the Nomination Committee reviews the composition of the Committee to ensure its continuing compliance with the recommendations made in the UK Corporate Governance Code. We recommended two Committee appointments during the year.

Alan Ferguson was appointed as a member of the Remuneration Committee with effect from 1 February 2015 replacing Lord Robertson who had retired as a Non-Executive Director. This resulted in the Committee maintaining its membership of four Non-Executive Directors. In addition, following the retirement of Lord Robertson and his subsequent resignation from the Nomination Committee, Melanie Gee was appointed to the Committee in June 2015 to maintain the level of members at five.

### INDEPENDENCE

The Nomination Committee reviewed and confirmed the independence of all Non-Executive Directors. The continued service as Directors for both Rick Menell and John Mogford was specifically reviewed, in light of their respective lengths of service, as noted in the Corporate Governance Report on page 81. It was concluded that the Board still considered all of its Non-Executive Directors to be independent in character and judgement.

Processes are in place to identify any business relationships held by Non-Executive Directors or additional directorships or significant links with other Directors through involvement in other companies or bodies which may be of relevance in determining the independence of a Non-Executive Director. The Nomination Committee is satisfied that all Non-Executive Directors continue to be independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement.

### BOARD DIVERSITY

The considerations to be taken into account in each appointment to the Board are stipulated in the terms of reference of the Nomination Committee. 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. The Nomination Committee recommends 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.

The Board acknowledges the benefits a diverse pool of talent can bring to a boardroom. Among other things, a diverse board encompasses diversity of experience, social background, education and training, life skills and personal attributes, as well as differences in age, nationality, race and gender. The Board approved a policy with respect to Board diversity at its meeting in January 2014 and the Nomination Committee has operated under and reported against this policy from this date.

The recent focus on Board diversity has centred on gender and the Board aspires to maintain a significant level of female representation on the Board. At the end of the financial year, two of the ten Board members of the Company were female (20%). The Board will continue to consider its policy with respect to Board diversity on future appointments but will not place a higher regard for one form of diversity over any other. The appropriate composition of the Board as a whole with regard to the size and activity of the Company will be taken into account at all times.



**CHARLES BERRY**  
On behalf of the Nomination Committee

24 February 2016

## Audit Committee Report

**ALAN FERGUSON**  
Chairman of the Audit Committee



**CURRENT MEMBERS:**  
Alan Ferguson  
Melanie Gee  
Sir Jim McDonald  
John Mogford

### INTRODUCTION

As Chairman of the Audit Committee, I am pleased to present our report to shareholders in accordance with the 2014 UK Corporate Governance Code (the '2014 Code'). The 2014 Code was issued by the Financial Reporting Council in September 2014 and became effective this year. Through this report, I hope we will demonstrate how we have responded to the new requirements, as well as our commitment, as an Audit Committee, to our responsibilities under the Code and how we have discharged them effectively during the year.

### KEY OBJECTIVE

Our key objective is to provide effective governance over the appropriateness of the Group's financial reporting. We do this by focusing on, amongst other things:

- the adequacy of accounting policies, practices and disclosures;
- the performance of both the internal audit function and the external auditor; and
- oversight of the Group's systems of internal control, framework for identification and management of business risks and related assurance activities.

### MEMBERSHIP

I chair the Committee with the current members being Melanie Gee, Sir Jim McDonald and John Mogford, all of whom are independent Non-Executive Directors and have been members of the Committee for the full year and to the date of this report.

The Committee members have, through their other business activities, significant experience in financial matters. They have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil our responsibilities and in doing so we meet the Code requirement that at least one member has recent and relevant financial experience. Summary biographies have been presented on pages 72 and 73.

### RESPONSIBILITIES

As a Committee, we are responsible for:

- reviewing the announcements of the Group's financial results, including the Interim Report and Annual Report and Financial Statements, and monitoring compliance with relevant statutory and Listing Rules requirements;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices, including critical accounting policies and those judgements and estimates with the most significant effect on the amounts recognised in the financial statements;
- advising the Board on whether the Committee believes that the processes underlying the compilation of the Annual Report and Financial Statements are robust and supportive of the assertion reached by the Board that the document, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- advising the Board on the appropriateness of adoption of the going concern basis of accounting and consideration of any material uncertainties which might impact the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- reviewing the process and financial modelling underpinning the Board's Viability Statement, including linkage to the principal risks identified by the Board as having the greatest impact on longer-term viability, key assumptions and debt facility and covenant headroom calculations under stress-test scenarios;
- overseeing the relationship with the external auditor, covering their appointment, assessment of audit quality, effectiveness and independence, as well as the negotiation and agreement of fees;
- reviewing and approving the remit of the Internal Audit function, ensuring its independence and that there are the necessary resources and access to information available in order for it to fulfil its mandate;
- reviewing the effectiveness of the Group's systems for financial control, financial reporting and risk management, incorporating a review of reports on any significant frauds, misappropriation of assets or unethical behaviour;
- oversight of the Anti-Bribery & Corruption (AB&C) programme and providing input to the Board on ethics compliance; and
- reviewing treasury policy including foreign exchange exposure.

The terms of reference can be found on the Group's website, [www.corporategovernance.weir](http://www.corporategovernance.weir).

## COMMITTEE EVALUATION

The Committee was subject to an internal self evaluation process in 2015, via the completion of a detailed survey by each Committee member. This follows the triennial process conducted externally by Independent Board Review during 2014. The evaluation concluded that the Committee was performing well and it receives well-presented papers and good reports from management and internal audit. No significant areas of concern were noted. As an area of focus it was noted that each year we should look at our plan of activity in light of the changes to our business or risk environment in that period.

## MEETINGS

We met six times during the period. Each Committee meeting takes place prior to a Board meeting, during which I provide a report on our activities.

There is at least one meeting each year when we meet with each of the Head of Internal Audit and the external auditors separately, without any executive management present. This provides us with the opportunity for any issues of concern to be raised by, or with, the auditors.

We have the ability to call on Group employees to assist in our work and to obtain any information required from Executive Directors in order to carry out our roles and duties. We are also able to obtain outside legal or independent professional advice if required.

The table below details the Board members and members of senior management who were invited to attend meetings as appropriate during the calendar year. In addition, Ernst & Young LLP (EY) attended the meetings as auditors to the Group by invitation.

### Audit Committee attendees

Charles Berry	Chairman	Attends by invitation
Keith Cochrane	Chief Executive	Attends by invitation
Jon Stanton	Finance Director	Attends by invitation
Rick Menell (Jan 15 only)	Non-Executive Director	Attended by invitation
Keith Ruddock (to Feb 15)	Group General Counsel & Company Secretary	Attended as Secretary to the Committee
Christopher Morgan (from Feb 15)	Acting General Counsel	Attends as Secretary to the Committee
Lindsay Dixon	Group Financial Controller	Attends by invitation
Brian Gibson (to Nov 15)	Head of Internal Audit	Attended by invitation
David Kyles (from Dec 15)	Head of Internal Audit	Attends by invitation

The Committee members' attendance at the meetings held during the calendar year is summarised in the table below.

Members	Member since	Maximum number of meetings	Number of meetings attended	Percentage of meetings attended
Alan Ferguson (Chairman)	13 December 2011	6	6	100%
Melanie Gee	4 May 2011	6	6	100%
Sir Jim McDonald	1 January 2015	6	6	100%
John Mogford	1 August 2008	6	6	100%

## MAIN ACTIVITIES

Over the course of the period since the last Annual Report, our work was focused in the following areas:

- (i) financial reporting;
- (ii) internal control and risk management;
- (iii) internal audit; and
- (iv) external audit.

The following sections provide more detail on our specific items of focus under each of these headings, explaining the work we, as a Committee, have undertaken and the results of that work.

### (i) Financial reporting

Our principal responsibility in this area is the review and challenge, where necessary, of the actions and judgements of management in relation to the half year and annual financial statements before submission to the Board, paying particular attention to:

- critical accounting policies and practices, and any changes therein;
- decisions requiring significant judgements and estimates, or where there has been discussion with the external auditor;
- the existence of any adjustments resulting from the audit;
- the clarity of the disclosures and compliance with accounting standards and relevant financial and governance reporting requirements, including an assessment of adoption of the going concern basis of accounting, extended in the current year to include a review of the process and financial modelling underpinning the Group's Viability Statement; and
- the processes surrounding the compilation of the Annual Report and Financial Statements with regard to fair, balanced and understandable.

We received formal reports from the Finance Director and the external auditor, summarising the main discussion points for both the half year and full year reporting and explored these in detail at our meetings in January, February and July.

## Audit Committee Report **continued**

### MAIN ACTIVITIES CONTINUED

#### (i) Financial reporting **continued**

The significant financial reporting issues discussed in the current year are summarised below.

#### Current period matters

##### (1) Exceptional items – restructuring costs – note 5

The Committee's work in respect of restructuring costs has covered the different components of the charge in relation to (i) Group-wide efficiency review; (ii) Oil & Gas downturn actions; and (iii) other Group restructuring activities.

Full discussion of these restructuring programmes, related charges and cash flows can be found in the Financial Review on page 43.

The members of the Audit Committee are party to discussions at Board level in relation to major restructuring activities but we have also received detailed reporting from the Finance Director covering the following aspects: (i) costs by initiative, by division; (ii) accounting treatment adopted in relation to recognition of provisions and impairments; and (iii) disclosure of the amounts and related narrative reporting. Work of a similar nature to that performed in 2014 has been completed, which focused on probing management to understand and confirm that the requirements of IAS 37 'Provisions, contingent liabilities and contingent assets' have been met. Specific consideration was given to the asset utilisations used in the calculation of PPE impairments, the nature of inventory being impaired and the components of cash restructuring costs. We have also received reporting from EY that confirms management's treatment as appropriate. Furthermore, we considered the nature of these costs in light of the Group's accounting policy for exceptional items. The Committee agrees with the accounting treatment and disclosure of these items in the 2015 Annual Report.

##### (2) Exceptional items – impairment of intangible assets – notes 5 and 14

At least once every year, as required, management undertakes a detailed, formal impairment review of goodwill and other intangible assets and reports to the Audit Committee. The most significant judgements are in setting the assumptions underpinning the calculation of the value in use of the cash generating units (CGUs), specifically the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process. In the current year, and as a direct result of the prolonged downturn facing oil and gas markets, specific focus has been given to the basis of the assumptions underpinning the business plans of the Pressure Control and Pressure Pumping CGUs, as well as supplementary analysis comparing forecasts for future years to historic actuals as a basis for determining the extent of market recovery embedded in the projections. In addition, consideration has been given to the long-term growth rates and discount rates used in the cash flow models for all the CGUs. Business plans and budgets were Board approved and underpin the cash flow forecasts.

Specifically in relation to Pressure Control, we have discussed the cash flow forecasts underpinning the impairment test with management to understand the main assumptions around macroeconomic factors, volume/price effect and any strategic initiatives. We agreed that the assumption of an average oil price of around US\$45 a barrel, and consequent activity levels, enduring for the next two years with a gradual pick up in year three and measured return to more 'normal' levels thereafter is the most appropriate one given what we know today. Consideration was given to the definition of 'normal' in this context and it was agreed reasonable to assume that the peaks for this business seen most recently in 2012 do not recur. On that basis, we agree with the best estimate impairment charge of £225m of the Pressure Control CGU and concur with its allocation against goodwill, reducing that to nil, with the balance allocated on a pro-rata basis across other intangible assets.

With regard to Pressure Pumping, this business is more mature and had significant levels of headroom between net asset value and discounted cash flows going into the current market downturn and at the end of the prior year. Management have included in their reporting to us the stress test scenarios that have been applied and we agreed, following a detailed review, that no impairment charge is required. Although the Weir Gabbioneta CGU is an Oil & Gas business, its focus is on downstream operations and so it is not being as adversely impacted by the current market downturn. However a sensitivity analysis has been undertaken by management and we agreed that no impairment charge is required.

We also challenged management on the key assumptions underpinning the calculation of the assessed impairment of £26m recorded against goodwill held in two of the 'Other CGUs' and agreed with their conclusion.

Finally, we have reviewed the disclosures in the financial statements and agree with the reporting of the impairment charge as an exceptional item and the related narrative provided in note 14.

##### (3) Accounting for the acquisition of Delta Industrial Valves Inc. (Delta Valves) – note 13

The specific items we have discussed and reviewed with management and the external auditors in relation to the acquisition of Delta Valves (for an enterprise value of US\$46m) were: (a) the Purchase Price Allocation (PPA) exercise to attribute provisional fair values to separately identifiable intangible assets and the related accounting for deferred tax; (b) the assessment of provisional acquisition fair values of other assets and liabilities; and (c) compliance of the disclosures in the financial statements with IFRS 3, 'Business Combinations'.

In line with the Group's policy, which is based on the value of acquisition consideration, management completed the PPA exercise internally and reported a summary of the underpinning assumptions and related results to us. We reviewed that summary and also compared the assumptions used to those for other recent acquisitions where appropriate. The accounting for deferred tax has included technical input from the Group Head of Tax. We examined the nature and extent of provisional fair value adjustments to other assets and liabilities noting a rigorous process was being undertaken and would be finalised, as required by IFRS 3, in 2016. Finally, we challenged management on the completeness of the related disclosures and satisfied ourselves that they were complete, accurate, understandable and compliant with IFRS 3.



## Recurring agenda items

### (1) Accounting for pensions – note 24

We have examined these disclosures and we are satisfied they are complete and accurate. In reaching this conclusion, we have challenged management on the key assumptions underpinning the valuation, taking assurance from the fact that external advice is taken by them. During the current year, we gave specific consideration to the additional disclosure provided by management summarising the implementation of an Asset Backed Funding (ABF) arrangement in respect of the main UK plan. We consider that these disclosures enable users of the financial statements to better understand the risk and impact of the agreed future contributions on the Group.

### (2) Tax charge and provisioning – note 7

The Audit Committee receives a detailed report from the Finance Director every six months, which covers the following key areas: (i) status of on-going enquiries and tax audits with local tax authorities; (ii) the Group's effective tax rate for the current year; and (iii) the level of provisioning for known and potential liabilities, including significant movements on the prior period. In addition, the Committee takes comfort from the presentation to the main Board on tax strategy and risk, given by the Group Head of Tax, every year. A summary of the Group's tax policy is provided in the Financial Review on page 46. In light of the continued focus on tax transparency, we have specifically considered the disclosures in the Financial Review and in note 7, in particular the narrative in respect of the reconciliation of tax, sustainability of the effective tax rate and the processes in place, designed to manage tax risk and uncertain tax positions. Based on the work we have undertaken, we are satisfied that the position presented in these financial statements is appropriate and understandable.

### (3) Accounting for provisions – note 22

Total provisions on the Group Balance Sheet are £117m (2014: £113m) at the end of the period with the breakdown by category presented in note 22. The focus of the Audit Committee was on the restructuring provision, and the linkage to the exceptional charges recorded in the Income Statement, and the employee-related provision, specifically the element relating to US asbestos-related claims.

The Committee's work in relation to the exceptional items is discussed in a previous section of this report. With regard to the US asbestos-related provision, our review and challenge was centred on gaining an understanding of: (i) the claims and settlement assumptions that underpin the discounted cash flow model and their relation to recent historic experience; (ii) the position with regard to insurance cover available; and (iii) the adequacy and transparency of the disclosures in note 22.

As explained in the Financial Review on page 48, the actual experience over the year has been broadly in line with the assumptions underpinning the liability assessment such that no change in the basis of provisioning is required. Furthermore, the liability and matching receivable in respect of insurance proceeds remain supportable and appropriate at the balance sheet date.

We have challenged management on the assumptions underpinning the liability assessment and agree that, given the inherent uncertainty associated with estimating future costs in respect of asbestos-related diseases, the current approach is appropriate. Given the insurance position, it was also appropriate to record a matching receivable.

With regard to provisions in overall terms, we have examined the other key movements between the opening and closing provision balances and challenged management on the commercial drivers which caused them. We have also examined, through discussion and updates provided by the Group General Counsel (where it is relevant to do so based on the nature of the provision), the appropriateness of the closing positions. Nothing arose from our work that gave the Committee any concern.

### (4) Valuation of inventory – note 16

Given the continued challenges facing oil and gas markets, the Committee has retained 'valuation of inventory' as a critical judgment area for its specific consideration. Reporting has been received from management for the Committee's review and challenge, which focused on the business drivers behind movements in both the gross inventory and slow moving and absolute inventory provision balances on the prior year. As in the prior year, specific consideration was given to inventory holdings in Oil & Gas, covering matters which included the efficiency of inventory reduction initiatives and the extent of forward purchase commitments. Based on the information provided, we concluded that management action had been effective and that the level of provisioning was appropriate.

In our 2014 report to shareholders, we reported on our work in relation to the contingent liability associated with the claim made by Philippines Gold Processing & Refining Corporation. The case has been settled in the Group's favour and brief narrative disclosure included in the financial statements to that effect. On that basis, the Committee did not undertake specific work on this item in the current year, relying solely on Board reporting from the Group General Counsel.

## Fair, balanced and understandable

The Audit Committee has reviewed the contents of this year's Annual Report and Financial Statements and the process that has been followed in the preparation of the document. With regard to the latter, the Committee received a report from management summarising the detailed approach that had been taken which covered, but was not limited to, the following:

- involvement of a cross section of management across the organisation, including the Group Executive, Group Communications, Group Finance (including Group Tax and Group Treasury) and Company Secretariat;
- input and advice from appropriate external advisers, including the Company's brokers and PR agency;
- use of available disclosure checklists for both Corporate Governance and financial statement reporting;
- regular research to identify emerging practice and guidance from relevant regulatory bodies;
- regular weekly meetings of the Disclosure Committee (from December to February inclusive), which comprises the key contributors to the document, during which specific consideration was given to the fair, balanced and understandable assertion; and
- use of two cold readers: one an employee and member of the Senior Management Group, and the other an external, independent proofreader.

During the current year, specific focus was given to the new requirements of the 2014 Code and the related reporting across the entire Annual Report and Accounts. The successful completion of this work has been reported to the Board.

## Audit Committee Report **continued**

### MAIN ACTIVITIES CONTINUED

#### Viability Statement

In the current year, the remit of the Committee was extended to include a review of the work undertaken by management to underpin the Group's Viability Statement. The ultimate responsibility for the determination of the period of assessment, and for the review and approval of the principal risks taken into consideration in assessing the Group's viability rests with the Board. Our remit, as delegated by the Board, was to review the underlying processes and key assumptions and report to the Board accordingly.

We fulfilled our responsibilities in this area through the review and discussion of reporting received from management, which covered the following areas:

- summary of the underlying principles as agreed by the Board;
- overview of the construct of the financial model and base case data underpinning the sensitivity and stress-test scenarios;
- results of financial modelling which reflected the crystallisation of those principal risks identified by the Board as having the greatest potential impact on the Group's viability, both individually and when taken together in a severe but plausible stress-test scenario;
- extent of mitigating actions included in the financial modelling, relative to the population of such actions that had been identified as within the control of management and the Board;
- covenant calculations and assessment of facility headroom in each of the downside and stress-test scenarios; and
- rationale in support of the long-term viability of the Group.

The successful completion of this work has been reported to the Board. The Group's Viability Statement is reported on page 29, within the section on Principal risks and uncertainties.

#### (ii) Internal control and risk management

Our role with regard to risk management has been delegated by the Board and is to review the effectiveness of the Group's risk and internal control frameworks. Overall responsibility for the Group's risk management and internal control frameworks, and strategic decisions within the Group, rests with the Board.

During the year, we reviewed the process by which the Group evaluated its internal control environment. Our work in this area was supported by reporting from the Head of Internal Audit on the results of the programme of audit visits undertaken; the overall assessment of the internal control environment; and in addition, reporting, either verbal or written, from senior management covering any investigations into known or suspected fraudulent activities, including assertions of such via the Group's whistleblowing arrangements, is reviewed.

The Committee also receives regular reporting on the Group's compliance related activities from the Group General Counsel and Company Secretary and Head of Internal Audit.

Since the last Annual Report and Financial Statements, there have been presentations from each of the three Divisional Finance Directors (DFDs), which included a review of the divisional risk dashboards, the significant findings from the internal audit visits and the Compliance Scorecard process over the last 12 months, as well as an overview of their divisional finance teams. Focus is given to the strength and depth of the finance team's capability, the quality and efficiency of responses to findings of Internal Audit visits including whether learning has been shared more widely across the Group to mitigate the risk of recurrence and share good practices and the quality of the discussion around divisional risk dashboards.

The Compliance Scorecard is a control mechanism whereby each operating company undertakes a self-assessment every six months of their compliance with Group policies and procedures, including key internal controls across a range of categories including finance, Anti-Bribery & Corruption, tax, treasury, Trade & Customs, HR, IT and legal. As far as the elements relating to finance are concerned, these cover (but are not limited to) management accounts and financial reporting, balance sheet controls, employee costs and other financial policies.

The approach to Compliance Scorecard reporting was refreshed during the year with management being required to score their submissions using stricter criteria than previously, with reference to specific guidance provided by Internal Audit and on the basis of more robust relevant testing. The outcome of this refreshed approach has been a more consistent methodology underpinning testing and scoring which should provide a clearer benchmark against which to compare businesses and measure improvement actions going forward. Furthermore, to improve assurance activities around cyber risk, amongst other objectives, management were requested to self assess against a Maturity Model provided by the Group IS Excellence Committee in 2015. The purpose of this was to develop an improved view of the Group's cyber security risk landscape and allow the prioritisation of risk areas for review and remediation.

Operating companies are required to retain evidence of their testing in support of their self-assessment responses. Internal Audit then has responsibility for confirming the self-assessment during planned visits. Any significant variances are reported to local, divisional and Group management. Any companies reporting lower levels of compliance are required to prepare improvement plans to demonstrate how they will improve over a reasonable period of time. The overall compliance scores (in percent) are tracked over time and reported to the Audit Committee twice a year with the Committee paying particular attention to the variances between self-assessed and Internal Audit assessed scores as well as trends and the performance of newly acquired companies.

#### (iii) Internal audit

One of the main duties of the Committee is to review the annual Internal Audit programme and ensure that the internal audit function is adequately resourced, effective (which includes assessing the independence of the function) and has appropriate standing within the Company. As far as the scope of the Internal Audit programme is concerned, the aim is to carry out visits to each operating company in the Group on a periodic, rotational basis. A risk-based approach is taken when deciding which businesses to audit and the scope of each audit. The factors considered are, amongst other things, the volatility of end markets, critical system or senior management changes in the period, financial results, the timing of the most recent Internal Audit visit and any other assurance reviews undertaken, and whether the business is a recent acquisition. In addition,

the emergence of any common themes or trends in the findings of recent internal audits or Compliance Scorecard submissions (see previous section) is taken into consideration. As part of the annual plan, Anti-Bribery & Corruption reviews are undertaken, focusing on areas such as relationships with agents, accounting for employee expenses and corporate hospitality/gifts.

The Internal Audit Plan is reviewed in detail and approved by the Committee each year. Twice annually the Head of Internal Audit reports on audit activities, progress against the plan and the results of audit visits with particular focus on high priority findings and the action plans, including management responses, to address these areas.

Private discussions between myself and the Head of Internal Audit are held during the year and once a year with the full Committee. I also receive copies of all internal audit reports issued during the year.

In November 2015 the Head of Internal Audit transitioned to a Finance Director role within the business and his replacement, who I interviewed as part of my role in the recruitment process, has been appointed and commenced work at the start of December 2015.

#### **(iv) External audit**

##### **Auditor choice, tenure, tendering and reappointment**

The Committee considers the reappointment of the external auditor, including rotation of the audit partner, each year. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and the current lead audit partner has been in place for four years, including 2015. EY, or its predecessor firms, has been the Company's external auditor since prior to its stock market listing in 1946.

We had previously decided that we would undertake a tender, at the latest for the 2017 year end audit. Following a discussion on the pros and cons of undertaking a tender during 2015/16 or 2016/17, we announced in our interim report in July 2015 that we had commenced a tender process to select a new external auditor, with the intention of making an appointment effective for the 2016 audit. A Tender Panel has been established, which consists of all members of the Audit Committee as well as the Group Finance Director and Group Financial Controller. The process, and ultimate appointment, of a new external auditor is being conducted in accordance with guidance provided by the European Commission and the Competition & Markets Authority (CMA), and is viewed by the Committee as being in the best interests of shareholders. There are no contractual obligations restricting the Group's choice of external auditor.

The tender process has been a particular focus of the Committee over the second half of 2015 and to the date of this report, the following aspects of which have been completed:

- preliminary discussions with a number of firms to determine those to be invited to an initial, pre-qualification phase;
- completion of the pre-qualification phase during which the focus was on identification of the Group audit partner teams and of any matters to be addressed to ensure auditor independence, in line with current regulations. The outcome of this phase was the decision as to which of the firms would continue to the final stages;
- issuance of formal 'Invitations to Tender' to the remaining firms and finalisation of the planning to process completion; and
- meetings with key overseas/divisional audit partners from firms.

The process is on schedule to complete at the start of April with an appointment being announced at the Company's AGM on 28 April 2016. The final stages of the process will be the submission of formal proposals from the participating firms with each then formally presenting their proposition to the Tender Panel. Following the presentations, and based on a number of decision-making criteria including (i) audit quality and approach to communication with the business and the Committee; (ii) proposed service levels; (iii) the capability and competence of the audit partners, both at Head Office and at Divisional level; (iv) the audit approach of the firm and its focus on internal quality control procedures; and (v) value for money, the Tender Panel will make a decision regarding appointment of the successful firm for recommendation to the Board.

A resolution to appoint the new external auditors as the Company's auditor will be put to the forthcoming Annual General Meeting.

##### **Auditor effectiveness**

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. EY present their detailed audit plan to us each year identifying their assessment of these key risks. For the current period, the significant risks identified were the carrying value of goodwill and intangible assets, valuation of inventory, adequacy of liability provisioning, including provisions for legal obligations, exceptional items, the exposure to significant tax risks and revenue recognition due to the inherent management judgement required in all these areas. Revenue recognition was selected by EY as part of their work considering the risk of fraud or management override of internal controls. In respect of this area, the Audit Committee took comfort from the work of the auditors, where they have confirmed that there was nothing that had to be brought to our attention. In addition, the Committee derived assurance from the work of Internal Audit and the Compliance Scorecard process. Our work in each of the other risk areas identified by EY has been covered in detail earlier in this report.

Our assessment of the effectiveness and quality of the audit process in addressing these matters is formed by, amongst other things, a review of the reporting from the auditors to the Committee and also by seeking feedback from management on the effectiveness of the audit process. During the first half of the year, management issued a detailed questionnaire to every Finance Manager/Director and Divisional Finance Director to collect feedback on the 2014 audit process. This covered resource and expertise of the audit teams, quality of planning, execution and deliverables as well as an assessment of overall performance. Resultant themes and findings were discussed between ourselves, management and EY with both management and the auditors reporting to us on the actions being implemented in response. In addition, on a periodic basis, the Group Finance Director and Group Financial Controller meet with the overseas external audit teams. Overall management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk, although there are always some areas where improvements could be made, and assessed the quality of the audit process to be satisfactory.

## Audit Committee Report **continued**

### MAIN ACTIVITIES CONTINUED

#### (iv) External audit continued

##### Auditor effectiveness continued

During the period, the FRC's Audit Quality Review (AQR) team reviewed EY's audit of the Group's 2014 financial statements. We have discussed with EY the two principle findings, including discussion at our January 2016 meeting of the planned remedial actions and a follow up in February to confirm that those actions had been successfully completed.

The Committee holds private meetings with the external auditor each year to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and how they have exercised professional scepticism. I also meet with the lead audit partner outside the formal committee process as necessary throughout the year.

Based on the input from management and discussions we have had with EY and key finance individuals and EY's responsiveness to the AQR team's findings, we are of the view that the quality of the audit process is satisfactory.

##### Independence policy and non-audit services

The Audit Committee is responsible for the appointment and role of the auditor. This includes keeping under review the auditor's independence by issuing guidelines on any non-audit services that are to be provided by them. In addition, a formal policy exists which ensures that the nature of the advice to be provided could not impair the objectivity of the auditor's opinion on the Group's financial statements. All non-audit services require the approval of management and, where the expected cost of the service is in excess of £75,000, the approval of the Audit Committee. No changes have been made to the policy in the current year. The auditors confirm their independence at least annually.

Fees payable to EY in respect of audit and assurance services for 2015 of £1.8m (2014: £2.0m) were approved by the Committee after a review of the level and nature of work to be performed, including the impact of acquisitions, and after being satisfied by EY that the fees were appropriate for the scope of the work required.

Non-audit fee work conducted by EY over the past year for assurance services amounted to £0.1m, which represented 5% of the total fees, including audit fees, and were incurred primarily in relation to other assurance services. We are of the view that the level and nature of non-audit work does not compromise the independence of the external auditors.

Having considered the relationship with the existing independent auditor, their qualifications, expertise, resources and effectiveness, the Committee concluded that the existing external auditors remained independent and effective for the purposes of the 2015 year end.

##### OUR FOCUS FOR 2015

In last year's report we said that, in addition to our routine business we would increase our focus on risk assurance and progress audit tender plans. We have made good progress on risk assurance with increased activity by internal audit in this area being an indicator. As noted above, following a decision to tender the audit we have moved from the planning stage through to execution.

##### OUR FOCUS FOR 2016

A key focus for 2016 will be the successful completion of the external audit tender process and handover to the appointed firm. In addition, we will look to respond to the changes to the UK Corporate Governance Code and Guidance on Audit Committee's which will come into effect in 2016 and I will spend time with the new Head of Internal Audit, to help ensure there is a seamless transition from his predecessor.



**ALAN FERGUSON**

On behalf of the Audit Committee

24 February 2016

## Remuneration Committee Report

**MELANIE GEE**  
Chairman of the Remuneration Committee



**CURRENT MEMBERS:**  
Melanie Gee  
Alan Ferguson  
Mary Jo Jacobi  
Rick Menell

### DEAR SHAREHOLDER

As Chairman of the Remuneration Committee, I am pleased to present this 2015 Remuneration Report, incorporating our proposed Directors' Remuneration Policy.

In my introductory letter to the 2014 Directors' Remuneration Report I highlighted the difficulties the Remuneration Committee experienced in setting challenging, yet motivating, targets for both the 2015 annual bonus and, in particular, our 2015 performance share awards, given the unprecedented end market environment for both our Oil & Gas and Minerals divisions. The challenges and predictability of our end markets have not improved during the course of the year. As a result, the Committee has conducted a detailed review of our Executive Director and senior management remuneration policy as we have questioned the effectiveness of our current remuneration arrangements from incentivisation, retention and alignment perspectives.

This letter sets out the changes we propose to our current remuneration policy for adoption at our 2016 Annual General Meeting (AGM) in order to seek to address the issues highlighted above. In summary, for all of our senior executives including Executive Directors, approximately 260 individuals, we wish to have a cohesive team remuneration structure that comprises primarily annual bonus and restricted stock awards. Since 2014, this is the approach that we have used for about 75 of our US based executives. For Executive Directors and our most senior executives we will retain an element of performance share awards, but at a much lower level of grant.

Shareholders will be invited to approve the proposed Directors' Remuneration Policy at the Company's AGM on 28 April 2016.

### 2015 REMUNERATION OUTCOMES

The salaries of the Chief Executive and the Finance Director increased by 3.4% on 1 April 2015, as previously disclosed. However, as part of the Group-wide cost cutting programme that followed in 2015, the Executive Directors and a large number of other individuals at Head Office waived 5% of their salaries from 1 August through to the year end.

The 2015 annual bonus had three performance metrics – 60% was based on the achievement of Normalised Profit Before Tax and Amortisation (NPBTA), 20% cash flow and 20% personal performance targets. Given the challenging market environment, the NPBTA and cash flow elements of the annual bonus have not paid out. The Committee reviewed personal performance of each of the Chief Executive and Finance Director against their respective individual performance objectives, which were set at the beginning of the year. All individual performance objectives were measurable and the Committee concluded that this 20% element has been satisfied in full.

No performance or matching shares will vest in March 2016 under the 2013 LTIP awards, as the performance conditions required were not met. Awards were based on relative Total Shareholder Return (TSR) and growth in Earnings per Share (EPS) performance conditions over the three year period to 31 December 2015. The Company's TSR performance over the period was below median relative to the comparator group, this being the threshold vesting level, and EPS growth was also below the threshold level of 5% per annum.

In summary, this means that the total remuneration for the Chief Executive and Finance Director for 2015 was 27% and 23% less than in 2014 respectively.

### REMUNERATION STRUCTURE FOR 2016

During the year, the Committee has reviewed the remuneration policy for our top executives (approximately 260 individuals) including the Executive Directors. The objective of the review was to enhance the policy so that it could better respond to the uncertainty in our end markets, address retention concerns, incentivise executives and promote alignment to shareholders through exposure to equity.



## Remuneration Committee Report *continued*

The proposed remuneration policy for the Executive Directors in 2016 is summarised in the following chart:

Element	Annual Bonus	Restricted Share Awards	Performance Share Awards
<b>Performance measures</b>	NPBTA (40%) Cash Flow (20%) Order Input (20%) Personal (20%)	None	EPS (33.3%) ROCE (33.3%) TSR (33.3%)
<b>Time horizon</b>	<p>70% paid after year end</p> <p>30% deferred and released in thirds over 3 years</p>	<p>One-third vesting over years 3, 4 and 5</p>	<p>3 year vesting</p> <p>2 year holding period</p>
<b>Maximum opportunity</b>	<b>CEO</b> 150% of salary (2015: 150%) <b>FD/COO</b> 125% of salary (2015: 125%)	90% of salary (2015: 0%) 80% of salary (2015: 0%)	75% (2015: 250%) 45% (2015: 200%)
<b>How it meets objectives</b>	<ul style="list-style-type: none"> <li>Incentivises through use of annual targets</li> <li>30% payment in shares gives alignment</li> </ul>	<ul style="list-style-type: none"> <li>Promotes long-term alignment</li> <li>Addresses retention concerns</li> </ul>	<ul style="list-style-type: none"> <li>Incentives through longer-term performance</li> <li>Alignment in requiring superior financial performance</li> </ul>

This same structure will apply to members of the Group Executive, except that for the Group Executive, restricted share awards will cliff vest after three years, and performance share awards will not have a two year holding period as is in place for the Executive Directors.

For the management below the Group Executive, the structure cascades down with the following differences:

1. Annual bonus – business and divisional measures will be used and there will be no deferral in shares;
2. Restricted share awards – will vest pro rata over three years with no holding period replicating the payment schedule of the Executive Directors' and the Group Executive's deferred bonuses; and
3. Performance share awards – will not typically be used for these individuals.

We will control fixed pay during 2016, but not at the risk of losing key management. Although the Executive Directors will not receive a salary increase on 1 April 2016, there will be a budget to award salary increases to other executives. Further, we are keeping to the principle that the pension provision for Executive Directors will remain the same as for other senior employees (at a maximum of 12% of salary).

Finally, we are seeking shareholder approval for an all employee Sharesave scheme so that our staff can also choose to have an exposure to the Company's shares.

### SHAREHOLDER ENGAGEMENT

The Committee welcomes the views of shareholders on remuneration on an ongoing basis. In 2015, the Committee consulted extensively with our largest shareholders on changes to our remuneration policy. We are grateful for the constructive input from a number of our shareholders and their representative bodies during the consultation. Within the UK market the Investment Association is leading a working group on the simplification of executive pay, which has not yet published its initial report. A consequence is that during our consultation we received a wide range of views both on simplification and the structure of long-term incentives and our proposals reflect a middle course based on the feedback received, whilst ensuring that the remuneration policy meets our objectives. It is therefore more complex than the views expressed by a number of our shareholders and we also recognise that we are one of the first companies to seek shareholder support for a restricted stock programme that applies to all executives. We support the drive for simplification and will keep our policy under review so that it responds to market and best practice developments as these emerge.

We continue to value all shareholders' views on our remuneration arrangements and I can be contacted via the Company Secretary. We look forward to receiving your support for our new proposals at our AGM.

**MELANIE GEE**  
Chairman of the Remuneration Committee

## Directors' Remuneration Policy

### DIRECTORS' POLICY TABLE

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

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 senior 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.

Subject to approval at the AGM, this policy is expected to apply for three years from 1 January 2016.

### BASE SALARY

#### How the element supports our remuneration principles

The provision of a competitive base salary as part of an overall compensation package enables the Group to attract and retain talented leaders.

#### Operation

Reviewed annually with effect from 1 April. Set by reference to market practice for a similar role in a peer group of global companies of a similar size and complexity; personal performance; the wider employee context; and economic and labour market conditions.

#### Maximum limit

It is expected that salary increases for Executive Directors will be made broadly in line with salary increases applied to UK employees or the relevant jurisdiction if an Executive Director is based outside the UK.

Higher increases may apply if there is a change in role or responsibility, the individual is relatively new in role, or there is significant variance to the market. Any significant salary increases will be appropriately explained. The maximum salary level for each Executive Director is set by reference to a peer group of FTSE 51-150 companies and appropriate overseas comparators of similar size and complexity.

The Remuneration Committee has the discretion to change the peer group during the life of this policy if it is no longer considered appropriate.

#### Performance measures

Not applicable.

### BENEFITS AND PENSION

#### How the element supports our remuneration principles

Executive Directors are given the same pension and benefit packages as other senior executives thus promoting the team ethos.

#### Operation

Benefits include, but are not limited to: Group health care; car allowance; travel allowance; and death in service insurance.

The Company may also meet certain mobility costs and pay additional tax arising due to an international assignment, and may also provide for long term disability benefits. Additional benefits (and any associated tax) may be provided where required by legislation or to align the package with market practice where these are not significant in value.

Directors' and Officers' Liability insurance will also be provided.

Pension policy is aligned to senior individuals within the wider workforce.

#### Maximum limit

The value of relevant benefits will be determined by the cost of the provision of insured products. As the cost of providing such insurance benefits varies according to premium rates and the cost of other benefits is dependent on market rates and other factors, there is no formal maximum monetary value. Car allowance will normally be no greater than £20,000 per annum.

Executive Directors are eligible for a contribution into the pension plan or a cash allowance of up to 12% of salary per annum.

#### Performance measures

Not applicable.

## Remuneration Committee Report **continued**

### Directors' Remuneration Policy **continued**

#### DIRECTORS' POLICY TABLE CONTINUED ANNUAL BONUS

##### How the element supports our remuneration principles

To reward the achievement of stretching Group performance for the current year, supporting our strategy of delivering sustainable growth in our key markets.

##### Operation

The annual bonus is based on annual performance against financial, personal and strategic goals.

Targets are set at the beginning of the performance year which runs from the start to the end of each financial period.

30% of any bonus is payable in shares subject to a restriction on sale, one third of which are released each year over a three year period. Executive Directors are entitled to vote such shares and to any dividends arising from the date of receipt.

Malus and clawback applies under circumstances as set out in the notes to the policy table.

##### Maximum limit

The maximum annual bonus is 150% of salary. Presently, the Chief Executive is eligible for this and for the other Executive Directors the maximum is 125% of salary.

All bonus metrics are calibrated with payment on a straight line basis between threshold (20% of maximum bonus payable) and stretch.

##### Performance measures

The measures, as well as the weightings of these measures, will depend on the strategic focus of the Company in any given year. For 2016, the financial metrics are Group Normalised Profit before Tax and Amortisation (NPBTA), cash flow and order input.

No more than 20% of the annual bonus will be based on personal performance targets, which can include safety and environmental measures.

The Committee has discretion in exceptional circumstances to alter the measures and/or targets during the performance period if it believes the original measures and/or targets are no longer appropriate. The Committee also has discretion in exceptional circumstances to alter the payout levels of an award at the end of the performance period if it believes this will better reflect the underlying performance of the Company but in no circumstances will exceed the maximum bonus potential.

#### LONG TERM INCENTIVE PLAN 2014 (LTIP)

##### How the element supports our remuneration principles

The restricted share element addresses our retention goals and aligns executives to shareholders through long term share ownership.

The performance share element incentivises executives to achieve growth through long term financial performance measures which are critical to delivering our strategy.

##### Operation

Two types of awards can be granted under the LTIP:

1. restricted share awards; and
2. performance share awards.

For Executive Directors, the performance share awards vest after three years and are then subject to a two year holding period, and the restricted share awards vest one third in each of years three, four and five.

Participants are entitled to dividend equivalents between award and vesting, paid at vesting in respect of awards that vest.

For both types of award, the Remuneration Committee may exercise a discretion to reduce the number of shares subject to an award (to nil, if appropriate) in circumstances where (a) the corporate financial performance was at such a poor level due to under-performance of the management team such that no dividend could be declared; or (b) under any of the circumstances where the Committee invokes its malus and clawback powers against that individual.

Malus and clawback applies under circumstances as set out in the notes to the policy table.

##### Maximum limit

The approved LTIP rules contain a maximum combined limit of awards of 300% of salary in exceptional circumstances. This is supported by a normal maximum limit in the rules of 250% of salary.

In light of the Committee's desire to use restricted share awards for all executives, it has decided that over the intended three year life of this approved remuneration policy, in the normal course of events, it will not grant restricted share awards or performance share awards greater than 100% of salary each to any Executive Director each year.

In 2016, and subject to shareholder approval of the remuneration policy at the AGM, it is intended that the following grants will be made shortly after the AGM:

- Chief Executive: 90% of salary restricted share award and 75% of salary performance share award.
- Other Executive Directors: 80% of salary restricted share award and 45% of salary performance share award.

##### Performance measures

For performance share awards, the three year performance measures will be equally weighted between:

- earnings per share (EPS) growth;
- return on capital employed (ROCE) in excess of the Company's Weighted Average Cost of Capital (WACC); and
- relative total shareholder return (TSR).

For each measure, 25% of the corresponding element vests at threshold and 100% at maximum, with vesting calculated on a straight line basis. If events happen which cause the Committee to determine that the performance measures and targets would no longer achieve their original purpose, then the Committee has discretion to substitute or vary these measures and targets. The Committee will only take such a course of action where it considers it to be in the best interests of the shareholders.

Restricted share awards do not have performance conditions.

## ALL EMPLOYEE SHARES/SAVE SCHEME

### How the element supports our remuneration principles

To enable all employees, including Executive Directors, to build an interest in Weir shares.

### Operation

Subject to approval at the 2016 AGM, Executive Directors may participate in the new Sharesave scheme.

Executive Directors will participate on exactly the same terms as other employees.

### Maximum limit

The maximum monthly limit for the Sharesave scheme is currently £500 per month.

### Performance measures

None.

## SHAREHOLDING GUIDELINES

### How the element supports our remuneration principles

To ensure the interests of the Executive Directors remain in line with those of shareholders.

### Operation

Executive Directors are required to build up a shareholding in the Company over a five year period.

It is intended that this is met by Executive Directors retaining 50% of deferred bonus shares, restricted shares and performance shares received, after the deduction of applicable taxes, until the requirement is met.

All shares beneficially owned by an executive and shares subject to a restriction on sale count towards achieving these guidelines.

The Committee reviews share ownership levels annually and has the flexibility in the application of this policy to take into account particular individual circumstances.

### Expected level of share ownership

The shareholding guideline is as follows:

- Chief Executive: 200% of base salary.
- Other Executive Directors: 150% of base salary.

## NON-EXECUTIVE DIRECTORS' FEES

### How the element supports our remuneration principles

To attract and retain experienced and skilled Non-Executive Directors.

### Operation

Fees will be reviewed annually by reference to companies of similar size and complexity, economic and labour market conditions as well as time commitment and responsibilities.

Additional allowances are made available to Non-Executive Directors, where appropriate, to reflect any additional time commitment or duties.

The Company may also provide medical insurance and may reimburse Non-Executive Directors for expenses and any associated tax.

### Maximum limit

Increases are effective in April and any planned increases in fees will take into account general increases across the Group along with market practice.

The maximum limit of Non-Executive Director fees is prescribed in the Articles of Association and is set at £750,000 in aggregate.

### Performance measures

The fees paid to the Chairman and the Non-Executive Directors are not performance related.

## NOTES TO THE POLICY TABLE

### 1. Annual bonus

- The performance targets are determined annually by the Committee. The performance targets for the financial element of the annual bonus are set in the context of consensus forecasts and the internal budget.
- The Committee is of the view that the performance targets are commercially sensitive and that it would be detrimental to the interests of the Company to disclose these targets on a prospective basis.
- The performance targets will normally be retrospectively disclosed after the end of the relevant financial period in the Annual Report on Remuneration.
- There may be cases where the Committee is of the view that some of the performance targets for the individual element are commercially sensitive and disclosure is not in the interests of shareholders. If applicable, this will be explained in the Annual Report on Remuneration.
- From 2017, bonus shares will be released one third each year over a three year period, rather than being released in one tranche after three years, in order to support retention of executives.

### 2. LTIP

- The Committee has selected the performance measures on the performance share awards to reward long term growth.
- The EPS measure used for the LTIP is based on the adjusted earnings per fully paid ordinary share in the capital of the Company calculated on such basis as the Committee may specify.
- The ROCE measure used for the LTIP is based on earnings before interest and tax divided by capital employed.
- The performance targets are determined annually by the Committee. In setting targets the Committee considers the Company's operating environment and internal and external growth forecasts.

## Remuneration Committee Report **continued**

### Directors' Remuneration Policy **continued**

#### NOTES TO THE POLICY TABLE CONTINUED

##### 2. LTIP **continued**

- The calibration of the performance measures on performance share awards will be disclosed prospectively in the Annual Report on Remuneration for the relevant year.
- Restricted shares do not have performance measures.
- Although it is a feature of the LTIP, the grant of restricted shares to the Executive Directors is a change to the previously approved policy. There is a corresponding reduction in the performance shares opportunity level. This change is being made to support retention and alignment of executives with shareholders.
- The ROCE target for the performance shares is now framed in terms of outperformance of weighted average cost of capital rather than improvement on prior year, to ensure positive returns are being generated for shareholders.

##### 3. All employee Sharesave scheme

- It is proposed that a new all employee Sharesave scheme will be adopted for all employees, including Executive Directors, in 2016. This element is being introduced to enhance alignment of employees with shareholders.

##### 4. Malus and clawback

- Malus and clawback operate in respect of bonus shares subject to restriction on sale, performance share awards and restricted share awards. These enable the Company to reduce unvested awards, to not release shares subject to restriction on sale, and to clawback the relevant value of the vested or released shares for a period of up to three years after the date of vesting or release.
- Malus or clawback may be applied in certain circumstances where there is found to be a material misstatement in the audited accounts of the Group or a Group company accounts, where the executive's action or conduct amounts to gross misconduct, where there is a significant detrimental reputational impact on the Company for which the executive is responsible, or where there has been a miscalculation in the number of shares that should have vested.

#### DIFFERENCES IN REMUNERATION POLICY FOR ALL EMPLOYEES

The Company seeks to operate a locally driven approach to pay and benefits in all its locations, but within a consistent and cascading framework.

The remuneration structure for Executive Directors will also apply to other members of the Group Executive, except that for the Group Executive, restricted share awards will cliff vest after three years, and performance share awards will not have a two year holding period as is in place for the Executive Directors.

For the management below the Group Executive, the structure cascades down with the following changes:

1. annual bonus – business and divisional measures will be used and there will be no deferral in shares;
2. restricted share awards – will vest pro rata over three years with no holding period replicating the payment schedule of the Executive Directors' deferred bonus; and
3. performance share awards – will not typically be used for these individuals.

#### ELEMENTS OF OLD POLICY TO CONTINUE TO APPLY

Legacy bonus shares subject to restriction on sale, deferred bonus, matching shares and other LTIP shares from historical awards made prior to the adoption of this policy will continue to pay out in accordance with the Directors' Remuneration Policy approved by shareholders at the 2014 AGM and the respective rules and guidelines for each award.

#### APPROACH TO RECRUITMENT REMUNERATION

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director and the approach to be adopted by the Committee in respect of each component. On the appointment of a new Executive Director through an internal promotion, the Company will honour existing remuneration arrangements made prior to and not in contemplation of promotion, and these will continue to pay out in accordance with the respective rules and guidelines for each element of remuneration as originally set, notwithstanding that this may be inconsistent with the policy for existing Executive Directors.

Area	Policy and operation
<b>Approach</b>	<ul style="list-style-type: none"> <li>– The Committee's approach when considering the overall remuneration arrangements in the recruitment of an Executive Director externally is to take account of the individual's remuneration package in their role prior to joining the Weir Group; the market positioning of the remuneration package against the local market; and not to pay more than necessary to facilitate the recruitment of the individual in question.</li> </ul>
<b>Service contracts</b>	<ul style="list-style-type: none"> <li>– To recruit the best executives, the Committee may in the future agree a contractual notice period with the Executive Director which initially exceeds the standard 12 months, particularly if it is necessary to attract executives who will be required to relocate their families. This will reduce to a 12 month rolling notice period once the individual is 12 months from the end of their initial notice period.</li> </ul>
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>– The salary level, benefits, pension, annual bonus and LTIP participation will be in line with the policy table above.</li> <li>– The maximum limits as described in the policy table will apply, subject to the grant of any replacement awards.</li> </ul>



**Replacement awards**

- The Committee will consider what replacement awards (if any) are reasonably necessary to facilitate the recruitment of an Executive Director. This includes an assessment of the awards and any other compensation and benefit items that would be forfeited on leaving their current employer.
- The Committee will seek to structure any replacement awards in shares and such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited.

**Other**

- The Committee may agree that the Company will meet certain mobility or relocation costs, including but not limited to, temporary living and transportation expenses, in line with the Company's prevailing mobility policy for senior executives. The Committee may also agree that the Company meets the cost of relevant professional fees.
- The Company shall reimburse the Executive Director for all reasonable expenses incurred as part of their recruitment.
- Directors' and Officers' liability insurance will also be provided in line with the policy for Executive Directors.

**SERVICE CONTRACTS AND POLICY ON PAYMENT FOR LOSS OF OFFICE**

The Board's policy on Directors' service contracts, letters of appointment and termination arrangements is set out below. This includes a description of any obligation on the Company contained or proposed to be in all Directors' service contracts or letters of appointment. The Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

**Executive Directors' service contracts**

As an overriding principle, it is the Board's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations of both parties as well as share plan and pension scheme rules.

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 Company 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.

All the Executive Directors who served during the year have service contracts with the Company. The table below sets out the Company's policy and, except where noted, these terms also apply to existing service contracts.

<b>Contract commencement date</b>	<b>Executive Director</b>	<b>Contract commencement date</b>
	Keith Cochrane	2 November 2009
	Dean Jenkins	1 January 2016
	Jon Stanton	19 April 2010

**Unexpired term** – The unexpired term of all Executive Directors' service contracts is 12 months. It is the Company's policy that Executive Directors have rolling service contracts.

**Notice period** – The Executive Directors who served during the year have service contracts with the Company that provide for a minimum period of notice of:

- 12 months by Keith Cochrane and Dean Jenkins;
- 6 months by Jon Stanton; and
- 12 months by the Company.

– The Company's policy on the setting of contractual notice periods for Executive Directors is to set a notice period of 12 months for both parties, although the Committee may in the future agree contractual notice periods which initially exceed 12 months in the circumstances described above in the Company's approach to recruitment remuneration.

## Remuneration Committee Report **continued**

### Directors' Remuneration Policy **continued**

#### SERVICE CONTRACTS AND POLICY ON PAYMENT FOR LOSS OF OFFICE CONTINUED

##### Contractual payments

##### Policy for future service contracts

- Executive Directors' contracts allow for termination with contractual notice from the Company or termination by way of payment in lieu of notice (PILON) at the Company's discretion. Neither notice nor a PILON will be given in the event of gross misconduct.
- Employment contracts may include PILON clauses potentially including up to 12 months' base salary and the cash equivalent of 12 months' contractual benefits. There would be no contractual entitlement to receive bonus awards in respect of the notice period – any award would be at the Committee's absolute discretion and performance-related.
- PILONs would be made where circumstances dictate that the Executive Directors' services are not required for the full 12 months of their notice period. Contracts would also allow for phased payments on termination, which allows for further reduction in payments if the individual finds alternative employment outside of the Group during the notice period.

##### Policy for existing service contracts

- The employment contracts for Keith Cochrane and Jon Stanton were agreed before 27 June 2012 and contain certain provisions which it is not proposed to include in the contracts of future Directors. The Committee reviewed the provisions in existing contracts and are comfortable that no amendments have been made to the contracts and therefore the grandfathering provisions for contracts in place prior to June 2012 apply.
- The Company may make a PILON equal to 12 months' salary and the cost to the Company of providing all other benefits for that period, or a sum equivalent to 10% of the individual's annual salary in respect of other benefits. PILON will exclude pension, bonus and share related incentives. The Company may make the PILON in instalments, subject to reduction where the individual commences alternative employment. In addition, the Company may pay a bonus of up to 12 months subject to performance, as determined by the Remuneration Committee. The amount payable would be consistent with any performance determination made for other employees of broadly similar status or seniority. If the departing Executive Director commences alternative employment, the Committee may reduce that payment to take account of any performance related bonus that the individual receives from the alternative employment for that period.
- If the Group terminates an Executive Director's service contract other than in accordance with its terms, the Company shall make a payment calculated in the same way as if it had made a PILON.

##### Additional policy for future and existing service contracts

- In the event of a compromise or settlement agreement, the Committee may make payments it considers reasonable in settlement of potential legal claims, e.g. unfair dismissal or where agreed under a compromise or settlement agreement. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions. It may include in such payments reasonable reimbursement of fees for legal and/or tax advice in connection with such agreements.

<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>- If the Executive Director is dismissed for gross misconduct then all entitlements will be forfeited, including any prior bonus that has been converted into shares to which the restriction on sale applies.</li> <li>- In all other departure cases, the existing rights are retained and in respect of any bonus delivered in shares, the restriction on sale will continue to apply unless the Committee determines otherwise. Malus and clawback provisions will continue to apply.</li> <li>- An Executive Director will only be eligible to earn a bonus if he or she is an employee of the Group at the time that the Company approves the bonus outcome although at the discretion of the Committee, a pro-rated payment may be earned by an Executive Director who has retired subject to assessment of the bonus targets.</li> </ul>
<b>LTIP 2014 (performance share awards and restricted share awards)</b>	<ul style="list-style-type: none"> <li>- Where cessation occurs during the normal three month option exercise period, options will continue to be exercisable during that period.</li> <li>- The treatment of unvested awards for Executive Directors ceasing to be employees of the Group will depend on whether or not they are a "good leaver". Good leaver reasons include retirement, ill-health, injury or disability, redundancy, the sale of the individual's employing company or business, or in other circumstances that the Committee determines.</li> <li>- Where an Executive Director ceases to be an employee for a "good leaver" reason before the end of the vesting period, unvested awards will normally continue and vest on the normal vesting date, assessed against any applicable performance conditions over the normal performance period and pro-rated for time, unless the Committee in its discretion decides otherwise. Performance shares will also normally continue to be subject to the holding period.</li> <li>- Where an Executive Director ceases to be an employee for any reason after the end of the vesting period but before the end of the holding period, performance shares will normally continue to be subject to the holding period.</li> <li>- The Committee may instead exercise its discretion to release shares before the end of the vesting period or before the end of any holding period, and if it permits this to take place during the normal vesting period, performance (where relevant) is measured over a shortened period and time pro-rated, unless the Committee in its discretion decides otherwise.</li> <li>- On death, the award vests at the date of death and can be exercised for a period of 12 months by the deceased's estate.</li> <li>- Where an Executive Director's employment is terminated for a reason other than a "good leaver" reason, his unvested performance share awards and restricted share awards will lapse.</li> <li>- The power of the Committee to exercise a discretion to reduce the number of shares subject to an award (to nil, if appropriate) in circumstances where (a) the corporate financial performance was at such a poor level due to under-performance of the management team such that no dividend could be declared; or (b) under any of the circumstances where the Committee invokes its malus and clawback powers against that individual will continue to apply.</li> <li>- Awards remain subject to the operation of malus or clawback.</li> </ul>
<b>Sharesave scheme</b>	<ul style="list-style-type: none"> <li>- In the event of a termination of employment or change of control (or similar) situation, the rules of the Sharesave scheme will apply.</li> </ul>
<b>Change in control</b>	<ul style="list-style-type: none"> <li>- No Executive Director has provisions in his or her service contract that relate to a change of control of the Company.</li> <li>- Any right to a bonus would normally be determined by the Committee up to the expected date of change of control taking into account both performance and the period of the elapsed financial year.</li> <li>- The no-sale restriction applying to any bonus payable in shares will be lifted.</li> <li>- Awards granted under the LTIP may vest on a change of control and certain other corporate events. The vesting condition applying to performance share awards will be assessed (unless the Committee in its discretion otherwise decides) and time pro-rating shall apply to all awards in accordance with the rules of the LTIP unless the Committee determines otherwise.</li> <li>- The Committee has discretion to allow payment of fees incurred by Executive Directors to take legal and/or tax advice on the effect of corporate restructurings or transactions on their service agreements.</li> </ul>

## Remuneration Committee Report *continued*

### Directors' Remuneration Policy *continued*

#### 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.

The details, including notice periods, contained in the letters of appointment in relation to the Non-Executive Directors who served during the year are set out in the table below. Directors are required to retire at each Annual General Meeting and seek re-election by shareholders.

With the exception of the Chairman, the Company policy for notice periods for future Non-Executive Directors is for no notice period by the individual and a notice period of six months by the Company. This is in line with the details in the table for Non-Executive Directors appointed since 2011.

None of the Chairman or the Non-Executive Directors have provisions in their letters of appointment that relate to a change of control of the Company.

Non-Executive Director	Contract commencement date	Expiry of current term	Notice period by the individual	Notice period by the Company
Charles Berry	1 January 2014	April 2016	6 months	6 months
Alan Ferguson	13 December 2011	April 2016	–	6 months
Melanie Gee	4 May 2011	April 2016	–	6 months
Mary Jo Jacobi	1 January 2014	April 2016	–	6 months
Sir Jim McDonald	1 January 2016	April 2016	–	6 months
Rick Menell	1 April 2009	April 2016	6 months	6 months
John Mogford	1 June 2008	April 2016	6 months	6 months

#### EXTERNAL APPOINTMENTS

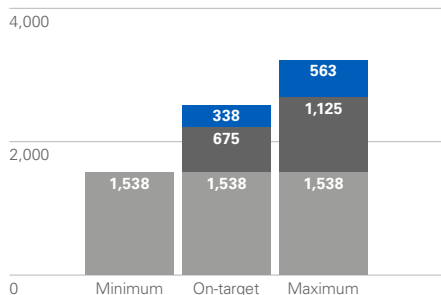
The Executive Directors are permitted, with Board agreement, to take up Non-Executive appointments provided they hold only one appointment with a listed company at any one time, there is no conflict of interest and that the time spent would not impinge on their work for the Group. It is the Company's policy that remuneration earned from such appointments may be kept by the individual Executive Director.

#### ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

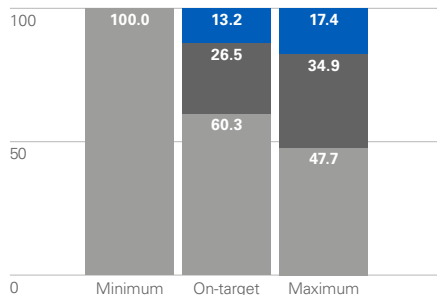
A key element of the Company's remuneration policy is to provide a significant part of potential reward through performance based incentive plans. Set out below is the reward mix for the Executive Directors at minimum performance, on-target performance and maximum performance as proposed under the future policy table. This section has been audited.

The package is structured so that for maximum performance around 50% of the overall package is delivered through variable pay. While part of fixed pay in the charts below, restricted shares align Executive Directors with future share price. As such, the aggregate level of remuneration received by the Executive Directors demonstrates a clear relationship between reward and performance.

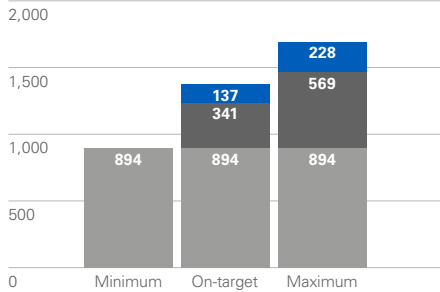
**Keith Cochrane**  
Illustration of package value (£'000s)



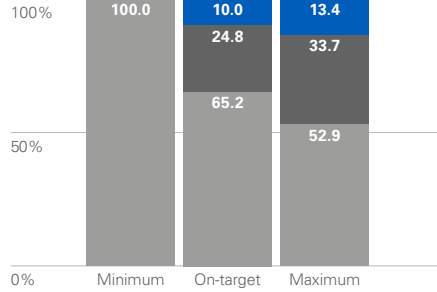
**Keith Cochrane**  
Illustration of package composition (%)



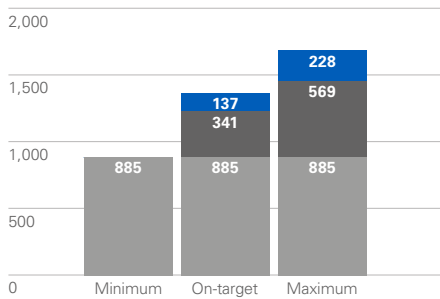
**Jon Stanton**  
Illustration of package value (£'000s)



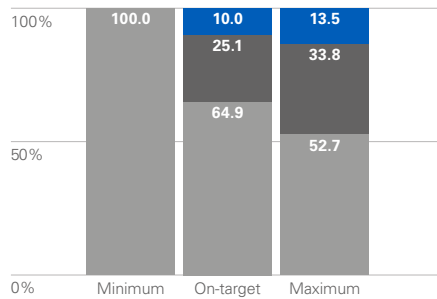
**Jon Stanton**  
Illustration of package composition (%)



**Dean Jenkins**  
Illustration of package value (£'000s)



**Dean Jenkins**  
Illustration of package composition (%)



Fixed element    Short-term incentive    Long-term incentive

**Notes**

- The scenarios presented above demonstrate the amount of each remuneration element at minimum, on-target and maximum performance.
- Salary is shown based on 2016 salary.
- Benefits are shown based on 2015 benefits received as per the single total figure of remuneration. Dean Jenkins was not an Executive Director in 2015 and so was not included in the single total figure of remuneration. Benefits shown for Dean Jenkins are based on benefits received in 2015 for Jon Stanton who has a similar remuneration package structure.
- Pension is shown based on the 2016 employer contribution or cash allowance rates.
- In each scenario, fixed pay includes the proposed restricted share awards as set out in the future policy table. This explains why the minimum illustration is higher than the sum of salary, benefits and pension.
- Short term incentive consists of the opportunity for the bonus that could be earned in the year. Minimum performance assumes none of the bonus has been earned. Target performance assumes 60% of the bonus has been earned. Maximum performance assumes 100% of the bonus has been earned.
- Long term incentive consists of performance share awards based on opportunity levels as set out in the future policy table. Minimum performance assumes no vesting; target performance assumes 60% vesting; and maximum performance assumes 100% vesting.

**STAKEHOLDER CONSIDERATIONS**

**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 policy:

**i. Shareholder engagement**

The Committee is committed to ongoing dialogue with the Company's shareholder base. This can take a variety of forms, such as:

- meetings with major shareholders to consider significant potential changes to policy or specific issues of interest to particular shareholder groups;
- other dialogue to update shareholders and take their feedback on planned refinements to arrangements; and
- the annual votes on the Directors' Remuneration Policy and the Annual Report on Remuneration.

The high level of support as seen by the results of the advisory vote at the 2015 AGM for the 2014 Directors' Remuneration Report (99.6% votes For) and the vote for the previous two years (2014: 99.8% For, 2013: 96.8% For) indicates strong shareholder support for the Directors' Remuneration Reports. The Directors' Remuneration Policy received a vote of 99.6% For at the 2014 AGM.

During 2015, the Chair of the Committee consulted the Company's largest shareholders and their representative bodies on this proposed Directors' Remuneration Policy to be implemented from 2016.

**ii. The wider employee context**

The Committee is kept regularly updated on pay and conditions across the Group, although when setting the Directors' Remuneration Policy, the wider employee group is not consulted. In determining the adjustments to the Executive Directors and Group Executive salaries, the Committee considers the increases to pay levels across the broader employee population.

At the AGM, we will be seeking approval for a Sharesave scheme that will enable employees to choose to have a direct interest in the Company's shares.



## Remuneration Committee Report **continued**

### Annual Report on Remuneration

Note: certain sections of the report have been audited, which are identified either in text or with the '#' symbol.

#### STATEMENT OF IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY IN 2016

As explained in the Chairman of the Remuneration Committee's Statement, we are seeking shareholder approval to a new Directors' Remuneration Policy at the AGM on 28 April 2016. As a result, we will have five separate remuneration-related resolutions, namely:

Resolution 4 – approval of the new remuneration policy as it applies to Executive Directors;  
 Resolution 5 – the annual advisory vote on the implementation of our present remuneration policy in 2015;  
 Resolution 17 – proposed amendments to the LTIP in order to implement the new remuneration policy for the Executive Directors;  
 Resolution 18 – proposed amendments to the LTIP so that we can use it more effectively for below Group Executive employees; and  
 Resolution 19 – approval of an all employee Sharesave scheme.

Detailed information on these resolutions is given in the Notice of Meeting.

If Resolution 4 does not receive shareholder consent then the existing Directors' Remuneration Policy as approved at the 2014 AGM will continue to apply in 2016.

#### Executive Directors

In the following description of how we wish to implement our remuneration policy in 2016 for Executive Directors, we have described it on the basis that shareholders do approve all of the above resolutions. The implementation of our policy in 2016 is summarised in the following table with full details provided below.

Element	Operation of the element	Maximum potential value	Performance metrics used
Base salary	A competitive base salary to attract and retain talented leaders.	£750,000 (no increase) – CEO £455,000 (no increase) – FD & COO	Not applicable.
Benefits and pension	A market aligned benefits package. A contribution into the pension or a cash allowance.	Value of benefits determined by the cost of insured products. 12% of salary – CEO & FD 10% of salary – COO	Not applicable.
Annual bonus	Bonus based on in-year performance against financial and personal (including strategic) goals.	150% of salary – CEO 125% of salary – FD & COO	NPBTA (40%) Cash flow (20%) Order input (20%) Personal performance (20%)
Bonus shares	Bonus converted into shares with a restriction on sale. One third released each year over a three year period.	30% of bonus.	Not applicable.
Restricted shares	Grant of restricted shares with one third vesting over years three, four and five.	90% of salary – CEO 80% of salary – FD & COO	Not applicable.
Performance shares	Grant of performance shares subject to a three year performance period followed by a two year holding period.	75% of salary – CEO 45% of salary – FD & COO	EPS (33.3%) ROCE (33.3%) TSR (33.3%)
Shareholding requirements	Requirement to build up a shareholding in the Company over a five year period.	200% CEO requirement. 150% FD & COO requirement.	Not applicable.

#### Fixed elements – Base salary

The Committee has made the following 2016 base salary decisions:

	2016 salary £	2015 salary £	Percentage change
Keith Cochrane	750,000	750,000	0%
Dean Jenkins	455,000	–	–
Jon Stanton	455,000	455,000	0%

Salaries are effective from 1 April each year. The Committee has considered the broader employee context and economic factors in determining salaries. In 2016, the increase in base salaries for UK employees will be up to 4%.

#### Fixed elements – Retirement and other benefits

There is no change in the implementation of our policy in relation to pension and benefits.

### Short term incentives – Annual bonus

The annual bonus is based on in-year performance against targets. The performance measures are: 40% Group Normalised Profit before Tax and Amortisation (NPBTA) measured over the financial period, 20% cash flow, 20% order input and 20% personal performance targets.

The performance targets are determined annually by the Remuneration Committee and approved at the beginning of the performance year. As set out in the Directors' Remuneration Policy, the Company will disclose the NPBTA, cash flow and order input targets and the main groupings of individual performance measures retrospectively in the Annual Report on Remuneration. Performance targets will not be disclosed prospectively for commercial reasons, but in light of the continued uncertainty in our end markets we can confirm that we have set a wider range of NPBTA targets than compared to 2015.

The profit performance measure of NPBTA is adjusted subject to Remuneration Committee approval to exclude items that are one off in nature, to match the actual foreign exchange rates during the financial period, and is also increased or decreased to reflect the impact of any acquisitions or disposals made in the year that are of a size requiring Board approval.

The cash flow measure is defined as cash generated from operations, including additional pension contributions paid and excluding the impact of derivative financial instruments on working capital cash flows. The performance target of cash flow is adjusted to match the actual foreign exchange rates during the financial period and is also increased or decreased to reflect the impact of any acquisitions or disposals made in the year that are of a size requiring Board approval. Exceptional items or extraordinary items as agreed by the Remuneration Committee are excluded.

The order input measure is defined, per the Group Finance manual, as orders received from customers where there is an expressed contractual commitment to fulfil an obligation. The performance target of order input is adjusted to match the actual foreign exchange rates during the financial period. Adjustments will be made for any prior year orders which have been cancelled on the following basis:

1. any cancellations made up to the end of January 2017 will be deducted from the 2016 order input actual number; and
2. any prior year orders cancelled after the end of January 2017 will be treated as a negative order in the calculation of 2017 bonuses based on 2017 order input.

30% of bonus payable will be converted into shares with a restriction on sale under the LTIP. There are no performance conditions on the bonus shares.

### Long term incentives – Restricted and performance shares

The Committee has determined that the following awards will be made for 2016:

#### Restricted shares

Awards will vest one third on each of the third, fourth and fifth anniversaries of the date of grant.

	Award type	Basis on which award made	Face value of award (% of 2016 salary)	Overall vesting period
Keith Cochrane	Restricted shares	A grant of shares will be made based on policy opportunity levels, the salary of the individual, and the share price on the three days prior to grant.	90%	Five years from the date of grant after the 2016 AGM
Dean Jenkins	Restricted shares		80%	
Jon Stanton	Restricted shares		80%	

#### Performance shares

Awards vest after three years, subject to performance conditions. Awards for Executive Directors are then subject to a two year holding period.

	Award type	Basis on which award made	Face value of award at threshold vesting (% of 2016 salary)	Face value of award at maximum vesting (% of 2016 salary)	Performance period
Keith Cochrane	Performance shares	A grant of shares will be made based on policy opportunity levels, the salary of the individual, and the share price on the three days prior to grant.	18.75%	75%	1 Jan 2016 – 31 Dec 2018
Dean Jenkins	Performance shares		11.25%	45%	1 Jan 2016 – 31 Dec 2018
Jon Stanton	Performance shares		11.25%	45%	1 Jan 2016 – 31 Dec 2018

#### Note

The performance period for each LTIP award is based on calendar years. The TSR performance measure is calculated over three calendar years. The EPS and ROCE measures are calculated over the relevant financial periods.

In all cases, awards will only vest subject to the achievement of the performance conditions and if the Committee determines that the underlying performance of the Company is sufficient to justify the vesting of the awards.

## Remuneration Committee Report *continued*

### Annual Report on Remuneration *continued*

#### STATEMENT OF IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY IN 2016 CONTINUED

##### Long term incentives – Restricted and performance shares *continued*

The performances measures for the 2016 award apply in equal weighting and their performance targets are:

TSR		EPS		ROCE	
Relative TSR growth against comparator group	Percentage of TSR proportion vesting	EPS growth per annum	Percentage of EPS proportion vesting	2018 ROCE above WACC	Percentage of ROCE proportion vesting
Upper quintile	100%	7.5%	100%	3.75%	100%
Median	25%	2%	25%	1.75%	25%
Below median	0%	Less than 2%	0%	Less than 1.75%	0%

The TSR performance measure for the 2016 LTIP grant is based on two separate comparator groups, which are focused primarily on our two major end markets, each having a 50% weighting.

Mining comparator group:

Atlas Copco 'A', Bradken, Caterpillar Inc., Fenner PLC, FLSmidth & Co. A/S 'B', Joy Global Inc., Komatsu, Metso Corporation, Outotec Oyj, and Sandvik AB.

Oil and gas comparator group:

Amec Foster Wheeler, Flowserve Corporation, FMC Technologies, Inc., Forum Energy Technologies Inc., Hunting plc, John Wood Group PLC, National Oilwell Varco, Petrofac, Rotork PLC and Sulzer Ltd.

The base 2015 EPS used for the purposes of the 2016 performance share award is 78.4 pence per share.

The WACC to be used for the 2016 performance share award is 8.75%. Although the preferred approach of the Committee is to measure ROCE on an average basis over the three year performance period, this is not considered appropriate for the 2016 performance share awards because of the expected ROCE profile. Accordingly, the ROCE target has been set on the basis that 2018's ROCE will determine the ultimate level of vesting.

2018 EPS and ROCE figures will be calculated on a consistent basis, in accordance with the Directors' Remuneration Policy.

### Non-Executive Directors

#### Annual fees for 2016

The implementation of the Non-Executive Director remuneration is in line with the approved Directors' Remuneration Policy. The fees per annum for Non-Executive Directors are set out in the table below.

	2016 fees £	Percentage change	2015 fees £
Chairman's fee for all responsibilities	290,000	0%	290,000
Non-Executive Directors' base fee	58,000	0%	58,000
Additional fee for Senior Independent Director	12,000	0%	12,000
Additional fee for Audit Committee Chairman	15,000	0%	15,000
Additional fee for Remuneration Committee Chairman	15,000	0%	15,000
Additional fee for Technology Advisory Board Chairman <sup>1</sup>	15,000	–	–

#### Note

1. The Technology Advisory Board was established in October 2015. Further details can be found on page 59.

Fees are effective from 1 April each year.

### SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS

Details of the remuneration for the 52 weeks ended 1 January 2016 and the 52 weeks ended 2 January 2015 received by the Executive Directors who served on the Board during the 2015 financial period are set out in the table below. The summary table comprises a number of key components which are set out in further detail in the relevant sections that follow. The table and accompanying notes have been audited.

	Fixed elements		Short-term incentives		Long-term incentives		Pension		Total			
	Base salary (i)		Benefits (ii)		Annual bonus (iii)		LTIP – performance shares and matching shares (iv)		Retirement benefits (v)		Total	
	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
Keith Cochrane	728,125	725,000	22,994	22,781	225,000	665,564	–	–	89,250	43,500	1,065,369	1,456,845
Jon Stanton	441,771	440,000	20,356	18,804	113,750	336,607	–	–	54,150	26,400	630,027	821,811

### Notes to the single figure of remuneration for Executive Directors table

Dean Jenkins was appointed an Executive Director on 1 January 2016 and did not receive any remuneration for this role during 2015.

#### i) Base salary

Corresponds to the amounts received during the 2015 financial year.

Salary is paid monthly to Executive Directors. Salaries were last increased in April 2015 when Keith Cochrane's salary was increased from £725,000 to £750,000 and Jon Stanton's salary was increased from £440,000 to £455,000. From August until the end of the year, the Executive Directors waived 5% of their salaries.

#### ii) Benefits

Corresponds to the taxable value of all benefits paid in respect of the 2015 financial year.

	Keith Cochrane 2015 £	Jon Stanton 2015 £
Life insurance cover	4,143	4,907
Car allowance	17,015	13,970
Group healthcare	1,479	1,479
Other benefits	357	–
Total	22,994	20,356

#### iii) Short-term incentives

Corresponds to the total bonus earned under the annual bonus in respect of 2015 performance and includes both the cash element (70%) and the bonus to be converted into shares with a restriction on sale (30%).

The 2015 annual bonus was based on achievement of Group Normalised Profit before Tax and Amortisation (NPBTA) (60%), cash flow (20%) and personal performance targets (20%). Executive Directors' 2015 performance was assessed relative to both the financial targets and other performance considerations further outlined below.

#### 2015 performance measures for Executive Directors

		2015 performance required	Actual performance	Payout as a percentage of maximum	Weighting as percentage of total bonus opportunity	Contribution to payout as percentage of maximum bonus opportunity
<b>NPBTA</b>						
Based on the achievement of NPBTA targets measured over the financial period.	Threshold	£273.8m	£219.8m	0%	60%	0%
	Target	£318.9m				
	Stretch	£363.9m				
<b>Cash flow</b>						
Based on the achievement of cash flow targets measured over the financial period.	Threshold	£471.9m	£390.9m	0%	20%	0%
	Target	£545.4m				
	Stretch	£618.9m				
<b>Individual performance objectives</b>						
Robustly set and customised for each individual, all objectives are measurable and are objectively determined.	<b>Keith Cochrane:</b>		Fully met	100%	20%	20%
	Objectives included areas such as employee engagement and well-being, progressing innovation and further improvement in operating excellence.					
	<b>Jon Stanton:</b>		Fully met	100%	20%	20%
	Objectives included areas such as enhancing capability and talent in the finance function, improving IT infrastructure and systems and delivering cost savings and cash generation.					

## Remuneration Committee Report **continued**

### Annual Report on Remuneration **continued**

#### SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS CONTINUED

##### 2015 short-term incentive awards

Based on the outcome of 2015 performance as outlined above, the Committee approved the following annual bonus awards under the Executive Bonus Scheme to Executive Directors:

Executive Director	Payout as percentage of maximum bonus opportunity	Payout as percentage of salary	Payout £
Keith Cochrane	20%	30%	225,000
Jon Stanton	20%	25%	113,750

##### Notes

1. Includes 30% conversion into shares with restriction on sale over three years.
2. Bonus award is based on salary as at 31 December in the relevant financial year.
3. Bonus to be paid in March 2016.

#### iv) Long-term incentives

The value represents an estimate of the market value of the 2013 Performance and Matching Share awards at year end.

##### LTIP awards vesting in 2016

In accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'), the single total remuneration figure for 2015 includes the vesting value of the performance and matching shares made under the 2013 LTIP Award, with a performance period from 1 January 2013 to 31 December 2015.

The 2013 performance share and matching share awards for Keith Cochrane and Jon Stanton were due to vest on 11 March 2016. The table below sets out a summary of the performance conditions, performance against these conditions as well as the resulting gross vesting value using the share price over the fourth quarter of 2015 in accordance with the Regulations.

The Committee reserves the right to make adjustments to the performance conditions to reflect significant one-off items which occur during the performance period. No discretion was exercised in respect of the awards.

2013 performance share awards	Performance conditions and targets set	Maximum potential value	Maximum number of shares granted	Performance metrics, weighting and period and method of determining performance	Resulting vesting £
Keith Cochrane	Performance conditions set out on page 113.	Shares with value of 100% of salary on the date of grant.	30,133	Overall level of vesting 0%.	–
Jon Stanton	Performance period of three years ended on 31 December 2015 due to vest on 11 March 2016.		18,288	50% of award is based on EPS growth. Actual EPS growth was -18.79% p.a., resulting in 0% vesting. <sup>1</sup>	–
2013 matching share awards				50% of award is based on TSR growth. Actual TSR growth was -34%, corresponding to below median performance relative to peers between January 2013 and December 2015, resulting in 0% vesting.	Resulting vesting £
Keith Cochrane	Performance conditions set out on page 113.	Shares with value of 200% of compulsory and voluntary deferred annual bonus on the date of grant, subject to continued employment and retention of compulsory investment shares and voluntary investment shares where applicable.	14,180	Dividend equivalents are paid on vested shares based on dividend payments over the performance period. Dividend equivalents to be delivered in shares.	–
Jon Stanton	Performance period of three years ended on 31 December 2015 due to vest on 11 March 2016.		5,672		–

##### Note

1. The EPS outcome has been adjusted to remove the impact of IAS 19R on the 2015 result to ensure a consistent measurement basis across the performance period.



Note that compulsory and voluntary investment shares will be released in 2016 to individuals. The number of shares expected to be released in 2016 is 7,090 for Keith Cochrane and 2,836 for Jon Stanton. The compulsory investment shares also have the right to receive dividend equivalents in the form of shares to the value of 131.0p per share at the date of vesting. The value of these shares does not form part of the single total figure table as they have not been subject to performance measures since they were granted.

#### v) Retirement benefits

##### Represents the value of the cash allowance towards retirement benefit provision

In July 2014, the Company introduced an auto-enrolment provision for Executive Directors to receive a contribution to the pension plan or a cash allowance of 12% of salary. Both the Chief Executive and the Finance Director have chosen to take the cash allowance.

The Group made no additional provisions for Executive Director pensions in 2015.

#### EXTERNAL APPOINTMENTS

It is the Board's policy to allow the Executive Directors to accept directorships of other companies. Any such directorships must be formally approved by the Chairman of the Board. Details of external directorships held by Executive Directors, together with fees retained during the year are as follows:

Executive Director	External company	Roles held	2015 fees £
Keith Cochrane	Carillion plc	Non-Executive Director and Senior Independent Non-Executive Director	28,400
Keith Cochrane	The Scotland Office and the Office of the Advocate General	Lead Non-Executive Director	–

#### Notes

- Keith Cochrane was appointed a Non-Executive Director of Carillion plc in July 2015 and became Senior Independent Non-Executive Director in September 2015.
- Keith Cochrane is entitled to claim £300 per meeting attended in his role of Lead Non-Executive Director of the Scotland Office and the Office of the Advocate General.

#### PAYMENTS FOR LOSS OF OFFICE#

No payments were made for loss of office during the year.

#### PAYMENTS TO PAST DIRECTORS#

No payments were made to past Directors during the year.

#### SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS AND THE CHAIRMAN

Details of the remuneration for the 52 weeks ended 1 January 2016 and the 52 weeks ended 2 January 2015 received by the Non-Executive Directors and the Chairman who served on the Board during the 2015 financial period are set out in the table below. The table and accompanying notes have been audited.

	Basic fee		SID/Committee Chair fees		Taxable benefits <sup>3</sup>		Total	
	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
Charles Berry	286,250	275,000	–	–	1,471	–	287,721	275,000
Alan Ferguson	57,250	55,000	13,750	10,000	1,257	–	72,257	65,000
Melanie Gee	57,250	55,000	13,750	10,000	1,584	–	72,584	65,000
Mary Jo Jacobi	57,250	55,000	–	–	36,639	–	93,889	55,000
Sir Jim McDonald <sup>1</sup>	57,250	–	–	–	–	–	57,250	–
Rick Menell	57,250	55,000	10,667	–	12,392	–	80,309	55,000
John Mogford	57,250	55,000	–	–	661	–	57,911	55,000
Lord Robertson <sup>2</sup>	4,584	55,000	833	10,000	448	–	5,865	65,000

#### Notes

- Sir Jim McDonald joined the Board as a Director on 1 January 2015 and did not receive any remuneration during 2014.
- Lord Robertson retired from the Board as a Director on 31 January 2015.
- This is the initial publication of taxable benefits and includes the taxable benefit of travel (including international travel from America and South Africa) to attend Board meetings in the UK.

## Remuneration Committee Report **continued**

### Annual Report on Remuneration **continued**

#### SCHEME INTERESTS AWARDED DURING 2015

The following table sets out the interests of the Executive Directors in the Company's share schemes, comprising awards of performance shares under the LTIP, which were awarded during the 52 weeks ended 1 January 2016. The closing market price of the Company's ordinary shares at 1 January 2016 was £10.00 and the range during the year was £9.30 to £20.24. The table and accompanying notes have been audited.

2015 LTIP awards	Award type	Type of interest awarded	Date of award	Grant share price	Basis of award	Number of shares awarded	Face value of award at threshold vesting £	Face value of award at maximum vesting £	Date of vesting	Performance period
Keith Cochrane	Performance shares	Nil cost options	12 Mar 15	£18.46	250% salary	101,570	468,746	1,874,982	12 Mar 18	1 Jan 15 – 31 Dec 17
Jon Stanton	Performance shares	Nil cost options	12 Mar 15	£18.46	200% salary	49,295	227,496	909,986	12 Mar 18	1 Jan 15 – 31 Dec 17

#### Notes

1. The figures shown for performance share awards are maximum entitlements and the actual number of shares (if any) which vest will depend on the performance conditions being achieved as set out on page 113. Threshold vesting equals 25% vesting. Maximum vesting equals 100% vesting. No performance shares will vest for below threshold performance.
2. The performance period for each LTIP award is based on calendar years. The TSR performance measure is calculated over calendar years. The EPS and ROCE measures are calculated over financial periods.
3. The face value of the award is based on the share price at grant, which is calculated as the average of the closing share price for the three days prior to the date of grant. The exercise price for performance shares is zero.
4. No additional shares were granted other than at the date of award set out above.

## PERFORMANCE CONDITIONS FOR THE LTIP

	2013		2014		2015	
<b>TSR</b>						
Weighting	50%		33.3%		33.3%	
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
Maximum performance	Upper quintile	100%	Upper quintile	100%	Upper quintile	100%
Threshold performance	Median	25%	Median	25%	Median	25%
Below threshold performance	Below median	0%	Below median	0%	Below median	0%
Comparator group	Amec Foster Wheeler <sup>2</sup> , Cameron, Crane, Dover, Fenner, FLSmidth, Flowserve, FMC, Forum Energy <sup>3</sup> , Halma, IMI, Joy Global, Meggitt, Melrose, Metso, Outotec, Rotork, Sandvik <sup>4</sup> , Smiths Group, Spirax Sarco, SPX, Sulzer, Vesuvius, Wood Group		Amec Foster Wheeler <sup>2</sup> , Atlas Copco, Cameron, Crane, Dover, Fenner, FLSmidth, Flowserve, FMC, Forum Energy <sup>4</sup> , IMI, ITT, Joy Global, Melrose, Metso, Outotec, Rotork, Sandvik, Smiths Group, Spirax Sarco, SPX Flow <sup>5</sup> , Sulzer, Vesuvius, Wood Group		Amec Foster Wheeler, Atlas Copco, Cameron, Crane, Dover, Fenner, FLSmidth, Flowserve, FMC, Forum Energy, IMI, ITT, Joy Global, Melrose, Metso, Outotec, Rotork, Sandvik, Smiths Group, Spirax Sarco, SPX Flow <sup>5</sup> , Sulzer, Vesuvius, Wood Group	
<b>EPS<sup>1</sup></b>						
Weighting	50%		33.3%		33.3%	
Target structure	EPS Growth per annum	Percentage of EPS portion of the award that vests	EPS Growth per annum	Percentage of EPS portion of the award that vests	EPS Growth per annum	Percentage of EPS portion of the award that vests
Maximum performance	11%	100%	11%	100%	7.5%	100%
Threshold performance	5%	25%	5%	25%	2.5%	25%
Below threshold performance	Less than 5%	0%	Less than 5%	0%	Less than 2.5%	0%
<b>ROCE<sup>1</sup></b>						
Weighting	0%		33.3%		33.3%	
Target structure	–	–	Improvement in average ROCE per annum	Percentage of ROCE portion of the award that vests	2017 ROCE	Percentage of ROCE portion of the award that vests
Maximum performance	–	–	4%	100%	24.8%	100%
Threshold performance	–	–	0.5%	25%	18.8%	25%
Below threshold performance	–	–	Less than 0.5%	0%	Less than 18.8%	0%
Performance periods	Single three year performance period for both elements		Single three year performance period for both elements		Single three year performance period for all elements	

**Notes**

1. EPS and ROCE are subject to adjustments in line with policy.
2. AMEC has been renamed to Amec Foster Wheeler following its acquisition of Foster Wheeler in 2014.
3. Gardner Denver was acquired and delisted in 2013. It was replaced by Forum Energy Technologies in the 2013 comparator group.
4. Dresser Rand was acquired and delisted in 2015. It was replaced by Sandvik in the 2013 comparator group and Forum Energy Technologies in the 2014 comparator group.
5. SPX Corporation demerged in September 2015 into SPX Flow and SPX. SPX Flow will succeed SPX Corporation in the 2014 and 2015 comparator groups.
6. Lufkin was acquired during 2013 and has been removed from the 2013 comparator group.

## Remuneration Committee Report **continued**

### Annual Report on Remuneration **continued**

#### STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

The Committee believes that employee share ownership is an important means to support long-term commitment to the Company and the alignment of employee interests with those of shareholders.

The interests of the Executive Directors and other senior executives are closely aligned with those of shareholders in this regard through the operation of the Company's LTIP and the conversion into shares with restriction on sale of 30% of the annual bonus award for a period of three years. These elements constitute a significant proportion of individual remuneration packages.

Following shareholder approval at the 2014 AGM, the shareholding guidelines outlined in the policy table on page 99 apply to all Executive Directors. All shares beneficially owned by an Executive Director count towards achieving these guidelines. There is no shareholding requirement for Non-Executive Directors.

Current shareholding levels for Directors are set out in the table below.

#### Summary of total number of interests in shares in the Company and scheme interests as at 1 January 2016

The table and accompanying notes have been audited.

	Security type	Interests in shares in the Company as at 1 January 2016		Scheme interests as at 1 January 2016		Scheme interests vested and exercised in 2015 (2012 grant) <sup>1</sup>		Total shares contributing to shareholding target (% of 2015 salary)	Shareholding guidelines (% of 2015 salary)
		Total shares	Total shares (% of 2015 salary)	Total performance shares and matching shares (options with performance conditions) <sup>2</sup>	Total compulsory investment shares (options without performance conditions)	Total performance shares and matching shares (options with performance conditions)	Total compulsory investment shares (options without performance conditions)		
Keith Cochrane	Shares	299,971	400%	216,372	7,090	–	16,017	400%	200%
Dean Jenkins	Shares	17,367	38%	89,389	1,855	–	4,006	38%	150%
Jon Stanton	Shares	36,935	81%	107,478	2,836	–	6,573	81%	150%
Charles Berry	Shares	2,000	–	–	–	–	–	–	–
Alan Ferguson	Shares	2,730	–	–	–	–	–	–	–
Melanie Gee	Shares	2,500	–	–	–	–	–	–	–
Mary Jo Jacobi <sup>10</sup>	Shares	2,000	–	–	–	–	–	–	–
Sir Jim McDonald	Shares	–	–	–	–	–	–	–	–
Richard Menell	Shares	1,000	–	–	–	–	–	–	–
John Mogford	Shares	12,031	–	–	–	–	–	–	–

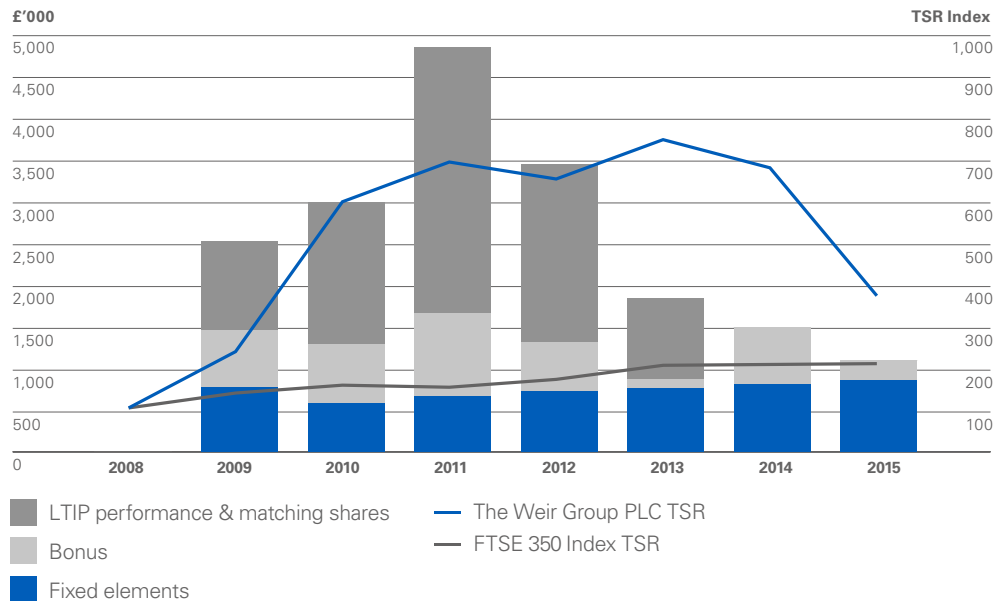
#### Notes

- On 9 March 2015, the 2012 Award under the LTIP for Keith Cochrane, Dean Jenkins and Jon Stanton vested. The performance conditions were not met so the performance share and matching share awards lapsed in full. On 12, 16 and 25 March 2015, they respectively exercised 100% of their compulsory shares as set out in the table above. Keith Cochrane sold 7,578 shares and Jon Stanton 3,156 shares to pay the relevant tax and National Insurance, retaining the balance. The market price at date of exercise on 12 March 2015 was £18.27; on 16 March 2015 was £17.81; and on 25 March 2015 was £17.68. Options exercised in 2015 had a zero exercise price.
- Awards under the LTIP take the form of nil cost options or conditional awards and have no performance retesting facility.
- The share awards have a right to receive dividend equivalents in the form of shares payable at vesting. The awards exercised by the Executive Directors include dividend equivalents of 120.8p per share, being the dividends paid between the date of award and the date of exercise. This equated to 994 shares for Keith Cochrane, 250 shares for Dean Jenkins and 410 shares for Jon Stanton.
- 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.
- Due to the vesting outcome of the 2012 LTIP, 83,526 shares under Keith Cochrane's grant, 28,294 shares under Dean Jenkins' grant, and 33,899 shares under Jon Stanton's grant lapsed.
- There are no unexercised vested options held by Executive Directors.
- All scheme interests outstanding or vesting in the year were share options rather than shares.
- Total shares as a percentage of salary is based on salary as of 31 December in the relevant financial year and on the market price of the Company's ordinary shares at the financial period end. For 2015, the closing market price at 1 January 2016 was £10.00.
- There have been no changes to Directors' interests between 1 January 2016 and 24 February 2016.
- Mary Jo Jacobi's interest in 2,000 shares shown above is through her holding of 4,000 of the Group's unsponsored American Depositary Receipts (ADRs), one ADR being equivalent to 0.5 shares.
- Prior to 2014, Executive Directors had the opportunity to defer up to an additional 20% of the Group element of their bonus into shares. As a result, Dean Jenkins received 424 shares in March 2013. These shares are shown in the interests in shares column above.
- Since 2014, 30% of the annual bonus is converted into shares with a restriction on sale. This resulted in Keith Cochrane receiving 653 shares in May 2014 and 5,743 in March 2015; Dean Jenkins receiving 414 shares in May 2014 and 1,567 shares in March 2015; and Jon Stanton receiving 264 shares in May 2014 and 2,904 shares in March 2015. These shares are shown in the interests in shares column above.

## PERFORMANCE GRAPH AND TABLE FOR CHIEF EXECUTIVE

The graph below shows the total shareholder return (TSR) for The Weir Group PLC and the FTSE 350 Index over the seven year period ending 31 December 2015. This is set out with the total vested and received remuneration for the Chief Executive over the same period, which is set out numerically below the chart.

The Committee considers the FTSE 350 to be the most relevant index for a comparison of TSR. The TSR chart shown in the 2014 Annual Report on Remuneration showed the Weir Group's TSR performance against that of the FTSE 100 and the 2014 LTIP comparator group. The Weir Group has since moved out of the FTSE 100 index and are no longer comparing TSR against a single comparator group for future LTIP grants.



## REMUNERATION HISTORY FOR CHIEF EXECUTIVE BETWEEN 2009 AND 2015

	Mark Selway				Keith Cochrane			
	2009 <sup>1</sup>	2009 <sup>2</sup>	2010	2011	2012	2013	2014	2015
Fixed elements	£662,077	£95,384	£572,146	£646,645	£710,501	£740,406	£791,281	£840,369
Bonus (percentage of maximum)	83.7%	83.7%	100.0%	100.0%	54.0%	10.0%	61.2%	20.0%
Performance shares and matching shares (percentage of maximum)	100.0%	100.0%	100.0%	100.0%	100.0%	42.8%	0%	0%
<b>Total remuneration</b>	<b>£2,237,201</b>	<b>£217,746</b>	<b>£2,913,022</b>	<b>£4,728,338</b>	<b>£3,363,555</b>	<b>£1,787,327</b>	<b>£1,456,845</b>	<b>£1,065,369</b>

### Notes

- 2009 remuneration relates to the ten months Mark Selway was Chief Executive until his resignation in November 2009.
- 2009 remuneration relates to the two months Keith Cochrane was Chief Executive from November 2009.

Total remuneration is calculated on the same basis as the 2015 remuneration summary in the single total figure of remuneration for Executive Directors table on page 108.

## PERCENTAGE CHANGE IN CHIEF EXECUTIVE REMUNERATION

The percentage change in elements of remuneration for the Chief Executive between the 52 weeks ended 2 January 2015 and the 52 weeks ended 1 January 2016 is detailed below. The change in remuneration for UK employees for the same period is also provided.

	Chief Executive percentage change	UK employees percentage change
Salary and fees	0.4%	0.5%
Taxable benefits	0.9%	-15.8%
Bonus	-66.2%	-73.7%

For the purposes of this section, remuneration has been calculated in accordance with the Regulations to include salary, fees, taxable benefits (including emoluments) and certain performance-related pay for the relevant financial year (primarily bonuses but excluding long term incentives). Pension and retirement benefits are not included.

## Remuneration Committee Report **continued**

### Annual Report on Remuneration **continued**

#### PERCENTAGE CHANGE IN CHIEF EXECUTIVE REMUNERATION CONTINUED

The decrease in bonus for the Chief Executive reflects the figures in the single total figure table in 2014 and 2015. The UK employee population has been selected as it reflects a broad sample of employees which includes Head Office employees and other individuals located in the same country as the Chief Executive. The figures shown for UK employees are impacted by a reduction in the UK employee headcount of approximately 9%. The 2015 budget for salary increases for UK employees was around 3%. There has been no change to the taxable benefits policy for UK employees in 2015.

#### RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the expenditure of the Company on employee remuneration costs in the 2015 financial year and 2014 financial year. In addition, it details the disbursements from profit made by way of dividend payments during the same periods.

	2015 £m	2014 £m	Percentage change
Profit distributed by way of dividend	94.0	102.7	-8.5%
Overall spend on pay for employees	552.0	630.7	-12.5%

Details of the dividends declared and paid during the periods are contained in note 10 to the Financial Statements on page 150. Dividend cash outflows reduced as a result of the rephrasing of dividend payments in 2014. The final dividend payment now represents approximately two thirds, as opposed to three quarters, of the total dividend. Details of the overall spend on pay for employees can be found in note 4 to the Financial Statements on page 145. Employees include Executive Directors but not Non-Executive Directors. The Company considers employee remuneration costs in the context of the general financial performance and position of the Company, including when determining the salary increase budget, annual bonus funding, long term incentive grant budget and pension levels.

#### CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

##### Terms of Reference and Evaluation

To ensure reward arrangements support the Company's philosophy, strategy and culture, the Committee reviews compensation and benefit plans for the Executive Directors, senior leadership, and the broader employee population. In December 2015, the Committee reviewed and updated its Terms of Reference. The Remuneration Committee was evaluated as part of the 2015 Board evaluation process, and it was concluded that the Committee continued to function strongly in accordance with good corporate governance. The report highlighted that in a busy year involving the formulation of the proposed new remuneration policy, there had been a cohesive approach and in particular a significant amount of good work undertaken on shareholder consultation. The Committee identified a number of potential improvements for implementation in 2016.

More details of the Board evaluation can be found on page 83. The Terms of Reference of the Committee are available on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir).

#### MEETINGS

The table below details the Board members and members of senior management who were invited to attend meetings as appropriate during the calendar year.

##### Remuneration Committee attendees

Charles Berry	Group Chairman	Attends by invitation
Keith Cochrane	Chief Executive	Attends by invitation
Keith Ruddock	Group General Counsel & Company Secretary	Attended as former Secretary to the Committee
Gillian Kyle	Deputy Company Secretary	Attends as Secretary to the Committee
Pauline Lafferty	Director of Human Resources	Attends by invitation
PricewaterhouseCoopers LLP (PwC)		Attends as adviser to the Committee

There were six meetings held during the 52 weeks to 1 January 2016, and the attendance of the individual members of the Committee during that period is detailed in the table below. Calls with members of the Remuneration Committee were also held by telephone in relation to the shareholder consultation on the proposed Directors' Remuneration Policy. All members of the Committee are considered to be independent Non-Executive Directors and no Director plays a part in the determination of their own remuneration. 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.

Members	Member since	Maximum number of possible meetings	Number of meetings attended	Percentage of meetings attended
Melanie Gee (Chairman)	9 May 2012	6	6	100%
Alan Ferguson	1 February 2015	5	5	100%
Mary Jo Jacobi	21 January 2014	6	6	100%
Richard Menell	29 July 2011	6	6	100%
Lord Robertson <sup>1</sup>	9 December 2008	1	1	100%

##### Note

1. Lord Robertson retired from the Committee on 31 January 2015.



In 2015, the Committee discussed the key agenda items set out in the following table:

Date	Agenda items
January	Approval of salaries and 2015 annual bonus targets for Executive Directors and Group Executive; approval of Chairman fee; review of draft 2014 Remuneration Report; Group Executive shareholding levels noted; and update on 2014 bonus and 2012 LTIP outcomes.
February	Approval of 2014 bonus payments for Executive Directors and Group Executive; approval of total remuneration for Executive Directors; note payment of 2014 bonuses to senior managers; approval of vesting of conditional share grants for 2012 LTIP; approval of performance conditions for 2015 annual bonus and LTIP; finalisation of 2014 Remuneration Report; review of independence of and fees paid to PwC as advisers to the Committee; feedback on Committee effectiveness review; corporate governance update; and approval of vesting of 2012 Deferred Bonus Plan.
July	Review of bonus and LTIP targets versus current projections; one-off retention award for senior managers noted; consideration of strategic review of remuneration; approval of LTIP grants for new joiners; and remuneration review for new COO role.
September	Review of bonus and LTIP targets versus current projections; strategic remuneration review update; and approval of remuneration for new Group Executive appointment.
October	Review of bonus and LTIP targets versus current projections; consideration of new remuneration policy objectives and proposals; and approval of the commencement of a shareholder consultation.
December	Review of bonus and LTIP targets versus current projections; review of initial proposals for 2016 salaries of Executive Directors and the wider Group; reviewed and discussed a PwC update on market trends and best practice on all aspects of remuneration; consideration of investor feedback from consultation and discussion on alternatives to address the feedback received; review of the Remuneration Committee Terms of Reference; and review of the 2016 calendar for the Remuneration Committee.

#### ADVISERS TO THE COMMITTEE

In discharging its responsibilities in 2015, the Committee was materially assisted by the Director of Human Resources and the Company Secretary.

PwC was appointed following a review of providers by the Committee in 2011. During 2015, the Committee undertook a review of the fees paid to PwC and considered the role and parameters of PwC as advisers to the Committee in light of the external auditor review being undertaken by the Company. Fees paid to PwC in relation to remuneration services provided to the Committee in 2015 totalled £96,428. This included advice on remuneration policy and practice, as well as guidance to the Committee on corporate governance trends and best practice. PwC is a signatory to the Remuneration Consultants' Group Voluntary Code of Conduct.

The Committee recognises the need to obtain independent advice and given that PwC provides additional services to the Group, the Remuneration Committee 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, IT project assurance, global mobility services including taxation advice, internal audit services, share plan taxation and due diligence in relation to acquisitions.

#### STATEMENT OF VOTING AT GENERAL MEETING

The Company is committed to maintaining an open shareholder dialogue and takes an active interest in voting outcomes. In the event of a substantial vote against the Directors' Remuneration Report, the Company would explain when announcing the results of voting what actions would be taken to understand the reasons for any such vote and would also set out in the following Annual Report actions implemented in response.

At the Company's last Annual General Meeting on 29 April 2015, the resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) as contained in the Annual Report and Financial Statements 2014 was supported as follows:

Voting outcome	Votes for	Percentage	Votes against	Percentage	Votes total	Votes withheld
2014 Directors' Remuneration Report (excluding the Directors' Remuneration Policy)	153,306,119	99.56%	677,994	0.44%	153,984,113	1,575,878



#### MELANIE GEE

##### Chairman of the Remuneration Committee

Signed and approved for and on behalf of the Board  
24 February 2016

## Directors' Report

The Directors present their report for the year ending 1 January 2016.

The Directors' Report includes the Corporate Governance reports from page 72 to 117, together with the sections of the Annual Report incorporated by reference.

The Company has chosen to disclose the following information in the Strategic Report on pages 1 to 71:

- Particulars of any important events, if any, affecting the Company which have occurred since the end of the financial year.
- An indication of likely future developments in the business of the Company.
- An indication of the activities of the Company in the field of research and development.
- Details of employee policy and involvement (Our People, pages 60 to 63).
- Information on greenhouse gas emissions (Environment, pages 53 to 57).
- Principal risks and uncertainties (pages 24 to 29).

The Strategic Report and the Directors' Report constitute the management report as required under the Disclosure and Transparency Rule 4.1.5R.

Information to be disclosed under the Listing Rule 9.8.4 is set out in the table below.

Subject matter	Page reference
Waiver of directors' emoluments (LR 9.8.4(5))	109
Allotment of shares for cash (LR 9.8.4(7))	119
Waiver of dividends (LR 9.8.4(12))	119

Paragraphs (1), (2), (4), (6), (8), (9), (10), (11), (13) and (14) of Listing Rule 9.8.4 are not applicable.

This Annual Report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents and advisers, do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed. This Annual Report may contain statements which are not based on current or historical fact and/or which are forward looking in nature. Please refer to the cautionary statement on page 208.

### COMPANY NUMBER

The Weir Group PLC is registered in Scotland under company number SC002934.

### 2016 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday 28 April 2016. The Notice of Meeting, along with an explanation of the proposed resolutions, are set out in a separate circular to shareholders which accompanies this Annual Report and can be downloaded from the Company's website. The Company conducts the vote at the AGM by poll and the result of the votes, including proxies, is published on the Company's website after the meeting.

### DIVIDEND

The Directors have recommended a final dividend of 29.0p per share for the 52 weeks ended 1 January 2016. Payment of this dividend is subject to shareholder approval at the 2016 AGM.

### SUBSTANTIAL SHAREHOLDERS

The Company has been notified in accordance with the Financial Conduct 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 at 1 January 2016 and at the date of approval of this Annual Report.

Shareholder	1 January 2016		24 February 2016	
	Number of shares	Percentage	Number of shares	Percentage
Deutsche Bank AG	10,866,904	5.08%	–	Below 3%
Aberdeen Asset Managers Ltd	10,797,589	5.07%	10,797,589	5.07%
BlackRock, Inc.	10,729,487	5.01%	10,729,487	5.01%
AXA	10,637,959	4.99%	10,637,959	4.99%
Norges Bank	8,503,919	3.99%	8,503,919	3.99%
TIAA-CREF Investment Management, LLC & Teachers Advisers, Inc	6,440,696	3.01%	6,343,957	Below 3%
Citadel GP LLC and Citadel Advisers Holdings II LLP	–	–	10,763,105	5.03%
Mackenzie Financial Corporation	–	–	6,431,936	3.00%

Since these dates, the interest of any shareholder listed above may have increased or decreased. Information provided to the Company pursuant to the relevant Disclosure Rules and Transparency Rules is publicly available via the regulatory information services. 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).

## 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 145.

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. Further details of the Group's employment policies and involvement are detailed in the Our People section of the Sustainability Review on pages 60 to 63.

## 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 pages 174 to 181.

## 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 ordinary shares of 12.5p each are set out in note 25 to the Group financial statements on page 169. 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.

During the period a total of 595,058 ordinary shares with an aggregate nominal value of £74,382.25 were issued and allotted. 593,934 ordinary shares were issued on 8 July 2015, at a closing share price of £15.99, to Vidacos Nominee Limited in acquisition of Delta Industrial Valves, Inc., and 1,124 ordinary shares were issued on 18 August 2015, at a closing share price of £14.25, to Franck Degueure as part of a one-off conditional award.

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 2012 LTIP award vested and the trustees of the Kleinwort EBT transferred 33,951 ordinary shares to employees to satisfy the Compulsory Investment Share awards under the LTIP using ordinary shares purchased by the Kleinwort EBT in the market. During the period, the 2012 Deferred Bonus Plan (DBP) vested and the trustees of the Appleby EBT transferred 75,986 ordinary shares to employees to satisfy the DBP awards using ordinary shares purchased by the Appleby EBT in the market.

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 169. The 32,753 shares held in the Appleby EBT for the deferred element are the shares in respect of which dividends have not been waived. The Kleinwort EBT holds, through its account nominee K.B. (CI) Nominees Limited, 0.01% of the issued share capital of the Company, as at 1 January 2016, in trust for the benefit of certain Executive Directors and senior executives of the Group. The Appleby EBT holds, through account nominee CGWL Nominees Ltd, 0.06% of the issued share capital of the Company as at 1 January 2016. 0.02% of this is held in trust for the benefit of certain senior executives of the Group, and 0.04% is held in trust on behalf of the Company for satisfaction of any future vesting of the Weir Group Deferred Bonus Plan. With the exception of the shares held for the benefit of certain senior executives, 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.

## REPURCHASE OF SHARES

At the 2015 Annual General Meeting, shareholders renewed the Company's authority to make market purchases of up to 21.3m ordinary shares (representing approximately 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the 52 weeks ended 1 January 2016 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 at the same level.

## 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 poll and the result of the poll will be released to the London Stock Exchange and posted on the Company's website as soon as practicable 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.

## Directors' Report continued

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.

### 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.

### PENSION SCHEME INDEMNITIES

The Group operates two defined benefit pension schemes in the UK which provide retirement and death benefits for employees and former employees of the Group. The corporate trustees of the pension schemes are The Weir Group Pension Trust Limited, a subsidiary of The Weir Group PLC, and The Weir Group Senior Executives Pension Trust Limited. Qualifying pension scheme indemnity provisions, as defined in section 235 of the Companies Act 2006, were in force for the financial year ended 1 January 2016 and remain in force for the benefit of each of the directors of the corporate trustees of the pension schemes. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of the corporate trustees of the pension schemes.

### 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 five year US\$800m multi-currency revolving credit facility with a syndicate of 11 banks due to mature in September 2019. Under the terms of this agreement, if there is a change of control of the Company, any lender may request, by not less than 30 days' notice to the Company, that its commitment be cancelled and all outstanding amounts be repaid to that lender at the expiry of such notice period.

The Company has in issue fixed rate private placement notes with a range of maturities: 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 18 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.

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.

### CONFIRMATIONS

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 themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### 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 174 to 181. Each of these items has been considered in relation to the Group's banking facilities described in note 20 on pages 160 and 161.

The Directors' Report has been approved by the Board of Directors in accordance with the Companies Act 2006.

On behalf of the Board of Directors



**ANDREW NEILSON**  
Company Secretary

24 February 2016

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

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

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, as at the date of this report, confirms to the best of their knowledge that:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Strategic Report and the Directors' Report include 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.

On behalf of the Board of Directors



**CHARLES BERRY**

**Chairman**

24 February 2016

**KEITH COCHRANE**

**Chief Executive**

24 February 2016

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

### OUR OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- The Weir Group PLC's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent company's affairs as at 1 January 2016 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### WHAT WE HAVE AUDITED

The Weir Group PLC's financial statements comprise:

Group	Parent company
Consolidated balance sheet as at 1 January 2016	Balance sheet as at 1 January 2016
Consolidated income statement for the 52 week period then ended	Statement of changes in equity for the 52 week period then ended
Consolidated statement of comprehensive income for the 52 week period then ended	Related notes 1 to 18 to the financial statements
Consolidated statement of changes in equity for the 52 week period then ended	
Consolidated cash flow statement for the 52 week period then ended	
Related notes 1 to 32 to the financial statements	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

### OVERVIEW OF OUR AUDIT APPROACH

Risks of material misstatement	<ul style="list-style-type: none"> <li>– Exceptional Items: Group-wide efficiency review and Oil &amp; Gas downturn actions.</li> <li>– Carrying value of goodwill and intangible assets.</li> <li>– Valuation of inventory.</li> <li>– Adequacy of the Group's liability provisioning.</li> <li>– Exposure to significant tax risks.</li> <li>– Risk of fraud and management override of internal controls, particularly in relation to sales cut-off around the period end.</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>– We performed an audit of the financial information of five components and audit procedures on specific balances for a further seventeen components.</li> <li>– The components where we performed full or specific audit procedures accounted for 91% of adjusted profit before tax from continuing operations, 76% of Revenue and 80% of Total assets.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>– Overall Group materiality is £8.3m which represents 5% of adjusted profit before tax from continuing operations. Adjusted profit before tax from continuing operations excludes non-recurring exceptional items.</li> </ul>

### OUR ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.



Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Exceptional Items: Group-wide efficiency review and Oil &amp; Gas downturn actions (£367.8m, 2014: £209.4m)</b></p> <p><i>Refer to the Audit Committee Report (page 90); Financial review (page 43), Accounting policies (pages 135 to 136); and Note 5 of the Group Financial Statements (page 146).</i></p> <p>The recognition, consistency and presentation of costs and income within exceptional items is a key determinant in the assessment of the quality of the Group's underlying earnings.</p> <p>Given the significance and judgemental nature of the exceptional items, we have assessed this as a risk of material misstatement.</p> <p>The primary components of the exceptional items in the current year – and therefore the focus of our audit – were the Group-wide efficiency review £7.6m, Oil &amp; Gas downturn actions £92.5m, other Group restructuring £16.3m, and the intangibles impairment of £251.4m.</p> <p>An impairment charge of £225.5m was recognised in relation to the Pressure Control CGU and £25.9m in relation to two other CGUs at the year end. We have considered the risk relating to the impairment of goodwill and intangible assets immediately below.</p>	<p>We obtained and assessed managements' summary of charges incurred under the Group-wide efficiency review and Oil &amp; Gas down turn actions and other Group restructuring, split by division and principal business unit.</p> <p>We obtained an understanding from management of the rationale behind each of the charges. We obtained an analysis of the charges and supporting source documentation, rationale behind key assumptions and the estimation process undertaken to confirm the appropriateness of charges recognised.</p> <p>We assessed whether the changes were in line with the Group's accounting policy for exceptional items, and the Financial Reporting Council's reminder on consistency and clarity of presentation.</p> <p>We read the disclosure in Note 5 and related narrative reporting to assess whether these are consistent with the conclusions of our audit work and meet the disclosure requirements of relevant accounting standards.</p>	<p>We concluded that the material charges made are exceptional in nature and have been presented appropriately.</p>
<p><b>Carrying value of goodwill and intangible assets (£2,102.1m, 2014: £2,016m)</b></p> <p><i>Refer to the Audit Committee Report (page 90); Financial Review (page 43); Accounting policies (pages 137 to 138); and Note 5 and Note 14 of the Group Financial Statements (pages 155 to 157).</i></p> <p>The key assumptions used in the assessment of the carrying value of goodwill and intangible assets are discount rate, long term growth rate, revenue growth and EBIT margins, and these involve significant judgement. Therefore, this gives rise to inherent subjectivity in the carrying value of these assets recorded in the financial statements.</p> <p>In particular, the Pressure Control and Pressure Pumping CGUs are noted as requiring specific focus as a direct result of the prolonged downturn facing oil and gas markets those CGUs operate in.</p> <p>An impairment charge of £193.4m was recognised against Goodwill in the Pressure Control CGU with the remainder of £32.1m allocated against other intangible assets. A further £26.2m impairment charge was recognised in relation to the Goodwill in American Hydro and YESS at the year end.</p>	<p>We obtained management's impairment assessment and testing, examining the calculation methodology, sources for key assumptions and sensitivities applied. In addition to management's assessment, we performed audit procedures to identify any additional indicators of impairment for each CGU with associated intangible assets, focusing on those businesses experiencing particularly challenging market conditions and subject to restructuring.</p> <p>Where there was no impairment charge, we obtained management's sensitivity analysis showing the impact of a reasonably possible change in impairment assumptions as disclosed in Note 14. With the assistance of our specialists we evaluated these to determine whether an impairment charge was required.</p> <p>We corroborated the key assumptions behind the impairment model, being discount rate, long term growth rate, revenue growth and EBIT margins; utilising our valuations specialists to assist. The significant assumptions and their rationale are disclosed in Note 14 to the financial statements.</p> <p>For the Pressure Control and Pressure Pumping CGUs, given the prolonged downturn, we focused on the projected cash flows for these businesses under a range of oil price assumptions in the short and long terms and resultant impact on rig count, including scenarios generated from external analyst reports and internal EY economic projections.</p> <p>We have read the impairment and sensitivity analysis disclosures to confirm these are in line with the requirements of IAS 36, "Impairment of Assets."</p>	<p>We concluded that the charge recognised is within our overall range of acceptable outcomes.</p>

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

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Valuation of inventory (£478.7m, 2014: £550.0m)</b></p> <p><i>Refer to the Audit Committee Report (page 91); Accounting policies (page 138); and Note 16 of the Group Financial Statements (page 158).</i></p> <p>The continued challenges facing oil and gas markets has lead to reduced customer activity across these sectors.</p> <p>This reduction in activity has increased the risk associated with the valuation of inventory, particularly within the Oil &amp; Gas division.</p>	<p>For those components that have an in-scope inventory balance and take a controls based approach, we tested controls. Where a controls based approach was not possible, we performed additional detailed substantive testing.</p> <p>We obtained an aged analysis of the inventory from management. We compared specific inventory lines against utilisation rates and expected market activity based on rig count, as well as current and forecast sales, to identify excess or obsolete inventory exposures. We made further inquiries of management to challenge and verify the assumptions made and determine their appropriateness.</p> <p>For full and specific scope business units within the Oil &amp; Gas division, we made inquiries of management in relation to valuation judgements made as part of the Oil &amp; Gas downturn restructuring noted above.</p> <p>We also performed audit procedures on the application of the inventory provisioning accounting policy. We verified the rationale applied to supporting documentation.</p>	<p>We concluded that management's judgements in relation to the valuation and level of provisioning of inventory appropriately reflects the reductions in demand currently being experienced and forecast in the near future.</p>

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Adequacy of the Group's liability provisioning</b></p> <p><i>Refer to the Audit Committee Report (page 91); Financial Review (page 49); Accounting policies (page 139); and Note 22 of the Group Financial Statements (pages 162 to 163).</i></p> <p>The recognition and valuation of the expected outcome of employee related or other legal claims and exposures across the Group requires the exercise of management judgement in assessing the amounts recorded and the disclosures made in the financial statements.</p> <p>For those exposures where provision is made, the use of estimates within those provisions gives rise to inherent subjectivity in the amounts recorded in the financial statements.</p> <p>For those exposures where no provision has been made, the obligation to disclose the nature and estimate of its financial impact gives rise to further judgement in the disclosure within the financial statements.</p>	<p>We evaluated and challenged the assumptions and methodologies applied behind specific employee related provision calculations, and compared against our expectations. Where applicable, we have agreed projected costs against historical cost experience or supporting external evidence.</p> <p>We have discussed the status of current litigation and regulatory issues with Group Legal Counsel. We have written to external lawyers throughout our audit process and considered their responses. We have reviewed correspondence with third parties and related contractual agreements.</p> <p>We examined the judgements in relation to the Philippines Gold case, as disclosed in Note 27.</p> <p>For US asbestos-related claims, a provision of £28m with an equivalent receivable for insurance proceeds has been recorded. Significant inputs into the liability estimate include number of open claims, estimated cost per claim and projected claims. In addition, there are assumptions including the discount rate within the analysis to determine the fair value of the estimated liability. We engaged EY actuarial specialists to assess the appropriateness of the methodology followed and to evaluate the significant assumptions utilised in the valuation of the estimated liability. We also considered alternative assumptions to challenge the sensitivities and uncertainties relating to the liabilities.</p> <p>We have also obtained management's assessment of the adequacy of the Group's related insurance policies to corroborate their assessment of insurance cover over these US estimated asbestos liabilities.</p> <p>For UK asbestos-related claims there are outstanding asbestos related claims which are not the subject of insurance cover. We obtained management's assessment of the likely costs given past experience of the volume and cost of similar claims brought against the Group. With the assistance of EY specialists we examined the calculation behind management's best estimate of the future liability and considered alternative assumptions to challenge the sensitivities and uncertainties relating to the liability.</p> <p>We read the disclosure in Note 22 to confirm these are in line with the requirements of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets."</p>	<p>We concluded that management's estimates in relation to the adequacy of the Group's liability provisioning are reasonable, given the uncertainties involved.</p>
<p><b>Exposure to significant tax risks</b></p> <p><i>Refer to the Audit Committee Report (page 91); Financial Review (page 46); Accounting policies (page 141); and Note 7 of the Group Financial Statements (pages 147 to 148).</i></p> <p>The value of the tax provisions recorded in respect of a number of uncertain tax positions which require judgements in respect of the likely outcome of negotiations with and enquiries from various tax authorities.</p>	<p>We have utilised internal national and appropriate international taxation specialists to assist the Group team in the evaluation and challenge of the assumptions and estimates in relation to the level of provisions recognised for significant tax risks.</p> <p>We have corroborated the movements in these provisions during the period, and the closing balances against our expectations. We also considered any penalty regimes that could apply should any of the tax positions be successfully challenged.</p>	<p>We concluded that the amount provided by management is appropriate and within an acceptable range.</p>

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

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Risk of fraud and management override of internal controls, particularly in relation to sales cut-off around the period end</b></p> <p><i>Refer to the Accounting policies (page 137); and Note 3 of the Group Financial Statements (pages 142 to 144).</i></p> <p>Auditing standards require that we consider the risk of fraud or management override of internal controls in revenue recognition.</p> <p>Given the continued decline in key markets, we have evaluated that the key risk of misstatement due to management override, fraud and error specifically relates to sales cut-off around the period end. The downturn in activity has increased the risk of a material cut-off error through incorrect revenue recognition.</p>	<p>In relation to sales cut-off, for those components that have an in scope revenue balance and take a controls based approach, we tested controls with a focus on those related to sales cut-off. Where a controls based approach was not possible, we performed additional detailed substantive testing.</p> <p>We performed cut-off testing on third party shipping documentation and customer acceptance around the period end to ensure the risks and rewards have been transferred to the customer, and performed analytical review procedures to compare revenue with management's forecast and past experience.</p> <p>We tested reconciliation and manual journal entry authorisation controls at those full scope and specific scope components where we deemed there to be a higher country, control or management risk. In our testing of revenue recognition at those components, we tested the validity of manual journal entries posted around the period end.</p>	<p>We concluded that revenue recognised in the year is materially correct on the basis of our procedures performed and our audit procedures did not identify any evidence of management override of internal controls.</p>

In the prior year, our auditor's report included a risk of fraud and management override in relation to revenue and profit recognition on construction contracts and manual journal adjustments to revenues made as a result of overriding existing processes or controls. In the current year, given the continued decline in key markets, we have increased our focus on the assessment of the risk of fraud and management override to cover all material revenue streams, with a focus on sales cut-off around the period end.

### THE SCOPE OF OUR AUDIT

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Group financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected twenty two components covering entities within Australia, United States of America, Canada, the Netherlands, Italy, South Africa, Dubai, Brazil, Chile, Peru, France, South Korea and the United Kingdom, which represent the principal business units within the Group.

Of the twenty two components selected, we performed an audit of the financial information of five components ('full scope components') which were selected based on their size or risk characteristics. For the remaining seventeen components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 91% (2014: 78%) of the Group's adjusted Profit before tax from continuing operations, 76% (2014: 74%) of the Group's Revenue and 80% (2014: 78%) of the Group's Total assets.

The full scope components contributed 44% (2014: 43%) of the Group's adjusted Profit before tax from continuing operations, 33% (2014: 30%) of the Group's Revenue and 39% (2014: 35%) of the Group's Total assets.

The specific scope components contributed 47% (2014: 35%) of the Group's adjusted Profit before tax from continuing operations, 43% (2014: 44%) of the Group's Revenue and 41% (2014: 43%) of the Group's Total assets. The audit scope of the specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed all locations to perform specified procedures over the risks of misstatement, as described in the Risk section above.

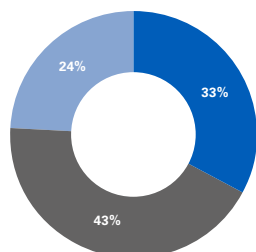
Of the remaining components that together represent 9% of the Group's adjusted Profit before tax from continuing operations, none are individually greater than 4% of the Group's adjusted Profit before tax from continuing operations. Certain central reporting entities and Group functions including those covering treasury, taxation, pensions and the Parent Company were subject to a full scope audit. For those remaining components not subject to a full or specific scope audit, we performed other procedures, including analytical procedures, testing of consolidation journals and intercompany eliminations, testing of balances greater than performance materiality and review of internal audit reports to respond to any potential risks of material misstatement to the Group financial statements.

We have obtained an understanding of the entity-level controls of the Group and the internal audit programme to assist us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy. We reviewed the results of procedures performed by Internal Audit and tested a number of the Group’s entity-level controls.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

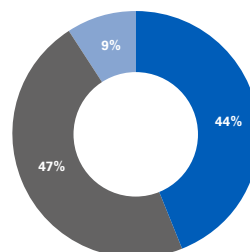
**Revenue**

- Full scope components
- Specific scope components
- Other procedures



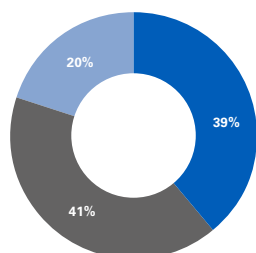
**Adjusted profit before tax**

- Full scope components
- Specific scope components
- Other procedures



**Total assets**

- Full scope components
- Specific scope components
- Other procedures



**Changes from the prior year**

Two components were raised from specific to full scope and one component was raised from residual to specific scope. One component was reduced from specific to other scope.

**Involvement with component teams**

In establishing our overall approach to the Group audit, we determined the type of audit procedures that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the five full scope components, audit procedures were performed on all of these by the component audit teams. For the seventeen specific scope components, the work was performed by component auditors. We determined the involvement that we as the primary team needed to have with each component auditor to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. The primary team continued to follow a programme of planned visits, video conferencing and teleconferencing that has been designed to ensure that the Senior Statutory Auditor or his designate visits those components with the greatest exposure to the risks of material misstatements noted above.

During the current year’s audit cycle, visits were undertaken by the primary audit team to the component teams in the United Kingdom, Chile, the Netherlands and certain component teams in America. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, and reviewing key audit working papers on significant risk areas.

The primary team interacted regularly with all component teams through video conferencing and teleconferencing where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

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

### OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £8.3m (2014: £18.0m), which is 5% (2014: 5%) of adjusted Profit before tax from continuing operations. We believe that adjusted Profit before tax from continuing operations provides a consistent measure of underlying performance as it excludes non-recurring exceptional items. This adjusted measure is used by the market and analysts as a key metric and therefore a focus for shareholders.

Starting basis:	(Loss)/profit before tax from continuing operations	(£199.8m) (2014: £149.1m)
Adjustments:	Exceptional items* – increase basis by	£366.4m (2014: £209.4m)
Materiality:	Adjusted profit before tax from continuing operations	£166.6m (2014: £358.5m)
	Materiality 5%	£8.3m (2014: £18.0m)

\* For 2015 these non-recurring exceptional items related to intangibles impairment £251.4m, Group-wide efficiency review £7.6m, Oil & Gas downturn actions £92.5m, other Group restructuring £16.3m, charging of fair value uplift £2.4m and release of expired indemnity provisions for LGE process disposal (£3.8m).

During the course of our audit, we reassessed initial materiality and reduced it to reflect lower results of the Group as a result of the market challenges faced in 2015.

#### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2014: 75%) of our planning materiality, namely £6.2m (2014: £13.5m). We have set performance materiality at this percentage due to historical experience with the Group demonstrating an effective control environment and low history of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.9m to £2.5m (2014: £1.4m to £5.1m).

#### Reporting threshold

*An amount below which identified misstatements is considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences which affect the Income Statement in excess of £0.4m (2014: £0.5m), or any Balance Sheet reclassification adjustments in excess of £2.0m (2014: £2.0m).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### 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 and the Parent 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 121, the Directors are responsible for the preparation of the 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 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.

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.



## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

<b>ISAs (UK and Ireland) reporting</b>	<p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> <li>– materially inconsistent with the information in the audited financial statements; or</li> <li>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>– otherwise misleading.</li> </ul> <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.</p>	We have no exceptions to report.
<b>Companies Act 2006 reporting</b>	<p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>– adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>– the Parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or</li> <li>– certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>– we have not received all the information and explanations we require for our audit.</li> </ul>	We have no exceptions to report.
<b>Listing Rules review requirements</b>	<p>We are required to review:</p> <ul style="list-style-type: none"> <li>– the Directors' statement in relation to going concern, set out on page 120, and longer-term viability, set out on page 29; and</li> <li>– the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.</li> </ul>	We have no exceptions to report.

## STATEMENT ON THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE ENTITY

<b>ISAs (UK and Ireland) reporting</b>	<p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> <li>– the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;</li> <li>– the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;</li> <li>– the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and</li> <li>– the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul>	We have nothing material to add or to draw attention to.
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### James Nisbet (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

24 February 2016

## Consolidated Income Statement for the 52 weeks ended 1 January 2016

	Notes	52 weeks ended 1 January 2016			52 weeks ended 2 January 2015		
		Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m
<b>Continuing operations</b>							
<b>Revenue</b>	3	<b>1,917.7</b>	<b>–</b>	<b>1,917.7</b>	2,438.2	–	2,438.2
<b>Continuing operations</b>							
Operating profit (loss) before share of results of joint ventures		<b>250.6</b>	<b>(417.2)</b>	<b>(166.6)</b>	439.8	(257.3)	182.5
Share of results of joint ventures	15	<b>8.3</b>	<b>–</b>	<b>8.3</b>	10.0	–	10.0
<b>Operating profit (loss)</b>		<b>258.9</b>	<b>(417.2)</b>	<b>(158.3)</b>	449.8	(257.3)	192.5
Finance costs	6	<b>(40.5)</b>	<b>(2.4)</b>	<b>(42.9)</b>	(44.5)	(2.1)	(46.6)
Finance income	6	<b>4.7</b>	<b>–</b>	<b>4.7</b>	6.0	–	6.0
Other finance costs – retirement benefits	24	<b>(3.3)</b>	<b>–</b>	<b>(3.3)</b>	(2.8)	–	(2.8)
<b>Profit (loss) before tax from continuing operations</b>		<b>219.8</b>	<b>(419.6)</b>	<b>(199.8)</b>	408.5	(259.4)	149.1
Tax (expense) credit	7	<b>(52.5)</b>	<b>73.3</b>	<b>20.8</b>	(105.5)	30.1	(75.4)
<b>Profit (loss) for the period from continuing operations</b>		<b>167.3</b>	<b>(346.3)</b>	<b>(179.0)</b>	303.0	(229.3)	73.7
Profit for the period from discontinued operations	8	<b>–</b>	<b>–</b>	<b>–</b>	–	1.0	1.0
<b>Profit (loss) for the period</b>		<b>167.3</b>	<b>(346.3)</b>	<b>(179.0)</b>	303.0	(228.3)	74.7
Attributable to:							
Equity holders of the Company		<b>167.6</b>	<b>(346.3)</b>	<b>(178.7)</b>	301.4	(228.3)	73.1
Non-controlling interests		<b>(0.3)</b>	<b>–</b>	<b>(0.3)</b>	1.6	–	1.6
		<b>167.3</b>	<b>(346.3)</b>	<b>(179.0)</b>	303.0	(228.3)	74.7
<b>Earnings (loss) per share</b>							
Basic – total operations	9			<b>(83.6p)</b>			34.3p
Basic – continuing operations		<b>78.4p</b>		<b>(83.6p)</b>	141.3p		33.8p
Diluted – total operations				<b>(83.6p)</b>			34.2p
Diluted – continuing operations		<b>78.4p</b>		<b>(83.6p)</b>	140.9p		33.7p

## Consolidated Statement of Comprehensive Income for the 52 weeks ended 1 January 2016

	Notes	52 weeks ended 1 January 2016 £m	52 weeks ended 2 January 2015 £m
<b>(Loss) profit for the period</b>		<b>(179.0)</b>	74.7
<b>Other comprehensive income</b>			
Losses taken to equity on cash flow hedges		(2.8)	(4.0)
Exchange (losses) gains on translation of foreign operations		(13.0)	61.3
Exchange losses on net investment hedges		(16.5)	(16.1)
Reclassification adjustments on cash flow hedges		1.6	0.9
Tax relating to other comprehensive (expense) income to be reclassified in subsequent periods	7	1.2	0.3
<b>Items that are or may be reclassified to profit or loss in subsequent periods</b>		<b>(29.5)</b>	42.4
Remeasurements on defined benefit plans	24	13.5	(31.1)
Tax relating to other comprehensive income (expense) that will not be reclassified in subsequent periods	7	(2.1)	6.8
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>		<b>11.4</b>	(24.3)
<b>Net other comprehensive (expense) income</b>		<b>(18.1)</b>	18.1
<b>Total net comprehensive (expense) income for the period</b>		<b>(197.1)</b>	92.8
Attributable to:			
Equity holders of the Company		(196.5)	90.7
Non-controlling interests		(0.6)	2.1
		<b>(197.1)</b>	92.8

## Consolidated Balance Sheet at 1 January 2016

	Notes	1 January 2016 £m	Restated (note 2) 2 January 2015 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	11	388.3	435.0
Intangible assets	12	1,411.6	1,640.8
Investments in joint ventures	15	33.4	33.7
Deferred tax assets	23	20.2	24.5
Other receivables	17	22.3	22.3
Retirement benefit plan assets	24	8.2	4.1
Derivative financial instruments	30	8.5	3.5
<b>Total non-current assets</b>		<b>1,892.5</b>	<b>2,163.9</b>
<b>Current assets</b>			
Inventories	16	478.7	550.0
Trade & other receivables	17	444.7	623.0
Construction contracts	18	28.5	31.3
Derivative financial instruments	30	14.2	10.5
Income tax receivable		29.1	5.8
Cash & short-term deposits	19	184.0	178.7
<b>Total current assets</b>		<b>1,179.2</b>	<b>1,399.3</b>
<b>Total assets</b>		<b>3,071.7</b>	<b>3,563.2</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest-bearing loans & borrowings	20	195.6	166.1
Trade & other payables	21	459.6	582.0
Construction contracts	18	8.9	13.8
Derivative financial instruments	30	14.1	11.3
Income tax payable		31.6	32.1
Provisions	22	70.3	65.4
<b>Total current liabilities</b>		<b>780.1</b>	<b>870.7</b>
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings	20	813.4	873.3
Other payables	21	22.6	25.6
Derivative financial instruments	30	5.8	3.1
Provisions	22	46.7	47.4
Deferred tax liabilities	23	115.3	162.5
Retirement benefit plan deficits	24	90.0	98.4
<b>Total non-current liabilities</b>		<b>1,093.8</b>	<b>1,210.3</b>
<b>Total liabilities</b>		<b>1,873.9</b>	<b>2,081.0</b>
<b>NET ASSETS</b>		<b>1,197.8</b>	<b>1,482.2</b>
<b>CAPITAL &amp; RESERVES</b>			
Share capital	25	26.8	26.8
Share premium		38.0	38.0
Merger reserve		9.4	–
Treasury shares		(5.8)	(5.8)
Capital redemption reserve		0.5	0.5
Foreign currency translation reserve		(41.8)	(12.6)
Hedge accounting reserve		(2.0)	(2.0)
Retained earnings		1,166.5	1,430.5
<b>Shareholders' equity</b>		<b>1,191.6</b>	<b>1,475.4</b>
Non-controlling interests		6.2	6.8
<b>TOTAL EQUITY</b>		<b>1,197.8</b>	<b>1,482.2</b>

Approved by the Board of Directors on 24 February 2016

**Keith Cochrane**  
Director

**Jon Stanton**  
Director

## Consolidated Cash Flow Statement for the 52 weeks ended 1 January 2016

	Notes	52 weeks ended 1 January 2016 £m	52 weeks ended 2 January 2015 £m
<b>Continuing operations</b>			
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	396.5	421.3
Additional pension contributions paid		(2.6)	(10.6)
Exceptional cash items		(33.4)	(10.6)
Income tax paid		(50.4)	(94.1)
Net cash generated from operating activities		310.1	306.0
<b>Continuing operations</b>			
<b>Cash flows from investing activities</b>			
Acquisitions of subsidiaries	26	(14.1)	(137.7)
Purchases of property, plant & equipment and intangible assets		(92.1)	(108.0)
Other proceeds from sale of property, plant & equipment and intangible assets		4.4	6.7
Interest received		3.9	6.2
Dividends received from joint ventures	15	10.0	6.0
Net cash used in investing activities		(87.9)	(226.8)
<b>Continuing operations</b>			
<b>Cash flows from financing activities</b>			
Purchase of shares for equity settled share-based incentives		–	(0.2)
Proceeds from borrowings		541.9	404.0
Repayments of borrowings		(591.2)	(237.5)
Settlement of external debt of subsidiary on acquisition	26	(1.2)	–
Settlement of derivative financial instruments		(1.7)	(3.1)
Interest paid		(41.8)	(42.7)
Proceeds from increase in non-controlling interests		–	0.2
Dividends paid to equity holders of the Company	10	(94.0)	(102.7)
Net cash (used in) generated from financing activities		(188.0)	18.0
<b>Net increase in cash &amp; cash equivalents from continuing operations</b>		<b>34.2</b>	<b>97.2</b>
Cash & cash equivalents at the beginning of the period		166.6	68.6
Foreign currency translation differences		(21.5)	0.8
<b>Cash &amp; cash equivalents at the end of the period</b>	19	<b>179.3</b>	<b>166.6</b>

## Consolidated Statement of Changes in Equity for the 52 weeks ended 1 January 2016

	Share capital £m	Share premium £m	Merger reserve £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 3 January 2014	26.7	38.0	–	(5.8)	0.5	(57.3)	0.8	1,479.3	1,482.2	4.5	1,486.7
Profit for the period	–	–	–	–	–	–	–	73.1	73.1	1.6	74.7
Losses taken to equity on cash flow hedges	–	–	–	–	–	–	(4.0)	–	(4.0)	–	(4.0)
Exchange gains on translation of foreign operations	–	–	–	–	–	60.8	–	–	60.8	0.5	61.3
Exchange losses on net investment hedges	–	–	–	–	–	(16.1)	–	–	(16.1)	–	(16.1)
Remeasurements on defined benefit plans	–	–	–	–	–	–	–	(31.1)	(31.1)	–	(31.1)
Reclassification adjustments on cash flow hedges	–	–	–	–	–	–	0.9	–	0.9	–	0.9
Tax relating to other comprehensive income	–	–	–	–	–	–	0.3	6.8	7.1	–	7.1
Total net comprehensive income for the period	–	–	–	–	–	44.7	(2.8)	48.8	90.7	2.1	92.8
Proceeds from increase in non-controlling interests	–	–	–	–	–	–	–	–	–	0.2	0.2
Cost of share-based payments inclusive of tax charge	–	–	–	–	–	–	–	5.2	5.2	–	5.2
Dividends	–	–	–	–	–	–	–	(102.7)	(102.7)	–	(102.7)
Exercise of LTIP awards	0.1	–	–	–	–	–	–	(0.1)	–	–	–
<b>At 2 January 2015</b>	<b>26.8</b>	<b>38.0</b>	<b>–</b>	<b>(5.8)</b>	<b>0.5</b>	<b>(12.6)</b>	<b>(2.0)</b>	<b>1,430.5</b>	<b>1,475.4</b>	<b>6.8</b>	<b>1,482.2</b>
Loss for the period	–	–	–	–	–	–	–	(178.7)	(178.7)	(0.3)	(179.0)
Losses taken to equity on cash flow hedges	–	–	–	–	–	–	(2.8)	–	(2.8)	–	(2.8)
Exchange losses on translation of foreign operations	–	–	–	–	–	(12.7)	–	–	(12.7)	(0.3)	(13.0)
Exchange losses on net investment hedges	–	–	–	–	–	(16.5)	–	–	(16.5)	–	(16.5)
Remeasurements on defined benefit plans	–	–	–	–	–	–	–	13.5	13.5	–	13.5
Reclassification adjustments on cash flow hedges	–	–	–	–	–	–	1.6	–	1.6	–	1.6
Tax relating to other comprehensive income	–	–	–	–	–	–	1.2	(2.1)	(0.9)	–	(0.9)
<b>Total net comprehensive expense for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(29.2)</b>	<b>–</b>	<b>(167.3)</b>	<b>(196.5)</b>	<b>(0.6)</b>	<b>(197.1)</b>
Issue of shares (note 13)	–	–	9.4	–	–	–	–	–	9.4	–	9.4
Share-based payments credit inclusive of tax charge	–	–	–	–	–	–	–	(2.7)	(2.7)	–	(2.7)
Dividends	–	–	–	–	–	–	–	(94.0)	(94.0)	–	(94.0)
<b>At 1 January 2016</b>	<b>26.8</b>	<b>38.0</b>	<b>9.4</b>	<b>(5.8)</b>	<b>0.5</b>	<b>(41.8)</b>	<b>(2.0)</b>	<b>1,166.5</b>	<b>1,191.6</b>	<b>6.2</b>	<b>1,197.8</b>



## Notes to the Group Financial Statements

### 1. AUTHORISATION OF FINANCIAL STATEMENTS AND 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 1 January 2016 ('2015') were approved and authorised for issue in accordance with a resolution of the Directors on 24 February 2016. The comparative information is presented for the 52 weeks ended 2 January 2015 ('2014'). For the 52 week period ended 1 January 2016 and previous periods, the Group has reported its financial statements to the week ending closest to the Company reference date of 31 December. For practical purposes, a decision has been made to alter the reporting basis to reflect a calendar year, with the next annual reporting date being 31 December 2016 and the interim financial period end being 30 June 2016. This is not expected to significantly impact the reported results in 2016.

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 where otherwise indicated.

The accounting policies which follow are consistent with those of the previous period except for the adoption of the Annual Improvements to IFRSs 2011-2013 Cycle, which was implemented effective from 1 January 2015. This covered minor clarifications and amendments to various IFRSs and did not have a material impact on the Group's financial statements.

There are no other standards and amendments which apply for the first time in 2015 and impact the Group financial statements.

#### Business combinations – update to provisional fair values

During the year, the provisional fair values attributed to the 2014 acquisitions (being Trio and Metra) were finalised. In accordance with IFRS 3 "Business Combinations", the net impact of the adjustments to the provisional fair values has been recognised by means of an increase 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.

The table below reflects the adjustments made to finalise the Trio Engineered Products (Weir Trio) fair values.

	Provisional fair values 2 January 2015 £m	Final fair values 2 January 2015 £m	Adjustments to fair values £m
Inventories	20.9	19.9	(1.0)
Trade & other receivables	15.6	13.6	(2.0)
Trade & other payables	(20.0)	(20.6)	(0.6)
Provisions	(10.9)	(11.2)	(0.3)
Deferred tax	(1.0)	0.7	1.7
Goodwill arising on acquisition	75.7	77.9	2.2
Impact on net assets			–

The Metra Equipment Inc. (Weir Metra) provisional fair values were also finalised during the period, the impact being a decrease to the inventory fair value of £0.3m, with a corresponding increase in goodwill.

The Consolidated Balance Sheet and affected notes present restated comparative information as at 2 January 2015. There was no material impact on the Consolidated Income Statement or Consolidated Statement of Comprehensive Income as a result of the finalisation of the provisional fair values.

#### Exceptional items

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 period has been analysed between:

- profit before exceptional items and intangibles amortisation; and
- the effect of exceptional items and intangibles amortisation.

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 or 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.

## Notes to the Group Financial Statements **continued**

### 2. ACCOUNTING POLICIES CONTINUED

#### Exceptional items *continued*

Intangibles amortisation 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.

#### Use of estimates & judgements

The Group's significant accounting policies are set out below. The preparation of the consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.

Management base these judgements, estimates and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to each individual circumstance. Actual results may differ from these estimates, judgements and assumptions, which 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.

The areas where management consider the more complex estimates, judgements and assumptions are required are those in respect of acquired assets and liabilities – business combinations (note 13), exceptional items (above and note 5), retirement benefits (note 24), taxation (note 7), valuation of inventory (note 16), provisions (note 22), impairment of non-current assets (note 14) and legal claims (note 27).

Further commentary on areas of estimation uncertainty and critical judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is provided in the Financial Review on pages 48 to 49.

#### Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of The Weir Group PLC and its subsidiaries, and the Group's share of results of its joint ventures. 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 achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

A full list of the Company's subsidiary undertakings can be found on pages 201 to 204.

#### Joint ventures

The Group has a number of long-term contractual arrangements with other parties which represent joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's interests in the results and assets and liabilities of its joint ventures 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 IFRS 1, 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 that date.

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, and 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.

#### i. Sale of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, usually on despatch of goods, and reliable measurement is possible. No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods. Transfers of risks and rewards vary depending on the nature of the products sold and the individual terms of the contract of sale. Where the sale of product requires customer inspection, revenue is not recognised until the inspection has been completed and approved by the customer.

This policy is applicable to the sale of both original equipment and spare parts, whether sold individually, in bulk or as part of a cross-selling marketing strategy.

#### ii. Provision of services

Revenue from the rendering of services is generally recognised on completion if the service contract is short-term in nature. Where this is not the case, revenue from services is recognised in proportion to the stage of completion of the service at the balance sheet date. The stage of completion is assessed by reference to the contractual agreement with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Revenue recognition commences only when the outcome of the contract can be reliably measured, by reference to individual terms and conditions within each service contract, and it is probable that the economic benefits associated with the contract will flow to the Group. Otherwise it is recognised to the extent costs are incurred.

#### iii. Construction contracts

Construction contracts usually contain discrete elements separately transferring risks and rewards to the customer. 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. Construction contracts are primarily entered into by the Group's 'Engineer to Order' businesses.

### 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 transition to IFRS.

Property, plant & 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 & 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

### 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.

## Notes to the Group Financial Statements **continued**

### 2. ACCOUNTING POLICIES CONTINUED

#### Goodwill **continued**

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 is recognised at the date of acquisition. Subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as a liability are accounted for in accordance with the relevant IFRS.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

#### 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 & 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 acquired intangible assets are as follows:

Brand names	Indefinite life
Customer & distributor relationships	5 – 25 years
Purchased software	4 – 8 years
Intellectual property & trade marks	6 – 15 years
Other	up to 6 years

#### Research & development costs

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

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product or technology 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, 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 or technology.

#### 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, commercial paper, 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, and contingent consideration in relation to acquisitions.

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, 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 are generally of a short-term 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 & 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 settle the liability 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 and counterparty and the Group's own credit risk. 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, spot foreign exchange rates and counterparty and own credit risk. Changes in their fair values have been recognised in the income statement, except where hedge accounting is used, provided the conditions specified by IAS 39 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IAS 39 and practical to do so. When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges, as appropriate.

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 or 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.

## Notes to the Group Financial Statements **continued**

### 2. ACCOUNTING POLICIES CONTINUED

#### Derivative financial instruments & hedge accounting **continued**

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') and as a consequence of occasional one-off conditional awards made to senior executives. The last equity settled grant under the Executive Bonus Scheme ('EBS') was during 2013.

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 changes to the LTIP which took effect in 2014 are summarised in the Directors' Remuneration Policy which can be found on the Company's website, [www.corporategovernance.weir](http://www.corporategovernance.weir).

The previously granted equity settled incentives under the EBS were determined as a percentage of the annual bonus and were matched by the Group with a share award that would vest on the third anniversary of the grant date, provided the individual continued to hold the original bonus shares awarded and continued to be employed by the Company at the date of vesting. In addition the EBS included a strategic bonus shares element for a limited number of senior employees. The fair value of the matching and strategic elements of the EBS was 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 granted. The fair value was determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified.

#### 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.

#### Post-employment benefits

Post-employment benefits comprise pension benefits provided to certain current and former employees in the UK, US and Canada and post-retirement healthcare benefits provided to certain employees in the US.

For defined benefit pension and post-retirement healthcare plans, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on net pension liability is recognised in finance costs.

The finance cost recognised in the income statement in the period reflects the net interest on the net pension liability. This represents the change in the net pension liability resulting from the passage of time, and is determined by applying the discount rate to the opening net liability, taking into account employer contributions paid into the plan, and hence reducing the net liability, during the period.

Past service costs resulting from enhanced benefits are recognised immediately in the income statement. Actuarial gains and losses, which represent differences between interest on the plan assets, experience on the benefit obligation and the effect of changes in actuarial assumptions, are recognised in full in other 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 yields at the balance sheet date on appropriate high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in the currency in which the benefits are expected to be paid, minus the fair value of the plan assets, if any, at the balance sheet date. The balance sheet amount recognised is limited to the present value of economic benefits which the Group expects to recover by way of refunds or a reduction in future contributions. In order to calculate the present value of economic benefits, consideration is also given to any minimum funding requirements.

For defined contribution plans, the cost represents 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 & 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; and
- 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 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
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 February 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 February 2015
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendment to IAS 1: Disclosure Initiative	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016*
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
Amendments to IAS 7: Disclosure Initiative	1 January 2017*
IFRS 15: Revenue from Contracts with Customers	1 January 2018*
IFRS 9: Financial Instruments	1 January 2018*
IFRS 16: Leases	1 January 2019*

\* 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. There is not expected to be a significant impact on the 2016 financial statements as a result of the standards effective from 1 January 2016. Planning has commenced for an assessment of the impact of the standards applicable in 2017 and 2018.

## Notes to the Group Financial Statements continued

### 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 and a reportable segment under IFRS 8. 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.

The Chief Executive assesses the performance of the operating segments based on operating profit from continuing operations before exceptional items (including impairments) and intangibles amortisation ('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.

The segment information for the reportable segments for 2015 and 2014 is disclosed below.

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<b>Revenue</b>								
Sales to external customers	<b>1,034.3</b>	1,127.9	<b>581.9</b>	992.1	<b>301.5</b>	318.2	<b>1,917.7</b>	2,438.2
Inter-segment sales	<b>4.4</b>	3.9	<b>14.7</b>	14.6	<b>7.9</b>	8.5	<b>27.0</b>	27.0
Segment revenue	<b>1,038.7</b>	1,131.8	<b>596.6</b>	1,006.7	<b>309.4</b>	326.7	<b>1,944.7</b>	2,465.2
Eliminations							<b>(27.0)</b>	(27.0)
							<b>1,917.7</b>	2,438.2
<b>Sales to external customers – 2014 at 2015 average exchange rates</b>								
Sales to external customers	<b>1,034.3</b>	1,076.8	<b>581.9</b>	1,048.8	<b>301.5</b>	318.5	<b>1,917.7</b>	2,444.1
							<b>1,917.7</b>	2,444.1
<b>Segment result</b>								
Segment result before share of results of joint ventures	<b>198.1</b>	226.4	<b>49.7</b>	214.9	<b>21.6</b>	18.6	<b>269.4</b>	459.9
Share of results of joint ventures	–	–	<b>8.3</b>	10.0	–	–	<b>8.3</b>	10.0
Segment result	<b>198.1</b>	226.4	<b>58.0</b>	224.9	<b>21.6</b>	18.6	<b>277.7</b>	469.9
Unallocated expenses							<b>(18.8)</b>	(20.1)
Operating profit before exceptional items & intangibles amortisation							<b>258.9</b>	449.8
Total exceptional items & intangibles amortisation							<b>(419.6)</b>	(259.4)
Net finance costs before exceptional items							<b>(35.8)</b>	(38.5)
Other finance costs – retirement benefits							<b>(3.3)</b>	(2.8)
(Loss) profit before tax from continuing operations							<b>(199.8)</b>	149.1
<b>Segment result – 2014 at 2015 average exchange rates</b>								
Segment result before share of results of joint ventures	<b>198.1</b>	217.5	<b>49.7</b>	228.7	<b>21.6</b>	18.8	<b>269.4</b>	465.0
Share of results of joint ventures	–	–	<b>8.3</b>	10.7	–	–	<b>8.3</b>	10.7
Segment result	<b>198.1</b>	217.5	<b>58.0</b>	239.4	<b>21.6</b>	18.8	<b>277.7</b>	475.7
Unallocated expenses							<b>(18.8)</b>	(20.2)
Operating profit before exceptional items & intangibles amortisation							<b>258.9</b>	455.5

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

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
<b>Assets &amp; liabilities (restated note 2)</b>								
Intangible assets	555.8	539.1	843.2	991.6	72.6	102.0	1,471.6	1,632.7
Property, plant & equipment	195.3	214.6	137.5	167.0	50.9	52.3	383.7	433.9
Working capital assets	434.2	501.6	350.9	532.1	168.3	178.4	953.4	1,212.1
	1,185.3	1,255.3	1,331.6	1,690.7	291.8	332.7	2,808.7	3,278.7
Investments in joint ventures	–	–	33.4	33.7	–	–	33.4	33.7
Segment assets	1,185.3	1,255.3	1,365.0	1,724.4	291.8	332.7	2,842.1	3,312.4
Unallocated assets							229.6	250.8
Total assets							3,071.7	3,563.2
Working capital liabilities	259.8	286.6	172.0	242.8	131.6	113.8	563.4	643.2
Unallocated liabilities							1,310.5	1,437.8
Total liabilities							1,873.9	2,081.0
<b>Other segment information</b>								
Segment additions to non-current assets	36.7	56.9	36.2	50.6	6.8	8.9	79.7	116.4
Unallocated additions to non-current assets							10.2	3.7
Total additions to non-current assets							89.9	120.1
Segment depreciation & amortisation	43.4	37.7	58.7	54.7	10.8	10.6	112.9	103.0
Impairment of property, plant & equipment	2.8	4.0	33.4	5.2	–	–	36.2	9.2
Impairment of intangible assets	–	–	225.5	160.0	25.9	–	251.4	160.0
Unallocated depreciation & amortisation							3.0	3.0
Total depreciation, amortisation & impairment							403.5	275.2

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

### Geographical information

Geographical information in respect of revenue and non-current assets for 2015 and 2014 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 & equipment, intangible assets and investments in joint ventures.

	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
<b>52 weeks ended 1 January 2016</b>									
Revenue from continuing operations									
Sales to external customers	93.5	557.3	194.8	142.6	247.2	146.6	247.7	288.0	1,917.7
Non-current assets	178.8	895.6	48.5	135.0	269.9	155.2	44.6	105.7	1,833.3
<b>52 weeks ended 2 January 2015</b>									
Revenue from continuing operations									
Sales to external customers	113.0	875.9	246.0	180.9	252.4	220.3	261.6	288.1	2,438.2
Non-current assets (restated note 2)	144.7	1,133.0	59.0	144.6	304.6	163.0	49.5	111.1	2,109.5

## Notes to the Group Financial Statements continued

### 3. SEGMENT INFORMATION CONTINUED

The following disclosures are given in relation to continuing operations.

	2015 £m	2014 £m
An analysis of the Group's revenue is as follows		
Original equipment	526.6	748.7
Aftermarket parts	939.4	1,145.3
Sales of goods	1,466.0	1,894.0
Aftermarket services	380.1	470.5
Revenue from construction contracts	71.6	73.7
Revenue	1,917.7	2,438.2
Finance income	4.7	6.0
Total revenue	1,922.4	2,444.2

### 4. REVENUES & EXPENSES

The following disclosures are given in relation to total continuing operations and include exceptional items & intangibles amortisation.

	2015 £m	2014 £m
A reconciliation of revenue to operating (loss) profit is as follows		
Revenue	1,917.7	2,438.2
Cost of sales	(1,372.0)	(1,632.2)
Gross profit	545.7	806.0
Other operating income	14.9	4.1
Selling & distribution costs	(218.9)	(213.5)
Administrative expenses	(256.9)	(254.1)
Intangibles impairment	(251.4)	(160.0)
Share of results of joint ventures	8.3	10.0
Operating (loss) profit	(158.3)	192.5

Exceptional items are included in the line items above as follows: cost of sales £87.5m (2014: £39.0m); other operating income £5.9m (2014: £nil); selling & distribution costs £4.2m (2014: £3.7m); and administrative expenses £27.5m (2014: £9.6m).

	2015 £m	2014 £m
Operating (loss) profit is stated after charging (crediting)		
Cost of inventories recognised as an expense	1,372.0	1,632.2
Depreciation of property, plant & equipment (note 11)	63.4	61.1
Amortisation of intangible assets (note 12)	52.5	44.9
Acquisition transaction costs	0.3	0.9
Acquisition integration costs	4.5	1.1
Other exceptional items*	113.3	52.4
Net foreign exchange losses	4.5	1.4
Net impairment of trade receivables excluding additional restructuring action amounts (note 17)	4.9	(0.6)

\* Details of the other exceptional items are provided in note 5.

The following disclosures are given in relation to total operations.

	2015 £m	2014 £m
<b>Auditors remuneration</b>		
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	0.4	0.4
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	1.5
Other assurance services	0.1	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 £29.0m (2014: £24.8m) of which £27.0m (2014: £22.4m) was charged directly to cost of sales in the income statement and £2.0m (2014: £2.4m) was capitalised (note 12).

### Operating leases

Minimum lease payments under operating leases recognised as an expense in the period were £44.3m (2014: £42.7m).

	2015 £m	2014 £m
<b>Employee benefits expense</b>		
Wages & salaries	485.8	552.5
Social security costs	48.6	52.2
Pension costs		
Defined benefit plans (note 24)	1.7	2.1
Defined contribution plans	18.2	19.5
Share-based payments – equity settled transactions	(2.3)	4.4
	<b>552.0</b>	<b>630.7</b>
	2015 Number	2014 Number
The average monthly number of people employed by the Company and its subsidiaries is as follows		
Minerals	8,583	8,271
Oil & Gas	3,244	3,923
Power & Industrial	2,914	3,015
Group companies	97	79
	<b>14,838</b>	<b>15,288</b>

At 1 January 2016, the number of people employed by the Group including those under temporary contracts was 14,720 (2014: 16,347).

## Notes to the Group Financial Statements continued

## 5. EXCEPTIONAL ITEMS &amp; INTANGIBLES AMORTISATION

	2015 £m	2014 £m
Recognised in arriving at operating (loss) profit from continuing operations		
Intangibles amortisation (note 12)	<b>(52.5)</b>	(44.9)
Exceptional item – Intangibles impairment (note 12)	<b>(251.4)</b>	(160.0)
Exceptional item – Group-wide efficiency review	<b>(7.6)</b>	(49.4)
Exceptional item – Oil & Gas downturn actions	<b>(92.5)</b>	–
Exceptional item – Other Group restructuring	<b>(16.3)</b>	–
Exceptional item – charging of fair value inventory uplift	<b>(2.4)</b>	–
Exceptional item – release of expired indemnity provisions for LGE Process disposal	<b>3.8</b>	–
Exceptional item – Metso aborted acquisition costs	–	(2.4)
Exceptional item – fair value adjustment to contingent consideration liability	<b>1.7</b>	(0.6)
	<b>(417.2)</b>	(257.3)
Recognised in finance costs		
Exceptional item – unwind in respect of contingent consideration liability	<b>(2.4)</b>	(2.1)
Recognised in arriving at profit for the period from discontinued operations		
Exceptional item (note 8)	–	1.0

The Group-wide efficiency review, which commenced during the fourth quarter of 2014 with the closure of a number of small manufacturing facilities and workforce reductions, continued into the first half of 2015 with the final headcount reductions and restructuring actions implemented. Exceptional costs totalling £7.6m have been recognised in the income statement, represented by £5.9m in cash restructuring costs and impairment charges of £1.7m. The charge is in line with that disclosed in the Interim accounts. The charge recorded in the 52 weeks ended 2 January 2015 was £49.4m, which comprised £30.1m in restructuring costs and impairment charges of £19.3m. The total cash outflow in the period in relation to the Group-wide efficiency review was £20.3m, of which £14.4m related to the cost provided for in 2014 and the balance in respect of the 2015 charge.

The Group has taken a number of actions to mitigate the impact of the prolonged downturn in oil and gas markets, including headcount reductions and the closure of certain service centres. The Group has also taken the decision to rationalise product lines and discontinue support for certain older product lines which have been superseded in the market by new technologies, as well as reassess actual and expected utilisation of rental assets based on the “lower for longer” outlook for the market. Exceptional costs totalling £92.5m have been recognised in the income statement in relation to these actions, comprising £31.2m in cash restructuring costs (of which £0.5m relates to the close out of commodity hedges) and impairment charges of £61.3m. The impairment charge includes £33.2m in relation to property, plant & equipment (predominantly rental assets) and £28.1m on inventory. Of the cash restructuring charge, a cash outflow of £7.1m has been recorded in the period.

Additional restructuring actions have been implemented by the other Divisions in the second half of the year by way of continued response to end market conditions across minerals and power. Exceptional costs totalling £16.3m have been recognised in the income statement, represented by £11.0m cash restructuring costs and impairment charges of £5.3m. The impairment charge includes £1.0m in relation to property, plant & equipment and £3.2m and £1.1m against inventory and receivables respectively. Of the cash restructuring charge, a cash outflow of £6.0m has been recorded in the period.

The termination costs in the period total £16.7m in relation to the above actions (2014: £15.6m).

An impairment of £225.5m has been recognised in the period in relation to goodwill and brand names held in Pressure Control and a charge of £25.9m to goodwill held in certain of the Other CGUs. Further details are provided in note 14.

Other exceptional items in the period include the unwind of both contingent consideration liabilities and inventory fair value adjustments relating to Weir Trio. Offsetting these amounts is an adjustment to the fair value of the contingent consideration liability and a release of expired warranty indemnity provisions.



## 6. FINANCE (COSTS) INCOME

### Finance costs

	2015 £m	2014 £m
Interest payable on bank loans, fixed rate notes & overdrafts	(35.8)	(36.2)
Losses on financial assets & liabilities at fair value through profit & loss	(2.8)	(6.2)
Finance charges related to committed loan facilities	(1.9)	(2.1)
	(40.5)	(44.5)
Unwind of discount in respect of contingent consideration – exceptional item (note 5)	(2.4)	(2.1)
	(42.9)	(46.6)

### Finance income

	2015 £m	2014 £m
Interest receivable on financial assets	3.4	1.1
Gains on financial assets & liabilities at fair value through profit & loss	1.3	4.9
	4.7	6.0

## 7. TAX EXPENSE

### Income tax expense

	2015 £m	2014 £m
<b>Consolidated Income Statement</b>		
Current income tax		
UK corporation tax – continuing operations	(2.3)	(3.1)
Adjustments in respect of previous years	0.5	4.6
UK corporation tax	(1.8)	1.5
Foreign tax – continuing operations	(32.1)	(89.2)
Adjustments in respect of previous years	5.1	1.8
Total current income tax	(28.8)	(85.9)
Deferred income tax		
Origination & reversal of temporary differences – continuing operations	52.3	12.6
Adjustment to estimated recoverable deferred tax assets	2.0	1.2
Effect of changes in tax rates	0.2	(0.2)
Adjustments in respect of previous years	(4.9)	(3.1)
Total deferred tax*	49.6	10.5
Total income tax credit (expense) in the Consolidated Income Statement	20.8	(75.4)

\* Includes £54.3m of deferred tax credit relating to foreign tax (2014: £12.1m credit).

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

	2015 £m	2014 £m
Tax expense – continuing operations before exceptional items & intangibles amortisation	(52.5)	(105.5)
– exceptional items	32.2	16.0
– intangibles amortisation and impairment	41.1	14.1
Total income tax credit (expense) in the Consolidated Income Statement	20.8	(75.4)

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

Notes to the Group Financial Statements *continued***7. TAX EXPENSE CONTINUED****Tax relating to items charged or credited to equity**

	2015 £m	2014 £m
<b>Consolidated Statement of Comprehensive Income</b>		
Current tax on pension contributions	0.2	1.7
Deferred tax – origination & reversal of temporary differences	(2.5)	5.1
Deferred tax – effect of change in tax rates	0.2	–
Tax (charge) credit on actuarial (gains) losses on retirement benefits	(2.1)	6.8
Current tax credit on hedge losses	1.2	–
Deferred tax credit on hedge losses	–	0.3
Tax (charge) credit in the Consolidated Statement of Comprehensive Income	(0.9)	7.1
<b>Consolidated Statement of Changes in Equity</b>		
Deferred tax on share-based payments	(0.3)	0.9
Tax (charge) credit in the Consolidated Statement of Changes in Equity	(0.3)	0.9

**Reconciliation of the total tax charge**

The tax credit (2014: expense) in the Consolidated Income Statement for the period is lower (2014: higher) than the weighted average of standard rates of corporation tax across the Group of 42.0% (2014: 22.9%). The differences are reconciled below.

	2015 £m	2014 £m
(Loss) profit before tax from continuing operations	(199.8)	149.1
Profit before tax from discontinued operations	–	1.0
Accounting (loss) profit before tax	(199.8)	150.1
At the weighted average of standard rates of corporation tax across the Group of 42.0% (2014: 22.9%)	(84.0)	34.3
Adjustments in respect of previous years – current tax	(5.6)	(6.4)
– deferred tax	4.9	3.1
Joint ventures	(1.6)	(3.1)
Unrecognised deferred tax assets	2.0	1.2
Overseas tax on unremitted earnings	4.1	4.3
Permanent differences	7.5	(2.7)
Tax effect of funding overseas operations	(20.8)	(19.1)
Effect of changes in tax rates	0.2	(0.2)
Exceptional items ineligible for tax	72.5	64.0
At effective tax rate of 10.4% (2014: 50.2%)	(20.8)	75.4

The increase in permanent differences from a £2.7m deduction in 2014 to a £7.5m addition in 2015 arises due to an increased level of disallowable expenditure together with a £3.7m reduction in manufacturing tax incentives as a result of the downturn in US activity and a £2.4m increase attributable to movements in non-taxable exchange gains/losses across various jurisdictions.

Finance arrangements are in place to fund the acquisition of business operations in overseas territories. This finance is provided primarily to US operations through intra group loans which provide a benefit to the Group effective tax rate. In addition the Group claims a partial exemption under the UK Controlled Foreign Companies legislation for profits from 'qualifying loan relationships'.

## 8. DISCONTINUED OPERATIONS

There were no disposals of core businesses during the current or prior period. As disclosed in note 5 an exceptional gain of £1.0m was recognised in 2014 in relation to the release of unutilised tax warranty provisions relating to previous disposals. There have been no gains and losses in relation to discontinued operations in the current period.

Earnings per share from discontinued operations were as follows.

	2015 pence	2014 pence
Basic	–	0.5
Diluted	–	0.5

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

## 9. EARNINGS (LOSS) 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 effect of dilutive share awards).

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

	2015	2014
(Loss) profit attributable to equity holders of the Company		
Total operations* (£m)	<b>(178.7)</b>	73.1
Continuing operations* (£m)	<b>(178.7)</b>	72.1
Continuing operations before exceptional items & intangibles amortisation* (£m)	<b>167.6</b>	301.4
Weighted average share capital		
Basic earnings per share (number of shares, million)	<b>213.7</b>	213.3
Diluted earnings per share (number of shares, million)	<b>213.7</b>	213.9

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

	2015 Shares Million	2014 Shares Million
Weighted average number of ordinary shares for basic earnings per share	<b>213.7</b>	213.3
Effect of dilution: LTIP and deferred bonus awards	–	0.6
Adjusted weighted average number of ordinary shares for diluted earnings per share	<b>213.7</b>	213.9

The LTIP and deferred bonus are anti-dilutive in the current period and are therefore disregarded in arriving at the adjusted weighted average number of ordinary shares.

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.

	2015 £m	2014 £m
Net (loss) profit attributable to equity holders from continuing operations*	<b>(178.7)</b>	72.1
Exceptional items & intangibles amortisation net of tax	<b>346.3</b>	229.3
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation*	<b>167.6</b>	301.4

\* Adjusted for a loss of £0.3m (2014: profit of £1.6m) in respect of non-controlling interests.

## Notes to the Group Financial Statements *continued*

### 9. EARNINGS (LOSS) PER SHARE CONTINUED

	2015 pence	2014 pence
<b>Basic earnings (loss) per share:</b>		
Total operations*	<b>(83.6)</b>	34.3
Continuing operations*	<b>(83.6)</b>	33.8
Continuing operations before exceptional items & intangibles amortisation*	<b>78.4</b>	141.3
<b>Diluted earnings (loss) per share:</b>		
Total operations*	<b>(83.6)</b>	34.2
Continuing operations*	<b>(83.6)</b>	33.7
Continuing operations before exceptional items & intangibles amortisation*	<b>78.4</b>	140.9

\* Adjusted for a loss of £0.3m (2014: profit of £1.6m) in respect of non-controlling interests.

There have been no share options (2014: nil) exercised between the reporting date and the date of signing of these financial statements.

### 10. DIVIDENDS PAID & PROPOSED

	2015 £m	2014 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2014: 29.0p (2013: 33.2p)	<b>61.9</b>	70.7
Interim dividend for 2015: 15.0p (2014: 15.0p)	<b>32.1</b>	32.0
	<b>94.0</b>	102.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2015: 29.0p (2014: 29.0p)	<b>62.1</b>	61.9

The dividend was re-phased in 2014 such that the final payment now represents approximately two thirds, as opposed to three quarters, of the total dividend.

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 this annual report and financial statements and the record date for the final dividend.

## 11. PROPERTY, PLANT & EQUIPMENT

	Land & buildings £m	Plant & equipment £m	Total property, plant & equipment £m
<b>Cost</b>			
At 3 January 2014	159.6	480.1	639.7
Additions	23.9	72.1	96.0
Acquisitions	5.2	5.7	10.9
Disposals	(3.2)	(19.9)	(23.1)
Reclassifications to intangible assets (note 12)	–	(0.4)	(0.4)
Reclassifications to inventory	–	(2.2)	(2.2)
Reclassifications	0.6	(0.6)	–
Exchange adjustment	4.0	5.8	9.8
At 2 January 2015	<b>190.1</b>	<b>540.6</b>	<b>730.7</b>
Additions	<b>13.1</b>	<b>58.6</b>	<b>71.7</b>
Acquisitions	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>
Disposals	<b>(2.5)</b>	<b>(21.3)</b>	<b>(23.8)</b>
Reclassifications to intangible assets (note 12)	–	(0.7)	(0.7)
Reclassifications to inventory	–	(0.5)	(0.5)
Reclassifications	<b>4.2</b>	<b>(4.2)</b>	–
Exchange adjustment	<b>(8.8)</b>	<b>(20.1)</b>	<b>(28.9)</b>
At 1 January 2016	<b>196.3</b>	<b>552.7</b>	<b>749.0</b>
<b>Accumulated depreciation &amp; impairment</b>			
At 3 January 2014	37.9	203.1	241.0
Depreciation charge for the period	6.0	55.1	61.1
Impairment	1.6	7.6	9.2
Disposals	(2.3)	(16.4)	(18.7)
Reclassifications to intangible assets (note 12)	–	(0.1)	(0.1)
Reclassifications to inventory	–	(0.6)	(0.6)
Reclassifications	0.2	(0.2)	–
Exchange adjustment	0.6	3.2	3.8
At 2 January 2015	<b>44.0</b>	<b>251.7</b>	<b>295.7</b>
Depreciation charge for the period	<b>6.4</b>	<b>57.0</b>	<b>63.4</b>
Impairment	<b>2.7</b>	<b>33.5</b>	<b>36.2</b>
Disposals	<b>(2.6)</b>	<b>(19.2)</b>	<b>(21.8)</b>
Reclassifications to intangible assets (note 12)	–	(0.4)	(0.4)
Reclassifications to inventory	–	(0.5)	(0.5)
Reclassifications	<b>0.6</b>	<b>(0.6)</b>	–
Exchange adjustment	<b>(1.3)</b>	<b>(10.6)</b>	<b>(11.9)</b>
At 1 January 2016	<b>49.8</b>	<b>310.9</b>	<b>360.7</b>
Net book value at 3 January 2014	121.7	277.0	398.7
Net book value at 2 January 2015	146.1	288.9	435.0
<b>Net book value at 1 January 2016</b>	<b>146.5</b>	<b>241.8</b>	<b>388.3</b>

The carrying value of buildings held under finance leases is £0.8m (2014: £1.0m). The carrying value of plant & equipment held under finance leases is £0.4m (2014: £0.4m). Leased assets are pledged as security for the related finance lease liabilities. The carrying amount of assets under construction included in plant & equipment is £47.3m (2014: £36.6m). The impairment charges in the year are primarily related to actions undertaken as a result of the Oil & Gas downturn actions and other Group restructuring actions as outlined in note 5. Other non-exceptional impairment charges total £0.3m.

Notes to the Group Financial Statements *continued*

## 12. INTANGIBLE ASSETS

	Goodwill £m	Brand names £m	Customer and distributor relationships £m	Purchased software £m	Intellectual property & trade marks £m	Development costs £m	Other £m	Total £m
<b>Cost</b>								
At 3 January 2014	971.8	175.2	502.1	35.4	66.9	8.4	17.0	1,776.8
Additions	–	–	0.1	20.7	0.8	2.4	0.1	24.1
Acquisitions (restated note 2)	79.6	14.7	21.9	0.1	7.2	–	4.8	128.3
Disposals	–	–	–	(1.1)	–	–	–	(1.1)
Reclassifications from property, plant & equipment (note 11)	–	–	–	0.4	–	–	–	0.4
Reclassifications	–	–	–	0.2	(0.2)	–	–	–
Exchange adjustment	42.4	11.5	29.3	(0.1)	3.6	(0.2)	1.0	87.5
At 2 January 2015 (restated note 2)	<b>1,093.8</b>	<b>201.4</b>	<b>553.4</b>	<b>55.6</b>	<b>78.3</b>	<b>10.6</b>	<b>22.9</b>	<b>2,016.0</b>
Additions	–	–	–	14.0	0.6	2.0	1.6	18.2
Acquisitions	15.2	2.7	4.7	–	–	–	1.0	23.6
Disposals	–	–	–	(0.8)	–	–	–	(0.8)
Reclassifications from property, plant & equipment (note 11)	–	–	–	0.4	–	–	0.3	0.7
Exchange adjustment	22.0	7.4	15.7	(2.1)	2.4	(0.8)	(0.2)	44.4
At 1 January 2016	<b>1,131.0</b>	<b>211.5</b>	<b>573.8</b>	<b>67.1</b>	<b>81.3</b>	<b>11.8</b>	<b>25.6</b>	<b>2,102.1</b>
<b>Accumulated amortisation &amp; impairment</b>								
At 3 January 2014	–	–	102.4	20.6	23.6	0.7	15.0	162.3
Amortisation charge for the period	–	–	30.6	6.0	6.1	0.8	1.4	44.9
Impairment during period	160.0	–	–	–	–	–	–	160.0
Disposals	–	–	–	(1.1)	–	–	–	(1.1)
Reclassifications from property, plant & equipment (note 11)	–	–	–	0.1	–	–	–	0.1
Exchange adjustment	–	–	6.3	0.2	1.5	0.1	0.9	9.0
At 2 January 2015	<b>160.0</b>	–	<b>139.3</b>	<b>25.8</b>	<b>31.2</b>	<b>1.6</b>	<b>17.3</b>	<b>375.2</b>
Amortisation charge for the period	–	–	34.8	6.8	5.1	1.1	4.7	52.5
Impairment	219.3	6.7	25.1	0.3	–	–	–	251.4
Disposals	–	–	–	(0.8)	–	–	–	(0.8)
Reclassifications from property, plant & equipment (note 11)	–	–	–	0.4	–	–	–	0.4
Reclassifications	–	–	–	0.1	–	(0.1)	–	–
Exchange adjustment	6.8	0.3	4.5	(0.8)	1.0	(0.1)	0.1	11.8
At 1 January 2016	<b>386.1</b>	<b>7.0</b>	<b>203.7</b>	<b>31.8</b>	<b>37.3</b>	<b>2.5</b>	<b>22.1</b>	<b>690.5</b>
Net book value at 3 January 2014	971.8	175.2	399.7	14.8	43.3	7.7	2.0	1,614.5
Net book value at 2 January 2015 (restated note 2)	933.8	201.4	414.1	29.8	47.1	9.0	5.6	1,640.8
<b>Net book value at 1 January 2016</b>	<b>744.9</b>	<b>204.5</b>	<b>370.1</b>	<b>35.3</b>	<b>44.0</b>	<b>9.3</b>	<b>3.5</b>	<b>1,411.6</b>

The impairment charge recorded in the period relates to the write down of intangible assets in the Pressure Control and certain of the Other CGUs (note 14).



The increase in goodwill of £15.2m during 2015 is primarily represented by the current year acquisition of Delta Valves (note 13).

Brand names have been assigned an indefinite useful life and as such are not amortised. The carrying value is tested annually for impairment (note 14), with an impairment charge in the year of £6.7m recognised in relation to the brand names in the Pressure Control CGU. This resulted in a carrying value at the period end of £204.5m (2014: £201.4m).

The brand name value includes the brands of Linatex, BDK, Warman, SPM, Gabbioneta, Multiflo, Novatech, Mathena and Wales all of which are considered to be market leaders in their respective markets. The allocation of significant brand names is as follows.

	Brand names	
	2015 £m	2014 £m
Gabbioneta	5.0	5.3
Linatex	38.7	37.1
Mathena	8.1	7.7
Seaboard	26.3	31.9
SPM	32.2	30.9
Trio	16.2	15.3
Warman	56.3	54.0
Other	21.7	19.2
	<b>204.5</b>	<b>201.4</b>

An impairment charge of £25.1m has been recognised in the year in relation to customer and distributor relationships in the Pressure Control CGU. The allocation of the remaining customer and distributor relationships, and the amortisation period of these assets, is as follows.

	Remaining amortisation period		Customer and distributor relationships	
	2015 Years	2014 Years	2015 £m	2014 £m
Mathena	10	11	93.4	97.8
Novatech	10	11	40.4	43.0
Seaboard	12	13	98.3	129.3
SPM	16	17	78.2	78.5
Trio	9	10	8.3	22.4
Other	Up to 15	Up to 16	51.5	43.1
			<b>370.1</b>	<b>414.1</b>

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

	2015 £m	2014 £m
Cost of sales	5.5	3.5
Selling & distribution costs	5.4	1.0
Administrative expenses	41.6	40.4
Amortisation charge for the period	<b>52.5</b>	<b>44.9</b>

### 13. BUSINESS COMBINATIONS

On 8 July 2015, the Group completed the acquisition of 100% of the voting shares of Delta Industrial Valves Inc, (Delta Valves) for a consideration of up to US\$46m. Delta Valves is a US-based manufacturer of knife gate valves for the mining, oil sands and other industrial markets. The acquisition extends Weir Minerals' leading presence in mining and oil sands markets by expanding the division's portfolio of valve products, particularly knife gate valves, for use in the transportation of slurry. Initial consideration of US\$36m was paid on completion; US\$21m in cash, funded from existing bank facilities, and US\$15m in new equity. The new equity represents 593,934 ordinary shares with a fair value representing the closing share price on the date of acquisition. Up to a further US\$10m in cash is payable over the 18 months from acquisition, contingent upon meeting certain profit growth targets. The provisional fair value of the net assets has been assessed as £11.8m, giving rise to goodwill on acquisition of £14.8m. The goodwill recognised includes certain intangible assets that cannot be individually separated and reliably measured due to their nature, including anticipated business growth, synergies and an assembled workforce. The provisional fair values are subject to change following completion of the fair value exercise during the first half of 2016.

In March 2015, the Group completed the acquisition of the remaining 49% of Trio Chile, a minor joint venture acquired as part of the Weir Trio acquisition in 2014. The cash consideration paid of £0.4m was offset by cash and cash equivalents acquired. The fair value of the assets and liabilities of the entity was £nil, resulting in £0.4m goodwill being recognised.

Notes to the Group Financial Statements **continued****13. BUSINESS COMBINATIONS CONTINUED**

	Delta Valves 2015 £m
<b>Provisional fair values</b>	
Property, plant & equipment	0.5
Inventories	3.5
Intangible assets	
– customer and distributor relationships	4.7
– brand name	2.7
– order backlog	1.0
Trade & other receivables	2.6
Cash & cash equivalents	1.1
Interest-bearing loans & borrowings	(1.2)
Trade & other payables	(3.1)
Fair value of net assets	11.8
Goodwill arising on acquisition	14.8
Total consideration	26.6
Cash consideration	15.2
Equity consideration	9.4
Contingent consideration	3.2
Settlement of external debt of subsidiary on acquisition	(1.2)
Total consideration	26.6
The total net cash outflow on current year acquisitions was as follows.	
Delta Valves	
– cash paid	(15.2)
– cash & cash equivalents acquired	1.1
Weir Trio Chile	
– cash paid	(0.4)
– cash & cash equivalents acquired	0.4
Total cash outflow (note 26)	(14.1)

The gross amount and fair value of the Delta Valves trade receivables amounts to £2.6m. It is expected that virtually all the contractual amounts will be collected.

Delta Valves contributed £10.3m to revenue and £1.1m to operating profit (including exceptional items and intangibles amortisation) in the period from acquisition to 1 January 2016.

If the acquisitions had occurred at the start of 2015 the revenue and profit for the period from acquired operations after exceptional items and intangibles amortisation, would not have been materially different from the results disclosed in the Consolidated Income Statement.

The fair values for Weir Trio were finalised during the year. The cash flows in relation to this acquisition are disclosed in note 26.

**Contingent consideration**

The acquisition of Delta Valves included a potential earn out of US\$10m based on EBITDA targets in 2015 and 2016. Based on forecast information available at the date of acquisition, a liability of US\$5m (£3.2m) was recognised as contingent consideration. There has been no change in this view since the date of acquisition. While the contingent consideration liability for Delta Valves is due for final assessment in 2017, the period over which amounts recorded are expected to fall due is within one year from the balance sheet date, and as a result the provision has not been discounted.

The purchase price of Weir Trio included US\$14.7m in respect of contingent consideration payable on the recovery of certain working capital balances and the achievement of agreed management goals over the 2 years following the acquisition. Expectations at the date of acquisition were that the full amount would be payable and a discounted liability of £8.2m was recognised. There has been no change in this view since the acquisition, with the unwind of the discount being recognised in the income statement in the period. The discount rate applied in the fair value calculation for Weir Trio was 13.2%. The contingent consideration liability for Weir Trio is due for final measurement in 2016. As a result an increase (decrease) in the discount rate would only have a marginal impact on the fair value of the liability.

The acquisition of Weir International in 2011 included an earn out based on EBITDA achieved in 2013 and 2014, with further EBITDA targets extending to 2019. In line with expectations, Weir International has met the 2013 and 2014 targets resulting in the settlement of contingent consideration, with a payment of £2.6m made in 2015. The estimated fair value of the contingent consideration at the date of acquisition was £13.9m. Based on trading performance the liability was reassessed during 2012 and uplifted by £5.8m. During 2014 the fair value of the contingent consideration was uplifted by a further £0.6m following agreement with the minority shareholder over additional working capital targets applicable in 2019. The unwind of the discount has been recognised in the income statement in the period.

A significant decrease in the EBITDA of Weir International would result in a lower fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the liability. The discount rate applied in the fair value calculation for Weir International was 12.0%. The contingent consideration liability for Weir International is due for final measurement in 2019.

A reconciliation of fair value measurement of the contingent consideration liability is provided below.

	2015 £m	2014 £m
Opening balance	34.6	27.7
Liability arising on business combinations	3.2	8.2
Fair value changes in profit or loss (note 5)	(1.7)	0.6
Contingent consideration paid (note 26)	(2.8)	(5.0)
Unwind of discount (note 5)	2.4	2.1
Exchange movements in the period	0.2	1.0
Closing balance	35.9	34.6

The contingent consideration in relation to other acquisitions included a write down in fair value of £1.7m in relation to the acquisition of YESS in 2010 and Aspir in 2013. The contingent consideration in relation to these acquisitions and others is considered to be immaterial for further disclosure.

#### 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 cash generating units (CGUs) that are expected to benefit from the business combination.

The acquisition of Delta Valves during 2015, as described in note 13, has been allocated to the Minerals CGU.

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

	Goodwill 2015 £m	Intangibles* 2015 £m	Goodwill 2014 Restated (note 2) £m	Intangibles* 2014 £m
Pressure Pumping	310.9	37.0	298.5	35.5
Pressure Control	–	34.4	186.1	39.7
Gabbioneta	53.1	5.0	56.3	5.3
Minerals	334.2	118.9	320.3	111.7
Other	46.7	9.2	72.6	9.2
	744.9	204.5	933.8	201.4

\* Intangible assets with indefinite lives (brand names).

#### Impairment testing and sensitivity analysis

The precipitous fall in the oil price over 2015, and in particular the last quarter, combined with the “lower for longer” outlook for the next 2 to 3 years have had a substantial impact on the short to medium term forecasts of our upstream Oil and Gas businesses. An impairment charge of £225.5m has been recognised at the year end in relation to the Pressure Control CGU resulting in a recoverable amount of £238.4m based on the value in use. Of the impairment £193.4m has been allocated against goodwill with the remainder of £32.1m allocated across other intangible assets on a pro rata basis.

With regard to the Pressure Pumping CGU, this business is more mature and has significant levels of headroom between net asset value and value in use remaining, despite the current prolonged market downturn. Discounted cash flow forecasts have been prepared using consistent market assumptions as with Pressure Control with no impairment assessed.

At the balance sheet date, the estimated recoverable amount of the Pressure Control CGU is equal to its carrying value. Consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised.

## Notes to the Group Financial Statements **continued**

### 14. IMPAIRMENT TESTING OF GOODWILL & INTANGIBLE ASSETS WITH INDEFINITE LIVES CONTINUED

The following table shows the changes to assumptions used in the Pressure Control impairment model that would, in isolation, lead to an (increase) decrease in the impairment loss recognised in 2015.

	Increase by 50bps £m	Decrease by 50 bps £m	Increase by 5% £m	Decrease by 5% £m
Discount rate	(11.7)	12.9	n/a	n/a
Real growth rate	9.7	(8.7)	n/a	n/a
Forecast revenue growth*	n/a	n/a	31.1	(31.1)
EBIT margin	7.4	(7.4)	n/a	n/a

\* Forecast revenue growth is expressed as the percentage increase (decrease) in each of the initial five years used in the impairment testing.

As explained in other sections of this Annual Report (but specifically in the Financial Review on page 43 and in note 5), the Group has already reacted to market conditions through the implementation of the Oil & Gas downturn actions and management continue to review the operational structure and business model to ensure we remain well placed to navigate through the current market conditions.

The cash flow forecasts underpinning the impairment testing reflect the current oil price and depressed activity levels enduring for the next two years, with pressure on both volumes and pricing, with a marginal increase in year three and a measured return to more 'normal' levels thereafter, albeit not anticipating a return to the recent highs of 2012 for this business.

An impairment charge of £25.9m has also been recognised against goodwill held in two of the other CGUs relating to the reorganisation of the Power & Industrial Division into Weir Flow Control. The impairment reflects the expected future cash flows of the CGUs, taking into consideration the operational restructuring within the Division.

Of this amount, £16.1m represents the impairment of goodwill in American Hydro and reflects the current cash flow forecasts of the business. This represents value in use and the discount rate applied to the cash flows was 13.2% (2014: 12.9%). The following table shows the changes to assumptions used in the impairment model that would, in isolation, lead to an (increase) decrease in the impairment loss recognised in 2015.

	Increase by 50bps £m	Decrease by 50 bps £m	Increase by 5% £m	Decrease by 5% £m
Discount rate	(1.9)	2.1	n/a	n/a
Real growth rate	1.6	(1.5)	n/a	n/a
Forecast revenue growth*	n/a	n/a	4.6	(4.6)
EBIT margin	2.1	(2.1)	n/a	n/a

\* Forecast revenue growth is expressed as the percentage increase (decrease) in each of the initial five years used in the impairment testing.

The remaining £9.8m reflects the impairment of goodwill within one of the other CGUs in light of the reorganisation of the Power & Industrial Division into Weir Flow Control and the decision to dispose of certain non-core renewable assets; the remaining book value of assets in that CGU are supported by the associated discounted cash flows.

For Gabbioneta, Minerals, and the businesses within the Other CGUs (except for American Hydro), base case forecasts show significant headroom above carrying value. Sensitivity analysis has been undertaken for each of these CGUs 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.

#### Description of CGUs

A description of each of the CGUs is provided below along with a summary of the key drivers of revenue growth and EBIT margin.

#### Pressure Pumping

Pressure Pumping includes the Weir SPM, Weir Novatech and Weir Mesa brands. Pressure Pumping is a supplier of oil and gas well service pumps, associated flow control equipment and services to the oil and gas production industry. Demand for Pressure Pumping 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 updated during the first quarter of 2016 for the continued downturn in oil price.

#### Pressure Control

Pressure Control includes the Weir Seaboard, Weir Mathena and Weir Metra brands. Pressure Control is a supplier of oil and gas wellhead solutions and associated rental equipment to the oil and gas production industry. A large proportion of the business' 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 updated during the first quarter of 2016 for the continued downturn in oil price.

### Minerals

Minerals includes the Weir Warman, Weir Linatex, Weir Multiflo, Weir Wales, Weir Trio and Weir Delta brands. Minerals companies supply pumps and associated equipment and services to all global mining 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 2015. Delta Valves was excluded from the Group impairment test as a fair value review of goodwill and intangible assets was performed during 2015 as part of the acquisition process. A breakdown of Delta Valves' goodwill and intangible assets are disclosed in note 13.

### Gabbioneta

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 2015.

### Other

The amounts included in Other relate to individual businesses which are not considered individually significant.

### Impairment testing assumptions

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 the impairment tests for the four primary CGUs including key assumptions are set out in the table below.

CGU	Basis of valuation	Period of forecast	Discount rate <sup>1</sup>	Real growth <sup>2</sup>	Key assumptions	Source
Pressure Pumping	Value in use	5 years	13.2% (2014: 12.9%)	1.2% (2014: 1.5%)	Revenue growth EBIT margins	External forecast Historic experience
Pressure Control	Value in use	5 years	13.2% (2014: 12.9%)	1.2% (2014: 1.5%)	Revenue growth EBIT margins	External forecast Historic experience
Gabbioneta	Value in use	5 years	12.0% (2014: 11.8%)	1.2% (2014: 1.5%)	Revenue growth EBIT margins	External forecast Historic experience
Minerals	Value in use	5 years	15.4% (2014: 13.7%)	1.2% (2014: 1.5%)	Revenue growth EBIT margins	External forecast Historic experience

#### <sup>1</sup>Discount rate

The pre-tax nominal weighted average cost of capital (WACC) is the basis for the discount rate, with adjustments made, as appropriate, for geographic risk. The WACC is the weighted average of the pre-tax cost of debt financing and the pre-tax cost of equity finance. During the year there have been changes in the corporate credit spreads and industry asset beta which has led to an increase in the overall discount rate for the majority of countries.

#### <sup>2</sup>Real growth

Real growth beyond the five year forecast period has been reduced to 1.2% (2014: 1.5%) in line with the more challenging economic environment.

#### 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.

## 15. INVESTMENTS IN JOINT VENTURES

The investments in joint ventures are as follows.

	£m
At 3 January 2014	27.1
Disposals	0.3
Share of results	10.0
Share of dividends	(6.0)
Exchange adjustment	2.3
At 2 January 2015	<b>33.7</b>
Share of results	<b>8.3</b>
Share of dividends	<b>(10.0)</b>
Exchange adjustment	<b>1.4</b>
At 1 January 2016	<b>33.4</b>

## Notes to the Group Financial Statements continued

### 15. INVESTMENTS IN JOINT VENTURES CONTINUED

Details of the Group's share of the balance sheet, revenue and profit of each of its joint ventures are given below.

	2015 £m	2014 £m
Share of joint ventures' balance sheets		
Goodwill	13.2	12.7
Current assets	26.1	33.4
Non-current assets	4.6	4.3
Current liabilities	(9.0)	(15.1)
Non-current liabilities	(1.5)	(1.6)
Net assets	33.4	33.7
Share of joint ventures' revenue & profits		
Revenue	47.7	56.2
Cost of sales	(31.5)	(37.5)
Selling & distribution costs	(4.3)	(3.8)
Administrative expenses	(2.0)	(1.8)
Income tax expense	(1.6)	(3.1)
Profit after tax	8.3	10.0

The Group's investments in joint ventures are listed on pages 201 to 204.

### 16. INVENTORIES

	2015 £m	2014 Restated (note 2) £m
Raw materials	162.9	171.6
Work in progress	112.5	120.9
Finished goods	203.3	257.5
	478.7	550.0

In 2015 the cost of inventories recognised as an expense within cost of sales amounted to £1,372.0m (2014: £1,632.2m). In 2015 the write-down of inventories to net realisable value amounted to £40.0m (2014: £13.8m), which included £31.3m (2014: £5.3m) in relation to the Oil & Gas downturn actions and other Group restructuring actions, as disclosed in note 5. Write-downs in both years relate to on-going assessments of inventory obsolescence, excess inventory holding and inventory resale values across all of the Group's businesses.

### 17. TRADE & OTHER RECEIVABLES

Other receivables presented as non-current on the face of the Consolidated Balance Sheet of £22.3m (2014: £22.3m) are in respect of insurance contracts relating to asbestos-related claims made in the US. Further detail is presented in note 22.

Current trade & other receivables are analysed in the following table.

	2015 £m	2014 Restated (note 2) £m
Trade receivables	371.9	528.9
Allowance of doubtful debts	(18.3)	(17.9)
	353.6	511.0
Other debtors	39.9	47.9
Sales tax receivable	12.8	12.9
Accrued income	18.6	24.1
Prepayments	19.8	27.1
	444.7	623.0

The average credit period on sales of goods is 67 days (2014: 77 days). Other debtors includes £2.4m (2014: £11.5m) in respect of amounts due from joint ventures, and £5.9m (2014: £5.9m) in respect of insurance contracts relating to asbestos-related claims made in the US (note 22).



### Analysis of trade receivables

	2015 £m	2014 Restated (note 2) £m
Neither impaired nor past due	254.2	344.9
Past due but not impaired	99.4	166.1
Impaired	18.3	17.9
	<b>371.9</b>	<b>528.9</b>

### Ageing of past due but not impaired trade receivables

	2015 £m	2014 £m
Up to 3 months	67.2	114.6
Between 3 & 6 months	15.1	24.5
More than 6 months	17.1	27.0
	<b>99.4</b>	<b>166.1</b>

### Movement in the allowance for doubtful debts

	2015 £m	2014 £m
Balance at the beginning of the period	(17.9)	(15.4)
Impairment losses recognised on receivables	(6.1)	(6.0)
Amounts written off as uncollectable	4.7	1.4
Amounts recovered during the period	0.3	0.3
Impairment losses reversed	0.1	1.8
Exchange adjustment	0.6	–
Balance at the end of the period	<b>(18.3)</b>	<b>(17.9)</b>

Impairment losses recognised in 2015 include £1.1m as a result of Group restructuring actions (2014: £4.8m from the Group-wide efficiency review), as disclosed in note 5.

### Ageing of impaired trade receivables

	2015 £m	2014 £m
Up to 3 months	0.5	1.9
Between 3 & 6 months	1.3	1.5
More than 6 months	16.5	14.5
	<b>18.3</b>	<b>17.9</b>

## 18. CONSTRUCTION CONTRACTS

	2015 £m	2014 £m
Gross amount due from customers for contract work (included in current assets)	28.5	31.3
Gross amount due to customers for contract work (included in current liabilities)	(8.9)	(13.8)
	<b>19.6</b>	<b>17.5</b>
Contract costs incurred plus recognised profits less recognised losses to date	78.1	99.4
Less: progress billings	(58.5)	(81.9)
	<b>19.6</b>	<b>17.5</b>

The amount of retentions held by customers for contract work was £nil in both periods. The amount of advances received from customers for contract work was £2.8m (2014: £2.4m).

Notes to the Group Financial Statements *continued***19. CASH & SHORT-TERM DEPOSITS**

	2015 £m	2014 £m
Cash at bank & in hand	<b>174.2</b>	160.4
Short-term deposits	<b>9.8</b>	18.3
	<b>184.0</b>	178.7
For the purposes of the Consolidated Cash Flow Statement, cash & cash equivalents comprise the following.		
Cash & short-term deposits	<b>184.0</b>	178.7
Bank overdrafts & short-term borrowings (note 20)	<b>(4.7)</b>	(12.1)
	<b>179.3</b>	166.6

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**

	2015 £m	2014 £m
<b>Current</b>		
Bank overdrafts	<b>4.1</b>	10.7
Short-term borrowings	<b>0.6</b>	1.4
	<b>4.7</b>	12.1
Fixed rate notes	–	70.6
Bank loans	<b>24.4</b>	83.3
Commercial paper	<b>166.4</b>	–
Obligations under finance leases (note 27)	<b>0.1</b>	0.1
	<b>195.6</b>	166.1
<b>Non-current</b>		
Bank loans	<b>45.5</b>	135.2
Fixed rate notes	<b>767.7</b>	737.9
Obligations under finance leases (note 27)	<b>0.2</b>	0.2
	<b>813.4</b>	873.3

Bank loans	Maturity	Interest basis	Weighted average interest rate		2015 £m	2014 £m
			2015 %	2014 %		
<b>Revolving credit facility</b>						
United States dollar variable rate loans	2019	US\$ LIBOR	<b>0.77</b>	0.51	<b>45.4</b>	42.8
Sterling variable rate loans	2019	£ LIBOR	–	0.85	–	91.0
<b>Other</b>						
Uncommitted facility loan	2016	£ LIBOR	<b>0.89</b>	0.89	<b>23.0</b>	83.2
United States dollar buyer credit facility	2016	US\$ LIBOR	–	2.11	–	0.1
Argentinian peso fixed rate loan facility	2019	FIXED	<b>18.18</b>	–	<b>0.1</b>	–
South African rand loan facility	2016	ZAR JIBAR	<b>7.89</b>	7.03	<b>1.4</b>	1.4
					<b>69.9</b>	218.5
Less: current instalments due on bank loans						
Uncommitted facility loan	2016	£ LIBOR			<b>(23.0)</b>	(83.2)
United States dollar buyer credit facility	2015	US\$ LIBOR			–	(0.1)
South African rand loan facility	2016	ZAR JIBAR			<b>(1.4)</b>	–
Non-current bank loans					<b>45.5</b>	135.2

Commercial paper	Maturity	Interest basis	Weighted average interest rate		2015 £m	2014 £m
			2015 %	2014 %		
<b>Commercial paper</b>						
Sterling variable rate commercial paper	2016	£ LIBOR	0.75	–	5.0	–
United States dollar variable rate commercial paper	2016	US\$ LIBOR	0.54	–	43.4	–
Euro variable rate commercial paper	2016	EUR LIBOR	0.15	–	118.0	–
					166.4	–
Less: current instalments due on commercial paper						
Sterling variable rate commercial paper	2016	£ LIBOR			(5.0)	–
United States dollar variable rate commercial paper	2016	US\$ LIBOR			(43.4)	–
Euro variable rate commercial paper	2016	EUR LIBOR			(118.0)	–
Non-current commercial paper					–	–

Fixed rate notes	Maturity	Interest basis	Weighted average interest rate		2015 £m	2014 £m
			2015 %	2014 %		
<b>Private placement</b>						
Sterling fixed rate notes	2015	FIXED	–	4.58	–	12.0
United States dollar fixed rate notes	2015	FIXED	–	4.20	–	58.6
Sterling fixed rate notes	2018	FIXED	5.36	5.36	43.0	43.0
United States dollar fixed rate notes	2018	FIXED	5.03	5.03	47.5	45.6
United States dollar fixed rate notes	2019	FIXED	3.69	3.69	142.2	136.4
United States dollar fixed rate notes	2022	FIXED	4.27	4.27	399.6	383.0
United States dollar fixed rate notes	2023	FIXED	4.34	4.34	135.4	129.9
					767.7	808.5
Less: current instalments due on fixed rate notes						
Sterling fixed rate notes	2015	FIXED			–	(12.0)
United States dollar fixed rate notes	2015	FIXED			–	(58.6)
Non-current fixed rate notes					767.7	737.9

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 12 January 2015, the Group repaid US\$90m US dollar fixed rate notes and £12m Sterling fixed rate notes as they fell due. These were refinanced using existing facilities, including the US\$800m multi-currency revolving credit facility and various uncommitted Sterling borrowing facilities.

On 1 April 2015 the Group commenced a new US\$1bn commercial paper programme. At 1 January 2016, a total of £166.4m (2014: £nil) was outstanding under the programme.

In September 2014, the Group amended the US\$800m multi-currency revolving credit facility, which was previously refinanced in July 2013 and due to mature in July 2018. The amendment extended the maturity date to July 2019, with the option of two one-year extensions. In July 2015, the option to extend the maturity to July 2020 was exercised. At 1 January 2016, US\$70.0m (2014: US\$209.8m) was drawn under the revolving credit facility. Total unamortised issue costs at 1 January 2016 were £3.6m (2014: £4.6m).

Notes to the Group Financial Statements *continued***21. TRADE & OTHER PAYABLES**

	2015 £m	2014 Restated (note 2) £m
<b>Current</b>		
Trade payables	223.4	305.7
Other creditors	16.3	24.5
Other taxes & social security costs	14.6	18.3
Accruals	127.4	159.5
Contingent consideration	13.3	9.0
Deferred income	64.6	65.0
	<b>459.6</b>	<b>582.0</b>
<b>Non-current</b>		
Contingent consideration	22.6	25.6

**22. PROVISIONS**

	Warranties & onerous sales contracts £m	Employee related £m	Exceptional rationalisation £m	Other £m	Total £m
At 2 January 2015 (restated note 2)	35.6	51.6	21.6	4.0	112.8
Additions	13.5	4.2	47.6	1.5	66.8
Utilised	(13.8)	(4.4)	(33.4)	(2.5)	(54.1)
Unutilised	(7.7)	(0.1)	–	(0.4)	(8.2)
Exchange adjustment	–	(0.7)	0.5	(0.1)	(0.3)
At 1 January 2016	27.6	50.6	36.3	2.5	117.0
Current 2015	21.9	10.9	35.8	1.7	70.3
Non-current 2015	5.7	39.7	0.5	0.8	46.7
At 1 January 2016	27.6	50.6	36.3	2.5	117.0
Current 2014 (restated note 2)	30.8	10.9	20.3	3.4	65.4
Non-current 2014	4.8	40.7	1.3	0.6	47.4
At 2 January 2015 (restated note 2)	35.6	51.6	21.6	4.0	112.8

**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, some of which are for asbestos-related claims.

**Asbestos-related claims**

Certain of the Group's US-based subsidiaries are co-defendants in lawsuits pending in the United States in which plaintiffs are claiming damages arising from alleged exposure to products previously manufactured which contained asbestos. The Group has comprehensive insurance cover for these cases with all claims directly managed by the Group's insurers who also meet all associated defence costs. The insurers and their legal advisers agree and execute the defence strategy between them and there are no related cash flows to or from the Group. We expect this to continue for the foreseeable future as long as the litigation arises.

A review was completed in 2014, in conjunction with external advisers, to assess the adequacy of the Group's insurance policies to meet future settlement and defence costs. As a result of this review a provision of £28m was recorded in 2014 with an equivalent receivable for insurance proceeds based on an estimate of settlement and defence costs for existing and projected claims received in the subsequent five year period. The cash flows associated with this claim profile have been assessed as extending to a period of 10 years from the balance sheet date and the modelling coincides with this period. In the current period costs have been charged against the provision however further charges have been made to reflect new claims.

During the current period, the estimates underlying the provision have continued to be reassessed and refined. The period of claims history has been further analysed to improve understanding of key drivers, including the originating State of claims, average settlement and defence costs per State and the occurrence of one-off claims and/or settlements. This analysis, coupled with the further year of claims experience supports the estimates made in the prior year and therefore the same principles have been used consistently to form the basis of the financial modelling in 2015. A provision of £28m continues to represent the Directors' best estimate of the future liability, although these estimates and the period over which they are assessed will continue to be refined as the claims history builds. An equivalent asset continues to be recognised for insurance proceeds.

Due to the inherent uncertainty associated with estimating future costs in respect of asbestos-related diseases, there can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred. However, we do not expect there to be a net financial exposure to the Group given the comprehensive insurance cover in place.

In the UK, there are outstanding asbestos-related claims which are not the subject of insurance cover. The Group provides for both based on management's best estimate of the likely costs given past experience of the volume and cost of similar claims brought against the Group. It is expected that these costs will be incurred in the period up to 2025.

#### Exceptional rationalisation

As part of the Group-wide efficiency review announced in November 2014, the 2015 Oil & Gas downturn actions and other restructuring actions, the Group has provided an additional £47.6m during the period. The provision incorporates committed costs for the closure of small manufacturing facilities, consolidation of service centres and workforce reductions. The majority of the provision will be utilised in 2016.

#### Other

Other provisions relate to an environmental clean up programme in the United States for a company acquired in 1992, the discontinued operations and indemnity provision, 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

	2015 £m	2014 Restated (note 2) £m
<b>Deferred income tax assets</b>		
Post-employment benefits	18.6	21.4
Decelerated depreciation for tax purposes	11.0	10.2
Intangible assets	10.9	5.4
Untaxed reserves	94.7	62.5
Offset against liabilities	(115.0)	(75.0)
Deferred income tax assets	20.2	24.5
<b>Deferred income tax liabilities</b>		
Accelerated depreciation for tax purposes	(26.0)	(48.0)
Overseas tax on unremitted earnings	(20.5)	(24.1)
Intangible assets	(170.7)	(165.4)
Other temporary differences	(13.1)	–
Offset against assets	115.0	75.0
Deferred income tax liabilities	(115.3)	(162.5)
Net deferred income tax liabilities	(95.1)	(138.0)

## Notes to the Group Financial Statements continued

### 23. DEFERRED TAX CONTINUED

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 3 January 2014	15.7	(35.5)	(24.3)	(147.9)	43.7	(148.3)
Prior year adjustments	–	0.2	–	–	(0.2)	–
Acquisitions (restated note 2)	–	–	–	(11.3)	12.0	0.7
Credited (charged) to the income statement (note 7)	0.2	(1.6)	(0.2)	8.2	3.9	10.5
Credited to equity	5.1	–	–	–	0.9	6.0
Exchange adjustment	0.4	(0.9)	0.4	(9.0)	2.2	(6.9)
At 2 January 2015 (restated note 2)	<b>21.4</b>	<b>(37.8)</b>	<b>(24.1)</b>	<b>(160.0)</b>	<b>62.5</b>	<b>(138.0)</b>
Prior year adjustments	–	19.8	–	(20.2)	0.4	–
(Charged) credited to the income statement (note 7)	(1.9)	3.0	2.6	26.4	19.5	49.6
Charged to equity	(2.3)	–	–	–	(0.3)	(2.6)
Exchange adjustment	0.1	–	1.0	(6.0)	0.8	(4.1)
At 1 January 2016	<b>17.3</b>	<b>(15.0)</b>	<b>(20.5)</b>	<b>(159.8)</b>	<b>82.9</b>	<b>(95.1)</b>

Untaxed reserves primarily relate to temporarily disallowed inventory/receivable provisions and accruals/provisions for liabilities where the tax allowance is deferred until the cash expense occurs. In relation to the increase of the untaxed reserves, £9.0m relates to carried forward interest deductions in the US. US tax rules allow surplus interest expenses to be carried forward indefinitely to be used against future earnings. Forecasts have been prepared which indicate that this interest will be able to be offset in 2017 and 2018 therefore it is considered appropriate to recognise a deferred tax asset in respect of this amount.

Deferred tax asset balances for unused tax losses of £7.3m (2014: £5.8m) 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 £4.4m (2014: £5.8m) 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 £20.5m (2014: £24.1m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries and the unremitted earnings of the UK and Canadian subsidiaries of the US subgroup. As at 2 January 2015, 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 £1,515.8m (2014: £1,607.0m).

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

#### UK corporation tax rate changes

A number of changes which reduce future UK corporation tax rates were announced in the UK Summer Budget Statement of 8 July 2015. Following on from this, legislation was enacted on 26 October 2015 such that the main rate of UK corporation tax will be 19.0% from April 2017 and 18.0% from April 2020. Consequently UK deferred tax has been provided at the prevalent rates during the periods in which the UK temporary differences are expected to unwind. Consequently, deferred tax has been provided on UK temporary differences at 19.9% (2014: 20.0%).

### 24. PENSIONS & OTHER POST-EMPLOYMENT BENEFIT PLANS

The Group has four 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.

#### UK plans

The Group has two funded defined benefit plans (the Main Plan and the Executive Plan) and an unfunded retirement benefit plan for retired executive directors. The Group also operates a defined contribution plan, the contributions to which are in addition to those set out below, and are charged directly to the income statement.

For the defined benefit plans, benefits are related to service and final salary. The Main Plan closed to future accrual of benefits effective from 30 June 2015 and an exceptional curtailment gain of £2.7m was recognised in 2013. This was reassessed in 2015 and no adjustment was required.

The weighted average duration of the expected benefit payments from the Main Plan is around 16 years and from the Executive Plan is around 12 years.



The current funding target for the UK plans is to maintain assets equal to the value of the accrued benefits. The Main Plan holds insurance policies in respect of a significant proportion of deferred and retired pensioners.

The regulatory framework in the UK requires the Trustees and Group to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to the Group that adverse experience could lead to a requirement for the Group to make considerable contributions to recover any deficit. This risk is significantly reduced for the Main Plan through the insurance policies held.

### North American plans

The Group also sponsors two funded defined benefit pension plans in the United States and Canada and certain unfunded post-employment healthcare benefits for senior employees in the United States.

These plans combined make up 3% of the Group's pension and other post-employment benefit plan commitments and 2% of the Group's total associated assets.

The weighted average duration of these plans is around 11 years.

### Assumptions

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions in each of the relevant countries in which the Group operates and are as follows.

	UK pensions		North American pensions		North American post-retirement healthcare	
	2015	2014	2015	2014	2015	2014
Significant actuarial assumptions:						
Discount rate (% pa)	3.7	3.5	4.2	3.9	4.2	3.9
Retail Prices inflation assumption (% pa)	3.0	3.0	n/a	n/a	n/a	n/a
Post-retirement mortality (life expectancies in years):						
Current pensioners at 65 – male	22.4	22.1	21.2	21.7	21.2	21.7
Current pensioners at 65 – female	24.5	24.6	23.2	23.9	23.2	23.9
Future pensioners at 65 – male	24.1	23.9	22.9	23.3	22.9	23.4
Future pensioners at 65 – female	26.4	26.5	24.9	25.5	24.9	25.6
Other related actuarial assumptions:						
Rate of increases for pensions in payment (% pa)						
Pre 6 April 2006 service	2.9	2.9	n/a	n/a	n/a	n/a
Post 5 April 2006 service	2.0	2.0	n/a	n/a	n/a	n/a
Consumer Prices inflation assumption (% pa)	2.0	2.0	n/a	1.9	n/a	2.0
Rate of increase in healthcare costs	n/a	n/a	n/a	n/a	**	*

\* 7.7% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.

\*\* 7.2% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following period's cost. For North America, weighted average assumptions are shown where applicable.

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 a member retiring in 2036 (in 20 years time).

## Notes to the Group Financial Statements *continued*

### 24. PENSIONS & OTHER POST-EMPLOYMENT BENEFIT PLANS CONTINUED

#### Assumptions *continued*

The assets and liabilities of the plans are as follows.

	Total	
	2015 £m	2014 £m
Plan assets at fair value		
Equities (quoted)	<b>174.5</b>	165.9
Diversified Growth Funds (primarily quoted)	<b>46.4</b>	42.3
Corporate bonds (quoted)	<b>77.0</b>	77.9
Government bonds (quoted)	<b>81.2</b>	86.0
Insurance policies (unquoted)	<b>345.1</b>	357.7
Cash (quoted)	<b>3.2</b>	12.1
Fair value of plan assets	<b>727.4</b>	741.9
Present value of funded obligations	<b>(801.4)</b>	(827.0)
Net funded obligations	<b>(74.0)</b>	(85.1)
Present value of unfunded obligations	<b>(7.8)</b>	(9.2)
Net liability	<b>(81.8)</b>	(94.3)
Plan in surplus	<b>8.2</b>	4.1
Plan in deficit	<b>(90.0)</b>	(98.4)

The government bonds held are primarily index-linked, with around only 7% of the total government bonds being fixed interest. The pension plans have not directly invested in any of the Group's own financial instruments, or in properties or other assets used by the Group.

In the UK, where the majority of the Group's pension assets are held, the investment strategy is to hold equities and other return seeking assets such as diversified growth funds and a mixture of bonds to meet the assessed value of the benefits promised for the non-insured deferred pensioners. For the remaining deferred pensioners and the bulk of pensioners currently receiving their benefit, the liabilities are backed by insurance policies and suitable bonds.

The change in net liabilities recognised in the balance sheet is comprised as follows.

	2015 £m	2014 £m
Opening net liabilities	<b>(94.3)</b>	(70.4)
Expense charged to profit and loss	<b>(5.0)</b>	(4.9)
Amount recognised in statement of comprehensive income	<b>13.5</b>	(31.1)
Employer contributions	<b>4.3</b>	13.0
Currency adjustment	<b>(0.3)</b>	(0.9)
Closing net liabilities	<b>(81.8)</b>	(94.3)

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

	2015 £m	2014 £m
<b>Recognised in the Consolidated Income Statement</b>		
Current service cost	(1.1)	(2.1)
Administrative expenses	(0.6)	(0.7)
Past service settlement credit	–	0.5
Past service curtailment gain	–	0.2
Included in operating profit	(1.7)	(2.1)
Interest on net pension liability	(3.3)	(2.8)
Total expense charged to profit & loss	(5.0)	(4.9)
<b>Recognised in the Consolidated Statement of Comprehensive Income</b>		
Actual return on plan assets	21.5	84.6
Less: interest on plan assets	(25.4)	(29.6)
	(3.9)	55.0
Other actuarial gains (losses) due to		
Changes in financial assumptions	24.9	(79.1)
Changes in demographic assumptions	2.7	(5.8)
Experience on benefit obligations	(10.2)	(1.2)
Actuarial gains (losses) recognised in the Consolidated Statement of Comprehensive Income	13.5	(31.1)

Current service cost and administration expenses are recognised in operating costs and net interest on net pension liability is recognised in other finance costs. Deficit reduction measures in two small North American plans resulted in a settlement credit of £0.5m and a curtailment gain of £0.2m in 2014.

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 £2.6m in 2015 (2014: £10.6m) in addition to the Group's regular contributions.

The most recent actuarial funding valuation of the Main Plan was as at 31 December 2014 when the funding shortfall was £65.0m. Under the recovery plan agreed with Trustees, the Group entered into a pension funding partnership structure under which it will contribute interests in a Scottish Limited Partnership ('SLP') for the Main Plan. The Main Plan's interests in the SLP will reduce the deficit on a funding basis, although the agreement will not affect the position directly on an IAS 19 accounting basis as the investments held do not qualify as assets for IAS 19 purposes. As a partner in the SLP, the Main Plan is entitled to receive a share of the profits of the SLP once a year for 15 years, subject to conditions being met. The profits to be shared with the Plan will be reflected in the Group's financial statements as a pension contribution. The first contribution of £2m will be made to the Plan in 2016, rising to £4m for 2018 and beyond.

The Executive Plan actuarial valuation at 31 December 2013 included a funding shortfall of £10.6m with agreed recovery contributions of £2.4m per annum to 31 December 2017, subject to reassessment at future triennial valuations.

The Group has taken legal advice regarding its UK arrangements to confirm the accounting treatment under IFRIC 14 with regard to recognition of a current surplus and also recognition of a minimum funding requirement. This confirmed that there is no requirement to adjust the balance sheet and that recognition of a current surplus is appropriate on the basis that the Group has an unconditional right to a refund of a current (or projected future) surplus at some point in the future. For the same reason, there is no requirement for the Group to adjust the balance sheet to recognise the future agreed deficit recovery contributions. Having considered the position, taking account of the legal input received and noting that the Trustees of the UK arrangements do not have discretionary powers to unilaterally wind up the schemes without cause, the Directors of the Group have concluded that the Group has an unconditional right to a refund of any surplus. Amendments to the current version of IFRIC 14 are currently being considered. The legal advice received by the Group has confirmed that the above accounting treatment will not be affected by the current exposure draft of the revised IFRIC 14.

The total Group contributions for 2016 (including those expected from the SLP in the UK) are expected to be £5.8m.

Notes to the Group Financial Statements **continued****24. PENSIONS & OTHER POST-EMPLOYMENT BENEFIT PLANS CONTINUED****Sensitivity analysis**

Changes in key assumptions can have a significant effect on the reported retirement benefit obligation and the income statement expense for 2016. The effects of changes in those assumptions are set out in the table below.

	Increase 2015 £m	Decrease 2015 £m	Increase 2014 £m	Decrease 2014 £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	<b>110.9</b>	<b>(132.7)</b>	121.4	(147.0)
Effect on net liability of a 1.0% change	<b>80.9</b>	<b>(99.5)</b>	87.0	(108.6)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	<b>(69.7)</b>	<b>64.3</b>	(77.4)	72.8
Effect on net liability of a 1.0% change	<b>(47.6)</b>	<b>43.4</b>	(54.4)	49.9
Life expectancy				
Effect on defined benefit obligation of a 1 year change	<b>(24.7)</b>	<b>24.7</b>	(22.9)	22.9
Effect on net liability of a 1 year change	<b>(12.0)</b>	<b>12.0</b>	(12.2)	12.2

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 on the net liability would be much closer to the significantly higher impact on the defined benefit obligation shown in the table.

These sensitivities have been calculated to show the movement in the defined benefit obligation and net liability in isolation and assume no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the invested (non-insurance policy) assets held by the plans.

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

	2015 £m	2014 £m
Opening defined benefit obligations	<b>(836.2)</b>	(751.4)
Current service cost	<b>(1.1)</b>	(2.1)
Past service curtailment gain	–	0.2
Interest on benefit obligations	<b>(28.7)</b>	(32.4)
Benefits paid	<b>40.1</b>	34.6
Actuarial gains (losses) due to		
Changes in financial assumptions	<b>24.9</b>	(79.1)
Changes in demographic assumptions	<b>2.7</b>	(5.8)
Experience on benefit obligations	<b>(10.2)</b>	(1.2)
Gains on curtailments and settlements	–	2.9
Exchange rate adjustment	<b>(0.7)</b>	(1.9)
Closing defined benefit obligations	<b>(809.2)</b>	(836.2)

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

	2015 £m	2014 £m
Opening plan assets	<b>741.9</b>	681.0
Interest on plan assets	<b>25.4</b>	29.6
Employer contributions	<b>4.3</b>	13.0
Administrative expenses	<b>(0.6)</b>	(0.7)
Benefits paid	<b>(40.1)</b>	(34.6)
Actuarial return on plan assets less interest on plan assets	<b>(3.9)</b>	55.0
Assets distributed on settlements	–	(2.4)
Exchange rate adjustment	<b>0.4</b>	1.0
Closing plan assets	<b>727.4</b>	741.9

## 25. SHARE CAPITAL & RESERVES

	2015 Number Million	2014 Number Million
<b>Issued &amp; fully paid share capital</b>		
At the beginning of the period	214.1	213.9
Issued during the period in respect of Delta Valves acquisition (note 13)	0.6	–
Issued during the period in respect of LTIP awards	–	0.2
At the end of the period	214.7	214.1
<b>Treasury shares</b>		
Issued at the beginning and end of the period	0.7	0.7

The Company has one class of ordinary share with a par value of 12.5p which carries no rights to fixed income.

As at 1 January 2016, 27,851 shares (2014: 68,590 shares) were held by the Kleinwort EBT with a market value of £0.3m (2014: £1.3m).

As at 1 January 2016, 93,666 shares (2014: 220,952 shares) were held by the Appleby EBT for the strategic and matching elements of the deferred bonus and 32,753 shares (2014: 83,850 shares) for the deferred element. These shares have a market value of £1.3m (2014: £5.7m).

As at 1 January 2016, 18,676 shares (2014: nil) were held by the Appleby EBT for the bonus shares awarded under the LTIP. These shares have a market value of £0.2m (2014: £nil).

### Merger reserve

The merger reserve was created by the issue of new equity in relation to the acquisition of Delta Valves during the period.

### Capital redemption reserve

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

### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and the Group's hedge of its net investment in foreign operations.

### Hedge accounting reserve

This reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective. Net gains (losses) transferred from equity during the period are included in the following line items in the Consolidated Income Statement and Consolidated Balance Sheet.

	2015 £m	2014 £m
Revenue	0.6	–
Cost of sales	(2.6)	(0.5)
Administrative expenses	0.3	–
Inventory	0.1	(0.4)
	(1.6)	(0.9)

## Notes to the Group Financial Statements continued

## 26. ADDITIONAL CASH FLOW INFORMATION

	2015 £m	2014 £m
<b>Continuing operations</b>		
<b>Net cash generated from operations</b>		
Operating (loss) profit	(158.3)	192.5
Exceptional items – other	113.3	52.4
Exceptional impairment of intangible assets	251.4	160.0
Amortisation of intangible assets	52.5	44.9
Share of results of joint ventures	(8.3)	(10.0)
Depreciation of property, plant & equipment	63.4	61.1
Impairment of property, plant & equipment	0.3	–
Gains on disposal of property, plant & equipment	(1.6)	(1.4)
Funding of pension & post-retirement costs	–	(0.4)
Employee share schemes	(2.3)	4.4
Net foreign exchange including derivative financial instruments	4.5	1.4
Decrease in provisions	(5.7)	(1.9)
Cash generated from operations before working capital cash flows	309.2	503.0
Decrease (increase) in inventories	25.2	(45.5)
Decrease (increase) in trade & other receivables and construction contracts	189.3	(86.4)
(Decrease) increase in trade & other payables and construction contracts	(127.2)	50.2
Cash generated from operations	396.5	421.3
Additional pension contributions paid	(2.6)	(10.6)
Exceptional cash items	(33.4)	(10.6)
Income tax paid	(50.4)	(94.1)
Net cash generated from operating activities	310.1	306.0

Exceptional items are detailed in note 5.

The employee related provision and associated insurance asset in relation to US asbestos-related claims disclosed in note 22 will not result in any cash flows either to or from the Group and therefore they have been excluded from the table above.

The following tables summarise the cash flows arising on acquisitions.

	2015 £m	2014 £m
<b>Acquisitions of subsidiaries</b>		
Current period acquisitions (see below)	(12.9)	(132.7)
Prior period acquisitions contingent consideration paid	(2.8)	(5.0)
Prior period acquisitions completion adjustment	1.6	–
	(14.1)	(137.7)
Acquisition of subsidiaries – cash paid	(14.4)	(140.7)
Cash & cash equivalents acquired	1.5	8.0
Acquisition of subsidiaries – current period acquisitions	(12.9)	(132.7)
Settlement of external debt of subsidiary on acquisition	(1.2)	–
Total cash outflow on current period acquisitions (note 13)	(14.1)	(132.7)
Prior period acquisitions contingent consideration paid	(2.8)	(5.0)
Prior period acquisitions completion adjustment	1.6	–
Total cash outflow relating to acquisitions	(15.3)	(137.7)

The settlement of the external debt of Delta Valves on acquisition has been classified as a financing cash flow in accordance with IAS 7.



	2015 £m	2014 £m
<b>Reconciliation of net increase in cash &amp; cash equivalents to movement in net debt</b>		
Net increase in cash & cash equivalents from continuing operations	34.2	97.2
Net decrease (increase) in debt	49.4	(166.5)
Change in net debt resulting from cash flows	83.6	(69.3)
Lease inception	(0.1)	(0.4)
Foreign currency translation differences	(47.8)	(44.0)
Change in net debt during the period	35.7	(113.7)
Net debt at the beginning of the period	(860.7)	(747.0)
Net debt at the end of the period	(825.0)	(860.7)
<b>Net debt comprises the following</b>		
Cash & short-term deposits (note 19)	184.0	178.7
Current interest-bearing loans & borrowings (note 20)	(195.6)	(166.1)
Non-current interest-bearing loans & borrowings (note 20)	(813.4)	(873.3)
	(825.0)	(860.7)

## 27. COMMITMENTS & LEGAL CLAIMS

### Operating lease commitments

The Group has entered into commercial leases for land and buildings, motor vehicles and plant & equipment. Land and building leases have an average term of between two and ten years, motor vehicle leases have an average term of between two and four years and plant & 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.

	2015 £m	2014 £m
Less than one year	29.6	32.0
After one year but no more than five years	71.3	70.6
More than five years	43.6	39.1
	144.5	141.7

### Finance lease commitments

The Group has finance leases for buildings and plant & 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 2015 £m	Present value of payments 2015 £m	Minimum payments 2014 £m	Present value of payments 2014 £m
Less than one year	0.1	0.1	0.1	0.1
After one year but not more than five years	0.2	0.2	0.2	0.2
Total minimum lease payments	0.3		0.3	
Less amounts representing finance charges	–		–	
Present value of minimum lease payments	0.3	0.3	0.3	0.3

The weighted average outstanding lease term is 2.69 years (2014: 3.64 years). For the 52 weeks ended 1 January 2016, the weighted average effective borrowing rate was 4.89% (2014: 4.60%).

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

## Notes to the Group Financial Statements continued

### 27. COMMITMENTS & LEGAL CLAIMS CONTINUED

#### Capital commitments

	2015 £m	2014 £m
Outstanding capital commitments contracted but not provided for – property, plant & equipment	20.1	19.6
Outstanding capital commitments contracted but not provided for – intangible assets	8.9	3.5

The Group's share of the capital commitments of its joint ventures amounted to £0.1m (2014: £0.4m).

#### Legal claims

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

A claim made by Philippines Gold Processing & Refining Corporation against Weir Services Australia Pty Limited (WSA), a subsidiary of the Company, was defended at arbitration, with the successful judgement issued in favour of WSA in January 2016. During the arbitration process, the Group entered into a cap and collar agreement with the claimant, which limited the potential exposure for the Group to a de minimus amount.

### 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 95 to 117.

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

	2015 Number Million	2015 WASP	2014 Number Million	2014 WASP
Outstanding at the beginning of the period	1.5	£23.43	1.5	£15.44
Awarded during the period	0.9	£17.85	0.6	£26.20
Exercised during the period	–	–	(0.3)	£16.13
Forfeited during the period	(0.7)	£19.82	(0.3)	£16.78
Outstanding at the end of the period	1.7	£21.84	1.5	£23.43

An amount of £0.5m has been credited (2014: £3.1m 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 a credit of £0.2m (2014: £1.5m charge) in respect of parent company employees and a credit of £0.3m (2014: £1.6m charge) in respect of employees of subsidiaries.

Certain subsidiary companies made a cash contribution to the parent company of £5.1m (2014: £4.9m) 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	2015 Number Million	2015 Remaining contractual life	2014 Number Million	2014 Remaining contractual life
2012	–	–	0.5	3 months
2013	0.4	3 months	0.4	15 months
2014	0.5	15 months	0.6	27 months
2015	0.8	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 1 January 2016 and the 52 weeks ended 2 January 2015 in the calculation of the fair value of awards made in those years.

	2015	2014
Weighted average expected volatility (%)	28.93	34.88
Weighted average expected life (years)	2.96	3.00
Weighted average risk free rate (%)	0.83	1.22
Weighted average share price (£)	17.85	26.20
Weighted average fair value (£)	14.73	23.62

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.

### Deferred Bonus Plan

There are three types of award which were 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.

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

	2015 Number Million	2014 Number Million
Outstanding at the beginning of the period	0.2	0.2
Exercised during the period	(0.1)	–
Outstanding at the end of the period	0.1	0.2

An amount of £1.8m has been credited (2014: £1.3m 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 DISCLOSURE

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	2015	18.4	0.4	1.4	0.8	–
	2014	26.7	0.5	8.2	0.5	–
Group pension plans	2015	–	–	–	–	2.1
	2014	–	–	–	–	1.8

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 2015, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2014: £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.

	2015 £m	2014 £m
<b>Compensation of key management personnel</b>		
Short-term employee benefits	4.9	6.3
Share-based payments	0.5	4.0
Post-employment benefits	0.3	0.2
	5.7	10.5
<b>Emoluments paid to the Directors of The Weir Group PLC</b>		
Remuneration	2.4	2.9
Gains made on the exercise of Long Term Incentive Plan awards	0.4	1.9
	2.8	4.8

Key management comprises the Board and the Group Executive. Further details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 95 to 117.

## Notes to the Group Financial Statements **continued**

### 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 currency. 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 a significant concentration of foreign exchange risk has been identified may also apply hedge accounting in accordance with IAS 39. 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 its net exposure to United States dollar (US\$), Australian dollar (AUD), Euro (EUR) and South African rand (ZAR). This is achieved through designating an element of foreign currency borrowings, forward foreign currency contracts and cross currency swaps as net investment hedges against the Group's 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 fixed rate loan notes, bank loans, commercial paper and bank overdrafts. 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 enforced. 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 an investment grade credit rating or better at contract inception, based upon ratings provided by the major agencies. Exposures to those counterparties are regularly reviewed and, when the market view of a counterparty's credit quality changes, adjusted as considered appropriate. Accordingly in normal market conditions, the probability of material loss due to non-performance by counterparties is considered to be low.

#### 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. Details of changes to the Group's loans and facilities have been included in note 20.

#### Net investment in foreign operations

As at 1 January 2016, US dollar fixed rate notes of US\$345.9m (2014: US\$435.9m), US dollar variable rate loans of US\$70.0m (2014: US\$70.0m) and commercial paper of €70.0m (2014: €nil), all included in interest-bearing loans and borrowings, cross currency swaps of US\$69.9m and AUD151.0m (2014: US\$89.4m and AUD151.0m) and net forward foreign currency liability contracts of US\$279.9m and ZAR345.0m (2014: US\$170.4m and ZAR345.0m) 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, Weir Seaboard, Weir Novatech, Weir Mathena, Weir Minerals Australia, Weir Multiflo, Weir Minerals France, Weir Gabbioneta, Weir Heavy Bay Foundry and Weir Warman Africa. Gains or losses on the retranslation of the borrowings and contingent consideration and the fair value of the cross currency swaps and forward foreign currency contracts are transferred to equity to offset any gains or losses on translation of the net investments in these subsidiaries.

### Carrying amounts & fair values

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

	Carrying amount 2015 £m	Fair value 2015 £m	Fair Value measurement using		
			Level 1 Quoted prices in active markets £m	Level 2 Significant observable inputs £m	Level 3 Significant unobservable inputs £m
<b>Financial assets</b>					
Derivative financial instruments recognised at fair value through profit or loss	13.2	13.2	–	13.2	–
Derivative financial instruments in designated hedge accounting relationships	9.5	9.5	–	9.5	–
Trade & other receivables excluding statutory assets & prepayments*	434.4	434.4			
Cash & short-term deposits*	184.0	184.0			
	<b>641.1</b>	<b>641.1</b>			
<b>Financial liabilities</b>					
Derivative financial instruments recognised at fair value through profit or loss	8.3	8.3	–	8.3	–
Derivative financial instruments in designated hedge accounting relationships	11.6	11.6	–	11.6	–
Contingent consideration	35.9	35.9	–	–	35.9
Amortised cost:					
Fixed rate borrowings	767.7	745.2	–	745.2	–
Floating rate borrowings	236.3	236.3	–	236.3	–
Obligations under finance leases	0.3	0.3	–	0.3	–
Bank overdrafts & short-term borrowings*	4.7	4.7			
Trade & other payables excluding statutory liabilities & deferred income*	367.1	367.1			
	<b>1,431.9</b>	<b>1,409.4</b>			

	Carrying amount 2014 Restated (note 2) £m	Fair value 2014 Restated (note 2) £m	Fair Value measurement using		
			Level 1 Quoted prices in active markets £m	Level 2 Significant observable inputs £m	Level 3 Significant unobservable inputs £m
<b>Financial assets</b>					
Derivative financial instruments recognised at fair value through profit or loss	10.0	10.0	–	10.0	–
Derivative financial instruments in designated hedge accounting relationships	4.0	4.0	–	4.0	–
Trade & other receivables excluding statutory assets & prepayments*	605.3	605.3			
Cash & short-term deposits*	178.7	178.7			
	798.0	798.0			
<b>Financial liabilities</b>					
Derivative financial instruments recognised at fair value through profit or loss	6.1	6.1	–	6.1	–
Derivative financial instruments in designated hedge accounting relationships	8.3	8.3	–	8.3	–
Contingent consideration	34.6	34.6	–	–	34.6
Amortised cost:					
Fixed rate borrowings	808.5	784.9	–	784.9	–
Floating rate borrowings	218.5	218.5	–	218.5	–
Obligations under finance leases	0.3	0.3	–	0.3	–
Bank overdrafts & short-term borrowings*	12.1	12.1			
Trade & other payables excluding statutory liabilities & deferred income*	489.7	489.7			
	1,578.1	1,554.5			

\* 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. As such disclosure of the fair value hierarchy for these items is not required.

## Notes to the Group Financial Statements **continued**

### 30. FINANCIAL ASSETS & LIABILITIES CONTINUED

#### Carrying amounts & fair values *continued*

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, interest rate curves, counterparty and own credit risk. 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 and counterparty and own credit risk. 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 that have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

At 1 January 2016 and 2 January 2015 the Group has classified contingent consideration as level 3. A reconciliation of the movements in the contingent consideration fair value has been included in note 13.

During the 52 weeks ended 1 January 2016 and 2 January 2015, 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 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. The basis for the calculation of the fair value of contingent consideration is outlined in detail in note 13.

#### 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.

	2015 £m	2014 £m
<b>Included in non-current assets</b>		
Forward foreign currency contracts designated as cash flow hedges	0.1	0.2
Cross currency swaps designated as net investment hedges	8.3	3.3
Other forward foreign currency contracts	0.1	–
	<b>8.5</b>	<b>3.5</b>
<b>Included in current assets</b>		
Forward foreign currency contracts designated as cash flow hedges	0.2	0.5
Forward foreign currency contracts designated as net investment hedges	0.9	–
Other forward foreign currency contracts	13.1	10.0
	<b>14.2</b>	<b>10.5</b>
<b>Included in current liabilities</b>		
Forward foreign currency contracts designated as cash flow hedges	(1.5)	(2.3)
Forward foreign currency contracts designated as net investment hedges	(4.4)	(2.4)
Cross currency swaps designated as net investment hedges	–	(0.7)
Other forward foreign currency contracts	(8.2)	(5.9)
	<b>(14.1)</b>	<b>(11.3)</b>
<b>Included in non-current liabilities</b>		
Forward foreign currency contracts designated as cash flow hedges	(0.9)	(0.2)
Cross currency swaps designated as net investment hedges	(4.8)	(2.7)
Other forward foreign currency contracts	(0.1)	(0.2)
	<b>(5.8)</b>	<b>(3.1)</b>
<b>Net derivative financial assets (liabilities)</b>	<b>2.8</b>	<b>(0.4)</b>



### 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.

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
<b>52 weeks ended 1 January 2016</b>					
Trade & other receivables excluding statutory assets & prepayments	412.1	3.9	15.4	3.0	434.4
Cash & short-term deposits	184.0	–	–	–	184.0
Cashflows relating to non-derivative financial assets	596.1	3.9	15.4	3.0	618.4
Trade & other payables excluding statutory liabilities & deferred income	(380.4)	–	(22.6)	–	(403.0)
Obligations under finance leases	(0.1)	(0.1)	(0.1)	–	(0.3)
Bank overdrafts & short-term borrowings	(4.7)	–	–	–	(4.7)
Bank loans	(24.8)	(0.8)	(47.1)	–	(72.7)
Commercial paper	(166.5)	–	–	–	(166.5)
Fixed rate notes	(33.4)	(33.4)	(308.8)	(567.3)	(942.9)
Cashflows relating to non-derivative financial liabilities	(609.9)	(34.3)	(378.6)	(567.3)	(1,590.1)
Net cashflows relating to non-derivative financial assets (liabilities)	(13.8)	(30.4)	(363.2)	(564.3)	(971.7)
<b>52 weeks ended 2 January 2015 (restated note 2)</b>					
Trade & other receivables excluding statutory assets & prepayments	583.0	4.0	13.1	7.1	607.2
Cash & short-term deposits	178.7	–	–	–	178.7
Cashflows relating to non-derivative financial assets	761.7	4.0	13.1	7.1	785.9
Trade & other payables excluding statutory liabilities & deferred income	(498.8)	(2.8)	(22.7)	–	(524.3)
Obligations under finance leases	(0.1)	(0.1)	(0.1)	–	(0.3)
Bank overdrafts & short-term borrowings	(12.1)	–	–	–	(12.1)
Bank loans	(84.5)	(2.7)	(140.4)	–	(227.6)
Fixed rate notes	(102.8)	(32.2)	(307.6)	(566.2)	(1,008.8)
Cashflows relating to non-derivative financial liabilities	(698.3)	(37.8)	(470.8)	(566.2)	(1,773.1)
Net cashflows relating to non-derivative financial assets (liabilities)	63.4	(33.8)	(457.7)	(559.1)	(987.2)

## Notes to the Group Financial Statements continued

## 30. FINANCIAL ASSETS &amp; LIABILITIES CONTINUED

## Liquidity &amp; credit risk continued

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
<b>52 weeks ended 1 January 2016</b>					
Cross currency swaps – outflow	(6.9)	(81.6)	(50.0)	–	(138.5)
Cross currency swaps – inflow	5.5	88.5	45.3	–	139.3
Cross currency swaps – net (outflow) inflow	(1.4)	6.9	(4.7)	–	0.8
Forward foreign currency contracts – outflow	(891.3)	(8.2)	–	–	(899.5)
Forward foreign currency contracts – inflow	890.5	7.3	–	–	897.8
Forward foreign currency contracts – net outflow	(0.8)	(0.9)	–	–	(1.7)
Derivative financial instruments – net outflow	(898.2)	(89.8)	(50.0)	–	(1,038.0)
Derivative financial instruments – net inflow	896.0	95.8	45.3	–	1,037.1
Derivative financial instruments – net (outflow) inflow	(2.2)	6.0	(4.7)	–	(0.9)
Effect of discounting					3.7
Net derivative financial assets					2.8
<b>52 weeks ended 2 January 2015</b>					
Cross currency swaps – outflow	(20.1)	(7.1)	(131.3)	–	(158.5)
Cross currency swaps – inflow	17.8	5.5	131.1	–	154.4
Cross currency swaps – net outflow	(2.3)	(1.6)	(0.2)	–	(4.1)
Forward foreign currency contracts – outflow	(615.7)	(18.1)	(5.7)	–	(639.5)
Forward foreign currency contracts – inflow	615.6	17.9	5.7	–	639.2
Forward foreign currency contracts – net outflow	(0.1)	(0.2)	–	–	(0.3)
Derivative financial instruments – outflow	(635.8)	(25.2)	(137.0)	–	(798.0)
Derivative financial instruments – inflow	633.4	23.4	136.8	–	793.6
Derivative financial instruments – net outflow	(2.4)	(1.8)	(0.2)	–	(4.4)
Effect of discounting					4.0
Net derivative financial liabilities					(0.4)

### 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.

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
<b>52 weeks ended 1 January 2016</b>					
<b>Fixed rate debt</b>					
Bank loans	–	–	(0.1)	–	(0.1)
Fixed rate notes	–	–	(232.7)	(535.0)	(767.7)
Obligations under finance leases	(0.1)	(0.1)	(0.1)	–	(0.3)
	(0.1)	(0.1)	(232.9)	(535.0)	(768.1)
<b>Fixed rate derivatives</b>					
Notional cross currency swaps US dollar leg	–	–	(47.4)	–	(47.4)
Notional cross currency swaps Australian dollar leg	–	(74.7)	–	–	(74.7)
Notional cross currency swaps Sterling leg	–	83.1	43.0	–	126.1
	–	8.4	(4.4)	–	4.0
Net fixed rate financial instruments	(0.1)	8.3	(237.3)	(535.0)	(764.1)
<b>Floating rate net debt</b>					
Cash & short-term deposits	184.0	–	–	–	184.0
Commercial paper	(166.4)	–	–	–	(166.4)
Bank overdrafts & short-term borrowings	(4.7)	–	–	–	(4.7)
Bank loans	(24.4)	–	(45.4)	–	(69.8)
Net floating rate financial instruments	(11.5)	–	(45.4)	–	(56.9)
<b>52 weeks ended 2 January 2015</b>					
<b>Fixed rate debt</b>					
Fixed rate notes	(70.6)	–	(225.0)	(512.9)	(808.5)
Obligations under finance leases	(0.1)	(0.1)	(0.1)	–	(0.3)
	(70.7)	(0.1)	(225.1)	(512.9)	(808.8)
<b>Fixed rate derivatives</b>					
Notional cross currency swaps US dollar leg	(12.7)	–	(45.5)	–	(58.2)
Notional cross currency swaps Australian dollar leg	–	–	(79.7)	–	(79.7)
Notional cross currency swaps Sterling leg	12.0	–	126.1	–	138.1
	(0.7)	–	0.9	–	0.2
Net fixed rate financial instruments	(71.4)	(0.1)	(224.2)	(512.9)	(808.6)
<b>Floating rate net debt</b>					
Cash & short-term deposits	178.7	–	–	–	178.7
Bank overdrafts & short-term borrowings	(12.1)	–	–	–	(12.1)
Bank loans	(83.3)	(1.4)	(133.8)	–	(218.5)
Net floating rate financial instruments	83.3	(1.4)	(133.8)	–	(51.9)

## Notes to the Group Financial Statements continued

### 30. FINANCIAL ASSETS & LIABILITIES CONTINUED

#### Interest rate risk & maturity profile continued

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 (loss) gain £m	Effect on equity (loss) £m
<b>2015</b>			
Canadian dollar	+ 100	0.4	–
Euro	+ 100	(0.6)	(0.5)
UK Sterling	+ 100	(0.4)	–
US dollar	+ 100	(0.1)	(0.4)
Australian dollar	+ 100	0.2	(0.2)
<b>2014</b>			
Canadian dollar	+ 100	0.5	–
Euro	+ 100	0.1	–
UK Sterling	+ 100	(1.6)	–
US dollar	+ 100	–	(0.4)
Australian dollar	+ 100	0.1	(0.2)

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

#### Effect of hedge & 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 and on its net investments in foreign operations. The terms of the forward foreign currency contracts are negotiated to match the terms of the commitments. During the period, four subsidiaries within the Group have applied cash flow hedge accounting to these forward foreign currency transactions. In addition the Group uses forward foreign currency contracts to hedge translation currency risk associated with its net investments in foreign operations. During the period the Group had eight relationships where net investment hedge accounting was applied to these forward foreign currency transactions. All other forward foreign currency contracts, while representing commercial hedges, are not subject to cash flow or net investment 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.

	Net carrying amount £m	Maturity dates	Gain (loss) recognised in profit or loss £m	(Loss) gain recognised in equity £m	Gain recognised in inventory £m
<b>52 weeks ended 1 January 2016</b>					
Forward foreign currency contracts designated as cash flow hedges	(2.1)	2016 to 2017	(1.7)	(1.2)	0.1
Forward foreign currency contracts designated as net investment hedges	(3.5)	2016	–	(3.2)	–
Cross currency swaps designated as net investment hedges	3.5	2017 to 2018	–	1.4	–
Other forward foreign currency contracts at fair value through profit or loss	4.9	2016 to 2017	19.6	–	–
	2.8		17.9	(3.0)	0.1

52 weeks ended 2 January 2015	Net carrying amount £m	Maturity dates	Gain (loss) recognised in profit or loss £m	Loss recognised in equity £m	Loss recognised in inventory £m
Forward foreign currency contracts designated as cash flow hedges	(1.8)	2014 to 2017	(0.5)	(3.2)	(0.4)
Forward foreign currency contracts designated as net investment hedges	(2.4)	2014	–	(6.1)	–
Cross currency swaps designated as net investment hedges	(0.1)	2014 to 2018	–	–	–
Other forward foreign currency contracts at fair value through profit or loss	3.9	2014 to 2017	12.6	–	–
	(0.4)		12.1	(9.3)	(0.4)

The net £nil (2014: £nil) recognised in profit or loss in respect of cross currency swaps and forward foreign currency contracts designated as net investment hedges reflects the benefit of the 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 (2014: £nil).

### Foreign exchange risk

The Group considers the most significant foreign exchange risk relates to the Australian dollar, Euro and US dollar. The following table demonstrates the sensitivity to a reasonably possible change in these foreign currency exchange rates with all other variables held constant. The sensitivity analysis shows the effect on profit or loss in respect of financial assets and liabilities denominated in foreign currency, including payables, receivables, borrowings and forward foreign currency contracts but excluding all financial assets and liabilities qualifying 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 (loss) £m
<b>2015</b>			
Australian dollar	+25%	0.8	14.9
Euro	+25%	1.5	6.7
US dollar	+25%	(2.3)	101.2
<b>2014</b>			
Australian dollar	+25%	0.4	15.9
Euro	+25%	2.6	0.6
US dollar	+25%	(4.5)	99.7

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.

	2015 £m	2014 £m
US dollar	114.4	262.3
Australian dollar	31.6	41.1
Euro	21.6	26.5
Canadian dollar	31.1	42.3
United Arab Emirates dirham	21.6	16.6
Chilean peso	30.6	27.8
South African rand	1.3	2.0
Brazilian real	4.3	6.8
Russian rouble	3.8	10.6
UK Sterling	(13.0)	(5.4)
Other	11.6	19.2
Operating profit from continuing operations before exceptional items & intangibles amortisation	258.9	449.8

## 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.

#### 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. The Group considers that the ratio of net debt to EBITDA is the key metric from a capital management perspective and seeks to maintain the ratio below two times. Given the prolonged downturn currently in oil and gas markets, the metric has increased to 2.6 times but remains actively managed.

	2015	2014
Net debt (£m)	<b>825.0</b>	860.7
Operating (loss) profit (£m)	<b>(158.3)</b>	192.5
Exceptional items included in operating profit (note 5) (£m)	<b>113.3</b>	52.4
Depreciation, intangibles amortisation & impairment (£m)	<b>367.3</b>	266.0
EBITDA (£m)	<b>322.3</b>	510.9
Net debt to EBITDA cover (ratio)	<b>2.6</b>	1.7

#### 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).

	2015	2014
Operating profit before exceptional items & intangibles amortisation (£m)	<b>258.9</b>	449.8
Net finance costs (excluding exceptional items and other finance costs) (£m)	<b>35.8</b>	38.5
Interest cover (ratio)	<b>7.2</b>	11.7

#### 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).

	2015	2014
Net debt (£m)	<b>825.0</b>	860.7
Total equity (£m)	<b>1,197.8</b>	1,482.2
Gearing ratio (%)	<b>68.9</b>	58.1

The Group's banking arrangements also require the calculation of net debt to EBITDA (not greater than 3.5) and interest cover (not less than 3.5) 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, i.e. 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

	2015	2014
Net debt at average exchange rates (£m)	<b>796.5</b>	819.8
Operating (loss) profit* (£m)	<b>(155.8)</b>	204.5
Exceptional item included in operating profit (note 5) (£m)	<b>113.3</b>	52.4
Depreciation, intangibles amortisation & impairment* (£m)	<b>367.3</b>	267.2
EBITDA* (£m)	<b>324.8</b>	524.1
Net debt to EBITDA cover (ratio)	<b>2.5</b>	1.6



**Interest cover – lender covenants basis**

	2015	2014
Operating profit before exceptional items & intangibles amortisation* (£m)	261.4	461.9
Net finance costs (excluding exceptional items and other finance costs) (£m)	35.8	38.5
Interest cover (ratio)	7.3	12.0

\* Adjusted for current year acquisitions.

**32. EXCHANGE RATES**

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

	2015	2014
<b>Average rate (per £)</b>		
US dollar	1.53	1.65
Australian dollar	2.04	1.83
Euro	1.38	1.24
Canadian dollar	1.96	1.82
United Arab Emirates dirham	5.61	6.01
Chilean peso	1,000.85	940.16
South African rand	19.53	17.87
Brazilian real	5.10	3.87
Russian rouble	93.65	63.32
<b>Closing rate (per £)</b>		
US dollar	1.47	1.54
Australian dollar	2.02	1.89
Euro	1.36	1.28
Canadian dollar	2.04	1.80
United Arab Emirates dirham	5.41	5.64
Chilean peso	1,044.14	942.64
South African rand	22.81	17.97
Brazilian real	5.84	4.14
Russian rouble	107.45	90.99

## Company Balance Sheet at 1 January 2016

	Notes	1 January 2016 £m	Restated (note 1) 2 January 2015 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	3	4.1	0.3
Intangible assets	4	0.1	0.1
Investments	5	2,681.1	2,689.4
Deferred tax asset	13	12.3	16.1
Other receivables	6	40.5	–
Retirement benefit plan assets	10	8.2	4.1
Derivative financial instruments	11	9.3	3.7
<b>Total non-current assets</b>		<b>2,755.6</b>	<b>2,713.7</b>
<b>Current assets</b>			
Trade & other receivables	6	138.8	122.8
Derivative financial instruments	11	23.5	19.2
Cash & short-term deposits		58.3	22.9
<b>Total current assets</b>		<b>220.6</b>	<b>164.9</b>
<b>Total assets</b>		<b>2,976.2</b>	<b>2,878.6</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade & other payables	7	1,052.3	983.7
Derivative financial instruments	11	18.7	18.7
<b>Total current liabilities</b>		<b>1,071.0</b>	<b>1,002.4</b>
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings	8	1,182.7	1,177.6
Derivative financial instruments	11	5.8	3.1
Provisions	9	1.1	1.1
Deferred tax liabilities	13	5.1	–
Retirement benefit plan deficits	10	76.3	84.2
<b>Total non-current liabilities</b>		<b>1,271.0</b>	<b>1,266.0</b>
<b>Total liabilities</b>		<b>2,342.0</b>	<b>2,268.4</b>
<b>NET ASSETS</b>		<b>634.2</b>	<b>610.2</b>
<b>CAPITAL &amp; RESERVES</b>			
Share capital	12	26.8	26.8
Share premium		38.0	38.0
Merger reserve		9.4	–
Treasury shares		(5.8)	(5.8)
Capital redemption reserve		0.5	0.5
Special reserve		1.8	1.8
Retained earnings		563.5	548.9
<b>TOTAL EQUITY</b>		<b>634.2</b>	<b>610.2</b>

Approved by the Board of Directors on 24 February 2016

**Keith Cochrane**  
Director

**Jon Stanton**  
Director

## Company Statement of Changes in Equity for the 52 weeks ended 1 January 2016

	Share capital £m	Share premium £m	Merger reserve £m	Treasury shares £m	Capital redemption reserve £m	Special reserve £m	Retained earnings £m	Total equity £m
At 3 January 2014 (restated note 18)	26.7	38.0	–	(5.8)	0.5	1.8	418.4	479.6
Profit for the period	–	–	–	–	–	–	249.5	249.5
Remeasurements on defined benefit plans	–	–	–	–	–	–	(26.7)	(26.7)
Tax relating to other comprehensive income	–	–	–	–	–	–	5.3	5.3
Total net comprehensive income for the period	–	–	–	–	–	–	228.1	228.1
Cost of share-based payments inclusive of tax charge	–	–	–	–	–	–	5.2	5.2
Dividends	–	–	–	–	–	–	(102.7)	(102.7)
Exercise of LTIP awards	0.1	–	–	–	–	–	(0.1)	–
At 2 January 2015 (restated note 18)	<b>26.8</b>	<b>38.0</b>	–	<b>(5.8)</b>	<b>0.5</b>	<b>1.8</b>	<b>548.9</b>	<b>610.2</b>
Profit for the period	–	–	–	–	–	–	<b>100.5</b>	<b>100.5</b>
Remeasurements on defined benefit plans	–	–	–	–	–	–	<b>12.9</b>	<b>12.9</b>
Tax relating to other comprehensive income	–	–	–	–	–	–	<b>(2.1)</b>	<b>(2.1)</b>
<b>Total net comprehensive income for the period</b>	–	–	–	–	–	–	<b>111.3</b>	<b>111.3</b>
Issue of shares	–	–	<b>9.4</b>	–	–	–	–	<b>9.4</b>
Cost of share-based payments inclusive of tax credit	–	–	–	–	–	–	<b>(2.7)</b>	<b>(2.7)</b>
Dividends	–	–	–	–	–	–	<b>(94.0)</b>	<b>(94.0)</b>
<b>At 1 January 2016</b>	<b>26.8</b>	<b>38.0</b>	<b>9.4</b>	<b>(5.8)</b>	<b>0.5</b>	<b>1.8</b>	<b>563.5</b>	<b>634.2</b>

## Notes to the Company Financial Statements

### 1. ACCOUNTING POLICIES

#### Authorisation of financial statements and statement of compliance

The Company financial statements of The Weir Group PLC (the 'Company') for the 52 weeks ended 1 January 2016 ('2015') were approved and authorised for issue in accordance with a resolution of the Directors on 24 February 2016. The comparative information is presented for the 52 weeks ended 2 January 2015 ('2014'). For the 52 week period ended 1 January 2016 and previous periods, the Company has reported its financial statements to the week ending closest to the Company reference date of 31 December. For practical purposes, a decision has been made to alter the reporting basis to reflect a calendar year, with the next annual reporting date being 31 December 2016. This is not expected to significantly impact the reported results in 2016.

The Weir Group PLC is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

The company financial statements of The Weir Group PLC have been prepared in accordance with FRS 101 and applied in accordance with the provisions of the Companies Act 2006.

#### Change of GAAP

The Company transitioned from the previously extant UK GAAP to FRS 101 for both periods presented. Transition reconciliations showing all material adjustments and outlining all first-time adoption exemptions permitted under IFRS 1 are disclosed in note 18. The accounting policies which follow set out the policies that apply in preparing the financial statements for the 52 weeks ended 1 January 2016 ('2015') and the restated comparative information for the 52 weeks ended 2 January 2015 ('2014'). The Company has taken early adoption of (SI2015/980) for presentational purposes in order to align with the Group Consolidated Financial Statements.

#### Use of estimates & judgements

The Company's significant accounting policies are set out below. The preparation of the company financial statements, in conformity with FRS 101, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.

Management base these judgements, estimates and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to each individual circumstance. Actual results may differ from these estimates, judgements and assumptions, which 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.

The areas where management consider the more complex estimates, judgements and assumptions are required are those in respect of provisions (note 9), retirement benefits (note 10) and deferred taxation (note 13).

#### Foreign currency translation

The presentational 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 income statement.

#### Property, plant & equipment

Depreciation of property, plant & equipment, other than 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:

Long leasehold land & buildings	20 years
Plant & equipment	3 – 10 years

#### Intangible assets

Intangible assets are stated at cost and amortised on a straight line basis over their estimated useful life.

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

Purchased software	4 – 8 years
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#### Investments

Investments in subsidiaries are held at historical cost less any provision for impairment.

### Post-employment benefits

Post-employment benefits comprise pension benefits provided to certain current and former employees in the UK.

For defined benefit pension plans, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on net pension liability is recognised in finance costs.

The finance cost recognised in the income statement in the period reflects the net interest on the net pension liability. This represents the change in the net pension liability resulting from the passage of time, and is determined by applying the discount rate to the opening net liability, taking into account employer contributions paid into the plan, and hence reducing the net liability, during the period.

Past service costs resulting from enhanced benefits are recognised immediately in the income statement. Actuarial gains and losses, which represent differences between interest on the plan assets, experience on the benefit obligation and the effect of changes in actuarial assumptions, are recognised in full in other 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 yields at the balance sheet date on appropriate high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and are denominated in the currency in which the benefits are expected to be paid, minus the fair value of the plan assets, if any, at the balance sheet date. The balance sheet amount recognised is limited to the present value of economic benefits which the Company expects to recover by way of refunds or a reduction in future contributions. In order to calculate the present value of economic benefits, consideration is also given to any minimum funding requirements.

For defined contribution plans, the cost represents the Company's contributions to the plans and these are charged to the income statement in the period in which they fall due.

### Share-based payments

Equity settled share-based incentives are provided to employees under the Group's Long Term Incentive Plan ('LTIP') and as a consequence of occasional one-off conditional awards made to senior executives. The last equity settled grant under the Executive Bonus Scheme ('EBS') was during 2013, with no award being made in the current year.

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 previously granted equity settled incentives under the EBS were determined as a percentage of the annual bonus and were matched by the Company with a share award that would vest on the third anniversary of the grant date, provided the individual continued to hold the original bonus shares awarded and continued to be employed by the Company at the date of vesting. In addition the EBS included a strategic bonus shares element for a limited number of senior employees. The fair value of the matching and strategic elements of the EBS was 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 granted. The fair value was determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified.

### 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, commercial paper, 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 de-recognition 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. The Company does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets or 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.

## Notes to the Company Financial Statements **continued**

### 1. ACCOUNTING POLICIES CONTINUED

#### 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 financial statements on the purchase, sale, issue or cancellation of equity shares.

#### 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 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; and
- ii) 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 laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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

### 2. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit dealt with in the accounts of the Company was £100.5m (2014 restated: £249.5m). 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

	2015 £m	2014 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2014: 29.0p (2013: 33.2p)	61.9	70.7
Interim dividend for 2015: 15.0p (2014: 15.0p)	32.1	32.0
	<b>94.0</b>	102.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2015: 29.0p (2014: 29.0p)	62.1	61.9

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

The dividend was re-phased in 2014 such that the final payment now represents approximately two thirds, as opposed to three quarters, of the total dividend.

#### Directors

Details of Directors' remuneration, benefits and LTIP awards are included in the Remuneration Report on pages 95 to 117, and in note 29 to the Group financial statements.

#### Auditors remuneration

The total fees payable by the Company to Ernst & Young LLP (EY) for work performed in respect of the audit of the Company were £15,000 (2014: £15,000). Fees paid to EY 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. PROPERTY, PLANT & EQUIPMENT

	Long leasehold land & buildings £m	Office & computer equipment £m	Total £m
<b>Cost</b>			
At 2 January 2015	–	1.4	1.4
Additions	3.8	0.2	4.0
At 1 January 2016	3.8	1.6	5.4
<b>Aggregate depreciation</b>			
At 2 January 2015	–	1.1	1.1
Charge for year	–	0.2	0.2
At 1 January 2016	–	1.3	1.3
Net book value at 2 January 2015	–	0.3	0.3
<b>Net book value at 1 January 2016</b>	<b>3.8</b>	<b>0.3</b>	<b>4.1</b>

Outstanding capital commitments contracted but not provided for relating to property, plant & equipment amounted to £0.6m (2014: £nil).

### 4. INTANGIBLE ASSETS

	Purchased software £m
<b>Cost</b>	
At 2 January 2015	0.8
Additions	0.1
At 1 January 2016	0.9
<b>Aggregate amortisation</b>	
At 2 January 2015	0.7
Charge for year	0.1
At 1 January 2016	0.8
Net book value at 2 January 2015	0.1
<b>Net book value at 1 January 2016</b>	<b>0.1</b>

Outstanding capital commitments entered into on behalf of a subsidiary contracted but not provided for relating to intangible assets amounted to £7.9m (2014: £0.6m).

Notes to the Company Financial Statements *continued***5. FIXED ASSET INVESTMENTS**

	Subsidiaries Shares £m	Loans £m	Total £m
<b>Cost</b>			
At 2 January 2015	1,067.0	1,628.0	2,695.0
Additions	672.0	73.0	745.0
Settlement	–	(753.3)	(753.3)
At 1 January 2016	1,739.0	947.7	2,686.7
<b>Impairment</b>			
At 1 January 2016 and at 2 January 2015	0.2	5.4	5.6
Net book value at 2 January 2015	1,066.8	1,622.6	2,689.4
<b>Net book value at 1 January 2016</b>	<b>1,738.8</b>	<b>942.3</b>	<b>2,681.1</b>

The subsidiaries and joint ventures of the Company are listed on pages 201 to 204.

**6. TRADE AND OTHER RECEIVABLES**

Other receivables presented as non-current on the face of the Company balance sheet of £40.5m (2014: £nil) are in respect of a prepayment recognised as a result of the pension funding partnership structure established in the year. Further information pertaining to this arrangement can be found in note 10.

	2015 £m	2014 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	131.8	116.7
Deferred tax recoverable (note 13)	–	1.9
Tax receivable	1.0	–
Other debtors	4.6	3.6
Prepayments & accrued income	1.4	0.6
	<b>138.8</b>	122.8

**7. TRADE AND OTHER PAYABLES**

	2015 £m	2014 £m
Bank overdrafts & short-term borrowings	414.4	288.0
Loans from subsidiaries	577.2	609.7
Amounts owed to subsidiaries	32.5	53.2
Tax payable	–	5.5
Other taxes & social security costs	1.8	1.4
Other creditors	6.4	3.2
Accruals & deferred income	20.0	22.7
	<b>1,052.3</b>	983.7

## 8. INTEREST-BEARING LOANS & BORROWINGS

	2015 £m	2014 £m
Amounts due are repayable as follows		
Less than one year		
– bank loans	23.0	83.3
– fixed rate notes	–	70.6
– commercial paper	166.4	–
– loans from subsidiaries	577.2	609.7
More than one year but not more than two years		
– loans from subsidiaries	–	20.1
More than two years but not more than five years		
– bank loans	45.4	135.2
– fixed rate notes	233.0	224.3
– loans from subsidiaries	278.4	284.4
More than five years		
– fixed rate notes	535.4	513.6
– loans from subsidiaries	90.5	–
	<b>1,949.3</b>	1,941.2
Less current instalments due on		
– bank loans	(23.0)	(83.3)
– fixed rate notes	–	(70.6)
– commercial paper	(166.4)	–
– loans from subsidiaries	(577.2)	(609.7)
	<b>1,182.7</b>	1,177.6

The loans from subsidiaries with a maturity date greater than two years and less than five years are repayable in 2019 and have an interest rate of 6.58%. The loans from subsidiaries with a maturity date greater than five years are repayable in 2021 and have an interest rate of 4.9%. These loans are not secured.

Details of the interest and repayment terms of the bank loans, fixed rate notes and commercial paper can be found in note 20 to the Group financial statements.

## 9. PROVISIONS

	Subsidiaries Shares £m
At 1 January 2016 and 2 January 2015	<b>1.1</b>

### Subsidiaries

As at 1 January 2016, a provision of £1.1m (2014: £1.1m) has been made against the deficiency of underlying net assets in certain subsidiaries.

## 10. RETIREMENT BENEFITS

The Company has two funded defined benefit plans (the Main Plan and the Executive Plan) and an unfunded retirement benefit plan for retired directors. The Company also operates a defined contribution plan. Contributions to the defined contribution arrangements are in addition to those set out below and are charged directly to the income statement.

For the defined benefit plans, benefits are related to service and final salary. The Main Plan closed to future accrual of benefits effective from 30 June 2015.

The weighted average duration of the expected benefit payments from the Main Plan is around 16 years and from the Executive Plan it is around 12 years.

The current funding target for the UK plans is to maintain assets equal to the value of the accrued benefits. The Main Plan holds insurance policies in respect of a significant proportion of deferred and retired pensioners.

## Notes to the Company Financial Statements *continued*

### 10. RETIREMENT BENEFITS CONTINUED

The regulatory framework in the UK requires the Trustees and Company to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to the Company that adverse experience could lead to a requirement for the Company to make considerable contributions to recover any deficit. This risk is significantly reduced for the Main Plan through the insurance policies held by the Plan.

#### Assumptions

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions and are as follows.

	2015	2014
Significant actuarial assumptions:		
Discount rate (% pa)	3.7	3.5
Retail Prices inflation assumption (% pa)	3.0	3.0
Post-retirement mortality (life expectancies in years):		
Current pensioners at 65 – male	22.4	22.1
Current pensioners at 65 – female	24.5	24.6
Future pensioners at 65 – male	24.1	23.9
Future pensioners at 65 – female	26.4	26.5
Other related actuarial assumptions:		
Rate of increases for pensions in payment (% pa)		
Pre 6 April 2006 service	2.9	2.9
Post 5 April 2006 service	2.0	2.0
Consumer Prices inflation assumption (% pa)	2.0	2.0

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following period's cost.

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 a member retiring in 2036 (in 20 years time).

The assets and liabilities of the plans are as follows.

	Total	
	2015 £m	2014 Restated (note 18) £m
Plan assets at fair value		
Equities (quoted)	168.6	157.7
Diversified Growth Funds (primarily quoted)	46.4	42.3
Corporate bonds (quoted)	71.0	70.9
Government bonds (quoted)	81.2	86.0
Insurance policies (unquoted)	345.1	357.7
Cash (quoted)	2.8	11.7
Fair value of plan assets	715.1	726.3
Present value of funded obligations	(781.8)	(805.0)
Net funded obligations	(66.7)	(78.7)
Present value of unfunded obligations	(1.4)	(1.4)
Net liability	(68.1)	(80.1)
Plan in surplus	8.2	4.1
Plan in deficit	(76.3)	(84.2)

The government bonds held are primarily index-linked, with around only 7% of the total government bonds being fixed interest. The pension plans have not directly invested in any of the Company's own financial instruments, or in properties or other assets used by the Company.

The investment strategy for the UK is to hold equities and other return seeking assets such as diversified growth funds and a mixture of bonds to meet the assessed value of the benefits promised for the non-insured deferred pensioners. For the remaining deferred pensioners and the bulk of pensioners currently receiving their benefit, the liabilities are backed by insurance policies and suitable bonds.

The change in net liabilities recognised in the balance sheet is comprised as follows.

	2015 £m	2014 Restated (note 18) £m
Opening net liabilities	(80.1)	(60.8)
Expense charged to profit and loss	(4.3)	(4.9)
Amount recognised in statement of comprehensive income	12.9	(26.7)
Employer contributions	3.4	12.3
Closing net liabilities	(68.1)	(80.1)

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

	2015 £m	2014 Restated (note 18) £m
<b>Recognised in the Consolidated Income Statement</b>		
Current service cost	(1.2)	(2.1)
Administrative expenses	(0.3)	(0.4)
Included in operating profit	(1.5)	(2.5)
Interest on net pension liability	(2.8)	(2.4)
Total expense charged to profit & loss	(4.3)	(4.9)
<b>Recognised in the Consolidated Statement of Comprehensive Income</b>		
Actual return on plan assets	23.2	83.6
Less: interest on plan assets	(24.8)	(28.8)
	(1.6)	54.8
Other actuarial losses due to		
Changes in financial assumptions	24.3	(76.7)
Changes in demographic assumptions	2.1	(3.6)
Experience on benefit obligations	(11.9)	(1.2)
Actuarial gains (losses) recognised in the Consolidated Statement of Comprehensive Income	12.9	(26.7)

Current service cost and administration expenses are recognised in operating costs and net interest on net pension liability is recognised in other finance costs.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of regular valuations using the projected unit method. The Company made special contributions of £2.4m in 2015 (2014: £10.4m) in addition to the Company's regular contributions.

The most recent actuarial funding valuation of the Main Plan was as at 31 December 2014 when the funding shortfall was £65.0m. Under the recovery plan agreed with Trustees, the Company entered into a pension funding partnership structure under which it contributed interests in a Scottish Limited Partnership ('SLP') for the Main Plan. The Main Plan's interests in the SLP will reduce the deficit on a funding basis, although the agreement will not affect the position directly on a FRS 101 basis as the investments held do not qualify as assets for FRS 101 purposes. As a partner in the SLP, the Main Plan is entitled to receive a share of the profits of the SLP once a year for 15 years. The profits to be shared with the Plan will be reflected in the Company's financial statements as a pension contribution. The first contribution of £2.0m will be made to the Plan in 2016.

The Executive Plan actuarial valuation at 31 December 2013 included a funding shortfall of £10.6m with agreed recovery contributions of £2.4m per annum to 31 December 2017, subject to reassessment at future triennial valuations.

## Notes to the Company Financial Statements *continued*

### 10. RETIREMENT BENEFITS CONTINUED

#### Assumptions *continued*

The Company has taken legal advice regarding its UK arrangements to confirm the accounting treatment under IFRIC 14 with regard to recognition of a current surplus and also recognition of a minimum funding requirement. This confirmed that there is no requirement to adjust the balance sheet and that recognition of a current surplus is appropriate on the basis that the Company has an unconditional right to a refund of a current (or projected future) surplus at some point in the future. For the same reason, there is no requirement for the Company to adjust the balance sheet to recognise the future agreed deficit recovery contributions. Having considered the position, taking account of the legal input received and noting that the Trustees of the UK arrangements do not have discretionary powers to unilaterally wind up the schemes without cause, the Directors of the Company have concluded that the Company has an unconditional right to a refund of any surplus. Amendments to the current version of IFRIC 14 are currently being considered. The legal advice received by the Company has confirmed that the above accounting treatment will not be affected by the current exposure draft of the revised IFRIC 14.

The total Company contributions for 2016 (including those expected from the SLP) are expected to be £4.5m.

#### Sensitivity analysis

Changes in key assumptions can have a significant effect on the reported net retirement benefit obligation and the income statement expense for 2016. The effects of changes in those assumptions are set out in the table below.

	Increase 2015 £m	Decrease 2015 £m	Increase 2014 Restated (note 18) £m	Decrease 2014 Restated (note 18) £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	<b>108.3</b>	<b>(129.8)</b>	118.2	(143.4)
Effect on net liability of a 1.0% change	<b>78.3</b>	<b>(96.6)</b>	83.7	(104.9)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	<b>(69.7)</b>	<b>64.3</b>	(77.4)	72.8
Effect on net liability of a 1.0% change	<b>(47.6)</b>	<b>43.4</b>	(54.4)	49.9
Life expectancy				
Effect on defined benefit obligation of a 1 year change	<b>(23.4)</b>	<b>23.4</b>	(21.6)	21.6
Effect on net liability of a 1 year change	<b>(10.7)</b>	<b>10.7</b>	(10.9)	10.9

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 on the net liability would be much closer to the significantly higher impact on the defined benefit obligation shown in the table.

These sensitivities have been calculated to show the movement in the defined benefit obligation and net liability in isolation and assume no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the invested (non-insurance policy) assets held by the plans.

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

	2015 £m	2014 Restated (note 18) £m
Opening defined benefit obligations	<b>(806.4)</b>	(724.9)
Current service cost	<b>(1.2)</b>	(2.1)
Interest on benefit obligations	<b>(27.6)</b>	(31.2)
Benefits paid	<b>37.5</b>	33.3
Actuarial gains (losses) due to		
Changes in financial assumptions	<b>24.3</b>	(76.7)
Changes in demographic assumptions	<b>2.1</b>	(3.6)
Experience on benefit obligations	<b>(11.9)</b>	(1.2)
Closing defined benefit obligations	<b>(783.2)</b>	(806.4)

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

	2015 £m	2014 Restated (note 18) £m
Opening plan assets	726.3	664.1
Interest on plan assets	24.8	28.8
Employer contributions	3.4	12.3
Administrative expenses	(0.3)	(0.4)
Benefits paid	(37.5)	(33.3)
Actuarial return on plan assets less interest on plan assets	(1.6)	54.8
Closing plan assets	715.1	726.3

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 £m	2014 £m
<b>Non-current assets</b>		
Cross currency swaps	8.3	3.3
Forward foreign currency contracts	1.0	0.4
	9.3	3.7
<b>Current assets</b>		
Forward foreign currency contracts	23.5	19.2
	23.5	19.2
<b>Current liabilities</b>		
Cross currency swaps	–	0.7
Forward foreign currency contracts	18.7	18.0
	18.7	18.7
<b>Non-current liabilities</b>		
Cross currency swaps	4.8	2.7
Forward foreign currency contracts	1.0	0.4
	5.8	3.1

The figures in the above table are inclusive of derivative financial instruments where the counterparty is a subsidiary of The Weir Group PLC.



Notes to the Company Financial Statements *continued***12. SHARE CAPITAL**

	2015 £m	2014 £m
<b>Allotted, called up &amp; fully paid</b>		
Ordinary shares of 12.5p each	<b>26.8</b>	26.8

	2015 Number Million	2014 Number Million
<b>Shares allotted</b>		
Issued during the period in respect of Delta Valves acquisition	<b>0.6</b>	–
Issued during the period in respect of LTIP awards	–	0.2

**Treasury shares**

At the beginning and end of the period	<b>0.7</b>	0.7
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**Equity settled share-based payments**

LTIP awards outstanding at the end of the period	<b>1.7</b>	1.5
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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. DEFERRED TAX**

	2015 £m	2014 Restated (note 18) £m
<b>Deferred income tax assets</b>		
Included in trade & other receivables (note 6)	–	1.9
Retirement benefits	<b>12.3</b>	16.1
Deferred income tax assets	<b>12.3</b>	18.0
Deferred income tax liabilities	<b>(5.1)</b>	–
Other timing differences	<b>(5.1)</b>	1.9
Retirement benefits	<b>12.3</b>	16.1
	<b>7.2</b>	18.0

**14. OPERATING LEASE COMMITMENTS**

The Company has entered into a commercial lease for a building which has a lease term of twenty years. Future minimum rentals payable under non-cancellable operating leases are shown in the table below.

	2015 £m	2014 £m
After one year but no more than five years	<b>1.6</b>	–
More than five years	<b>10.8</b>	–
	<b>12.4</b>	–

## 15. CONTINGENT LIABILITIES & LEGAL CLAIMS

### Guarantees

The Company has given guarantees in relation to the bank and other borrowings of certain subsidiary companies. The net funds of the companies party to these facilities as at 1 January 2016 amounted to £213.9m (2014: £203.0m).

### 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.

A claim made by Philippines Gold Processing & Refining Corporation against Weir Services Australia Pty Limited (WSA), a subsidiary of the Company, was defended at arbitration, with the successful judgement issued in favour of WSA in January 2016. During the arbitration process, the Group entered into a cap and collar agreement with the claimant, which limited the potential exposure for the Group to a de minimus amount.

## 16. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose 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 ABF LP	<b>2015</b>	–	<b>52.5</b>
	2014	–	–
Weir Minerals (India) Private Ltd	<b>2015</b>	<b>0.2</b>	<b>0.2</b>
	2014	–	–
Ynfiniti Engineering Services SL	<b>2015</b>	<b>0.1</b>	<b>0.3</b>
	2014	0.2	0.2
Weir International Co. Ltd	<b>2015</b>	<b>0.2</b>	<b>0.3</b>
	2014	0.1	0.1
Vulco SA	<b>2015</b>	–	–
	2014	0.1	0.1

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The 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.

## 18. CHANGES IN ACCOUNTING POLICIES

For all periods up to and including the year ended 2 January 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 1 January 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 4 January 2014 and the significant accounting policies meeting those requirements are described in note 1.

In preparing the financial statements, the Company has started from an opening balance sheet as at 4 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note shows the principal adjustments made by the Company in restating its balance sheet as at 4 January 2014 prepared under extant UK GAAP and its previously published UK GAAP financial statements for the year ended 2 January 2015. Only pension related adjustments were required and are described below.

## Notes to the Company Financial Statements **continued**

### 18. CHANGES IN ACCOUNTING POLICIES CONTINUED

#### FRS 101 "Reduced Disclosure Framework" (Previously FRS 17 "Retirement Benefits")

Under the previous FRS 17 standard, the Company accounted for its contributions to the two funded UK post-employment benefit plans as if they were defined contribution plans.

With the introduction of FRS 101 for the period ending 1 January 2016 onwards, the Company has recognised the full balance sheet liability for the two funded UK post-employment benefit plans as well as the unfunded retirement benefit plan for retired executive directors. The financial statements for the 52 weeks ended 2 January 2015, have been restated to reflect these changes.

The net charge to the income statement reduced by £7.4m for 2014, as a result of the pensions cost in respect of the funded plans being less than the contributions paid over the period which were previously charged directly to the income statement. Operating costs for 2014 decreased by £9.8m, while other finance costs increased by £2.4m.

The impact on the net charge for 2015 was an increase of £0.9m. Operating costs for 2015 decreased by £1.9m, while other finance costs increased by £2.8m. The total net defined benefit obligation recognised on the balance sheet increased by £79.0m at 2 January 2015 and increased by £67.0m at 1 January 2016, and the total losses recognised outside of the income statement in other comprehensive income increased by £26.7m for 2014 and decreased by £12.9m for 2015. The deferred tax is calculated at a rate of 20% in 2014 and 18% in 2015, the impact of this change is shown in note 13.

#### Exemptions

The following disclosure exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- i) Disclosures required by paragraphs 45(b) and 46-52 of IFRS 2 'Share-based payment' can be found in note 28 to the Group financial statements;
- ii) IFRS 7 'Financial Instruments: Disclosures' exemption has been taken as a result of the disclosures in note 30 to the Group financial statements;
- iii) IAS 7 'Statement of cash flows';
- iv) Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 'Property, plant & equipment' and paragraph 118(e) of IAS 38 'Intangible assets';
- v) Disclosure of key management compensation as required by paragraph 17 of IAS 24 'Related party disclosures';
- vi) Disclosure of related party transactions with wholly owned subsidiaries as required by IAS 24 'Related party disclosures'; and
- vii) Paragraph 10(d), paragraph 10(f), and paragraphs 134-136, of IAS 1 'Presentation of financial statements'.

## Reconciliation of equity

At 4 January 2014	UK GAAP £m	FRS 101 adjustments £m	FRS 101 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	1.8	–	<b>1.8</b>
Intangible assets	3.8	–	<b>3.8</b>
Investments	2,239.7	–	<b>2,239.7</b>
Deferred tax asset	–	12.2	<b>12.2</b>
Retirement benefit pension asset	–	1.4	<b>1.4</b>
Derivative financial instruments	1.2	–	<b>1.2</b>
<b>Total non-current assets</b>	<b>2,246.5</b>	<b>13.6</b>	<b>2,260.1</b>
<b>Current assets</b>			
Trade and other receivables	95.8	–	<b>95.8</b>
Derivative financial instruments	13.4	–	<b>13.4</b>
Cash and short-term deposits	12.8	–	<b>12.8</b>
<b>Total current assets</b>	<b>122.0</b>	<b>–</b>	<b>122.0</b>
<b>Total assets</b>	<b>2,368.5</b>	<b>13.6</b>	<b>2,382.1</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	726.5	–	<b>726.5</b>
Derivative financial instruments	16.7	–	<b>16.7</b>
<b>Total current liabilities</b>	<b>743.2</b>	<b>–</b>	<b>743.2</b>
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings	1,093.6	–	<b>1,093.6</b>
Derivative financial instruments	1.4	–	<b>1.4</b>
Provisions	2.1	–	<b>2.1</b>
Retirement benefit plan liabilities	1.1	61.1	<b>62.2</b>
<b>Total non-current liabilities</b>	<b>1,098.2</b>	<b>61.1</b>	<b>1,159.3</b>
<b>Total liabilities</b>	<b>1,841.4</b>	<b>61.1</b>	<b>1,902.5</b>
<b>NET ASSETS</b>	<b>527.1</b>	<b>(47.5)</b>	<b>479.6</b>
<b>CAPITAL &amp; RESERVES</b>			
Share capital	26.7	–	<b>26.7</b>
Share premium	38.0	–	<b>38.0</b>
Treasury shares	(5.8)	–	<b>(5.8)</b>
Capital redemption reserve	0.5	–	<b>0.5</b>
Special reserve	1.8	–	<b>1.8</b>
Retained earnings	465.9	(47.5)	<b>418.4</b>
<b>TOTAL EQUITY</b>	<b>527.1</b>	<b>(47.5)</b>	<b>479.6</b>

Notes to the Company Financial Statements *continued***18. CHANGES IN ACCOUNTING POLICIES CONTINUED****Reconciliation of equity** *continued*

At 2 January 2015	UK GAAP £m	FRS 101 adjustments £m	FRS 101 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	0.3	–	<b>0.3</b>
Intangible assets	0.1	–	<b>0.1</b>
Investments	2,689.4	–	<b>2,689.4</b>
Deferred tax asset	–	16.1	<b>16.1</b>
Retirement benefit plan assets	–	4.1	<b>4.1</b>
Derivative financial instruments	3.7	–	<b>3.7</b>
<b>Total non-current assets</b>	<b>2,693.5</b>	<b>20.2</b>	<b>2,713.7</b>
<b>Current assets</b>			
Trade and other receivables	122.8	–	<b>122.8</b>
Derivative financial instruments	19.2	–	<b>19.2</b>
Cash and short-term deposits	22.9	–	<b>22.9</b>
<b>Total current assets</b>	<b>164.9</b>	<b>–</b>	<b>164.9</b>
<b>Total assets</b>	<b>2,858.4</b>	<b>20.2</b>	<b>2,878.6</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	983.7	–	<b>983.7</b>
Derivative financial instruments	18.7	–	<b>18.7</b>
<b>Total current liabilities</b>	<b>1,002.4</b>	<b>–</b>	<b>1,002.4</b>
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings	1,177.6	–	<b>1,177.6</b>
Derivative financial instruments	3.1	–	<b>3.1</b>
Provisions	1.1	–	<b>1.1</b>
Retirement benefit plan liabilities	1.1	83.1	<b>84.2</b>
<b>Total non-current liabilities</b>	<b>1,182.9</b>	<b>83.1</b>	<b>1,266.0</b>
<b>Total liabilities</b>	<b>2,185.3</b>	<b>83.1</b>	<b>2,268.4</b>
<b>NET ASSETS</b>	<b>673.1</b>	<b>(62.9)</b>	<b>610.2</b>
<b>CAPITAL &amp; RESERVES</b>			
Share capital	26.8	–	<b>26.8</b>
Share premium	38.0	–	<b>38.0</b>
Treasury shares	(5.8)	–	<b>(5.8)</b>
Capital redemption reserve	0.5	–	<b>0.5</b>
Special reserve	1.8	–	<b>1.8</b>
Retained earnings	611.8	(62.9)	<b>548.9</b>
<b>TOTAL EQUITY</b>	<b>673.1</b>	<b>(62.9)</b>	<b>610.2</b>

## Subsidiaries

The Weir Group PLC owned, directly or indirectly, the following related undertakings as at 1 January 2016:

Name	Country of incorporation	Class of shares	Ownership	Percentage held
American Hydro Corporation	USA	Common	Indirect	100%
Aspir Pty Ltd	Australia	Ordinary	Indirect	100%
Autotork Controls Limited	England and Wales	Ordinary	Indirect	100%
Batley Valve Company Limited (The)	England and Wales	Ordinary	Direct	100%
Blakeborough Valves Limited	Scotland	Ordinary	Direct	100%
Capstead Systems Limited	England and Wales	Ordinary	Indirect	100%
CH Warman Asia Limited	Malta	Ordinary	Indirect	100%
Comercializadora TEP Limitada	Chile	Ordinary	Indirect	100%
Cunnington and Cooper Limited	England and Wales	Ordinary	Indirect	100%
Delta Industrial Valves, Inc.	USA	Common	Indirect	100%
Downhole Oiltools Limited	Scotland	Ordinary	Indirect	100%
Duhn Oil Tool, Inc.	USA	Common	Indirect	100%
Energy Products LLC	USA	Units	Indirect	49%
EnviroTech (Pty) Limited	Republic of South Africa	Ordinary	Indirect	100%
EnviroTech Pumpsystems, Inc.	USA	Common	Indirect	100%
Fabricación de Aisladores Sísmicos Ltda	Chile	Ordinary	Indirect	100%
Fundición Vulco Ltda	Chile	Ordinary	Indirect	100%
G. & J. Weir, Limited	England and Wales	Ordinary	Indirect	100%
Hopkinsons Limited	Scotland	Ordinary	Direct	100%
Hurricane Investments, Inc.	USA	Common	Indirect	100%
Inversiones Linatex Chile (Holdings) Limitada	Chile	Ordinary	Indirect	99%
JF (Jiangsu) Machinery Co. Ltd	China	N/A	Indirect	100%
Linatex (H.K.) Limited	Hong Kong	Ordinary	Indirect	100%
Linatex Africa (Pty) Limited	Republic of South Africa	Ordinary	Indirect	100%
Linatex Asset Holdings Malaysia Sdn. Bhd.	Malaysia	Ordinary	Indirect	100%
Linatex Australia Pty Limited	Australia	Ordinary A,B	Indirect	100%
Linatex Chile Limitada	Chile	Ordinary	Indirect	99%
Linatex Consolidated Holdings Limited	British Virgin Islands	Ordinary Series 1, 2 Preference	Indirect	100%
Linatex Limited	England and Wales	Ordinary	Indirect	100%
Linatex Rubber Limited	England and Wales	Ordinary	Indirect	100%
Linatex Rubber Products Sdn. Bhd.	Malaysia	Ordinary	Indirect	100%
Linatex Chile SPA	Chile	N/A	Indirect	100%
Linatex UK Holding Limited	England and Wales	Ordinary	Direct	100%
Mathena Inc.	USA	Common	Indirect	100%
Mekaster Engineering Pvt Ltd	India	Equity	Indirect	3%
Mesa Manufacturing, Inc.	USA	Common	Indirect	100%
Metalúrgica Vulco Ltda	Chile	Ordinary	Indirect	100%
Metra Equipment Inc.	Canada	Common	Indirect	100%
Multiflo Pumps Pty Limited	Australia	Ordinary	Indirect	100%
Nuchem – Weir Limited (India)	India	Equity	Indirect	33%
Novatech Holdings Corp.	USA	Common	Indirect	100%
Novatech, LLC	USA	Units	Indirect	100%
PSL International Limited	England and Wales	Ordinary	Indirect	100%
PT Weir Minerals Contract Services Indonesia	Indonesia	Ordinary	Indirect	100%
PT Weir Minerals Indonesia	Indonesia	Ordinary	Indirect	100%
PT Weir Oil & Gas Indonesia	Indonesia	Ordinary	Indirect	95%
Seaboard Canada Ltd.	Canada	Common	Indirect	100%
Seaboard Holdings, Inc.	USA	Common	Indirect	100%
Seaboard International Holding Company (Hong Kong) Limited	Hong Kong	Ordinary	Indirect	100%
Seaboard International Inc.	USA	Common	Indirect	100%
Seaboard Real Estate, LLC	USA	Units	Indirect	100%
Servicios y Montajes Industriales S.A.	Peru	Nominative	Indirect	100%
Shanghai JF Engineering Equipment Co. Ltd	China	N/A	Indirect	100%
Shanghai JF Industries Co. Ltd	China	N/A	Indirect	100%
Shanghai JF Machinery Co. Ltd	China	N/A	Indirect	100%
Shanghai Vortex Engineering Machinery Co. Ltd	China	N/A	Indirect	100%
Shengli Oilfield Weir Highland Pump Company Limited	China	N/A	Indirect	60%
Slurry Holdings Limited	Malta	Ordinary	Indirect	100%
Specialised Petroleum Manufacturing Limited	Scotland	Ordinary	Indirect	100%

## Subsidiaries continued

Name	Country of incorporation	Class of shares	Ownership	Percentage held
SPM Flow Control de México, S. de R.L. de C.V.	Mexico	Common	Indirect	100%
SPM Flow Control Ltd.	Canada	A, B,C ,D Common E, F Preferred	Indirect	100%
SPM Flow Control, Inc.	USA	Common	Indirect	100%
SPM UK Limited	Cayman Islands	Ordinary	Indirect	100%
The Weir Group International S.A.	Switzerland	Bearer	Indirect	100%
The Weir Group Pension Trust Limited	Scotland	Ordinary Limited by Guarantee	Direct	100%
Trio Engineered Products (Hong Kong) Limited	Hong Kong	Ordinary	Indirect	100%
Trio Engineered Products, Inc.	USA	Common	Indirect	100%
TWG Canada Holdings Limited	Scotland	Ordinary	Indirect	100%
TWG Cayman Limited	Cayman Islands	Ordinary, Preference	Indirect	100%
TWG Drilling Limited	Scotland	Ordinary	Indirect	100%
TWG Engineering (No.1) Limited	England and Wales	Ordinary	Indirect	100%
TWG Engineering (No.2) Limited	England and Wales	Ordinary	Direct	100%
TWG Engineering (No.3) Limited	England and Wales	Ordinary	Indirect	100%
TWG Engineering (No.4) Limited	England and Wales	Ordinary	Indirect	100%
TWG Engineering (No.5) Limited	England and Wales	Ordinary	Indirect	100%
TWG Engineering (No.7) Limited	England and Wales	Ordinary	Indirect	100%
TWG Finance, Inc.	USA	Common	Indirect	100%
TWG Investments (No.3) Limited	Scotland	Ordinary, Preference	Direct	100%
TWG Investments (No.4) Limited	Scotland	Ordinary, Preference	Direct	100%
TWG Investments (No.6) Limited	Scotland	Ordinary	Indirect	100%
TWG Investments (No.7) Limited	Scotland	Ordinary	Direct	100%
TWG Investments (No.8) Limited	Scotland	Ordinary	Indirect	100%
TWG Investments (No.10) Limited	Scotland	Ordinary	Direct	100%
TWG Overseas Finance S.à.r.l	Luxembourg	Ordinary, Preference	Indirect	100%
TWG South America Holdings Limited	Scotland	Ordinary, Preference	Indirect	100%
TWG UK Forex Limited	Scotland	Ordinary	Indirect	100%
TWG UK Holdings Limited	Scotland	Ordinary	Indirect	100%
TWG US Forex Limited	Scotland	Ordinary	Indirect	100%
TWG US Holdings LLC	USA	Units	Indirect	100%
TWG Young Limited	Scotland	Ordinary	Direct	100%
Vulco Peru SA	Peru	Nominative	Indirect	100%
Vulco SA	Chile	Ordinary	Indirect	99%
W Luff Limited	England and Wales	Ordinary	Indirect	100%
Warman Pumps Limited	Australia	Ordinary	Indirect	100%
Waterloo West Limited	England and Wales	Ordinary	Direct	100%
Weir ABF LP	Scotland	Partnership	Direct	100%
Weir Arabian Metals Company Limited	Saudi Arabia	N/A	Indirect	49%
Weir BV	The Netherlands	Ordinary	Indirect	100%
Weir Canada, Inc.	Canada	Common, Preference	Indirect	100%
Weir Canadian Investments, Inc.	Canada	Common	Indirect	100%
Weir Control Valves (Suzhou) Co., Ltd	China	N/A	Indirect	100%
Weir do Brasil Ltda	Brazil	Nominative	Indirect	100%
Weir Drilling Services Limited	England and Wales	Ordinary A, B, C	Indirect	100%
Weir Engineering Products (Shanghai) Co., Ltd	China	N/A	Indirect	100%
Weir Engineering Services Limited	Scotland	Ordinary	Indirect	100%
Weir Flow Control (Hong Kong) Limited	Hong Kong	Ordinary	Indirect	100%
Weir Floway, Inc.	USA	Common	Indirect	100%
Weir France SA	France	Ordinary	Indirect	100%
Weir Gabbioneta Poland Sp Z.O.O.	Poland	Ordinary	Indirect	100%
Weir Gabbioneta S.r.l.	Italy	Ordinary	Indirect	100%
Weir Group (Australian Holdings) Pty Limited	Australia	Ordinary	Direct	100%
Weir Group (Overseas Holdings) Limited	Scotland	Ordinary	Indirect	100%
Weir Group African IP Limited	Scotland	Ordinary	Indirect	100%
Weir Group Engineering Hong Kong Limited	Hong Kong	Ordinary	Indirect	100%
Weir Group General Partner Limited	Scotland	Ordinary	Direct	100%
Weir Group Holdings Limited	Scotland	Ordinary	Direct	100%
Weir Group Inc.	USA	Common, Preferred	Indirect	100%



Name	Country of incorporation	Class of shares	Ownership	Percentage held
Weir Group Insurance Company Limited (The)	Isle of Man	Ordinary	Indirect	100%
Weir Group Investments Limited	Scotland	Ordinary	Direct	100%
Weir Group IP Limited	Scotland	Ordinary	Direct	100%
Weir Group Management Services Limited	Scotland	Ordinary	Direct	100%
Weir Group Trading (Shanghai) Co., Ltd.	China	N/A	Indirect	100%
Weir Group Trading Mexico, S.A. de C.V.	Mexico	Common	Indirect	100%
Weir HBF (Pty) Ltd	Republic of South Africa	Ordinary	Indirect	100%
Weir Heat Exchange Limited	Scotland	Ordinary	Direct	100%
Weir Holdings BV	The Netherlands	Ordinary	Indirect	100%
Weir India Private Limited	India	Ordinary	Indirect	100%
Weir International Co. Ltd	South Korea	Common	Indirect	60%
Weir Investments One Limited	Scotland	Ordinary, Preference	Direct	100%
Weir Investments Two Limited	Scotland	Ordinary, Preference	Direct	100%
Weir Investments Three Limited	Scotland	Ordinary	Indirect	100%
Weir Investments Four Limited	Scotland	Ordinary	Direct	100%
Weir Malaysia Sdn. Bhd.	Malaysia	Ordinary, Preference	Indirect	100%
Weir Minerals Africa (Proprietary) Limited	Republic of South Africa	Ordinary	Indirect	100%
Weir Minerals Australia Limited	Australia	Ordinary	Indirect	100%
Weir Minerals Botswana (Pty) Limited	Botswana	Ordinary	Indirect	100%
Weir Minerals Central Africa Limited	Republic of Zambia	Ordinary	Indirect	100%
Weir Minerals Central Africa SPRL	Democratic Republic of Congo	Ordinary	Indirect	100%
Weir Minerals China Co., Limited	China	N/A	Indirect	100%
Weir Minerals Colombia SAS	Colombia	Ordinary	Indirect	100%
Weir Minerals East Africa Limited	Tanzania	Ordinary	Indirect	100%
Weir Minerals Europe Limited	England	Ordinary	Indirect	100%
Weir Minerals Finland OY	Finland	Ordinary	Indirect	100%
Weir Minerals France SAS	France	Ordinary	Indirect	100%
Weir Minerals GEHO China Co. Ltd	China	N/A	Indirect	100%
Weir Minerals Germany GmbH	Germany	Ordinary	Indirect	100%
Weir Minerals Hungary Kft	Hungary	Ordinary	Indirect	100%
Weir Minerals (India) Private Limited	India	Ordinary	Indirect	97%
Weir Minerals Italy Srl	Italy	Ordinary	Indirect	100%
Weir Minerals Kazakhstan LLP	Kazakhstan	N/A	Indirect	100%
Weir Minerals Mexico Servicios, S.A. de C.V.	Mexico	Common	Indirect	100%
Weir Minerals Mexico, S.A. de C.V.	Mexico	Common	Indirect	100%
Weir Minerals Mongolia LLC	Mongolia	N/A	Indirect	100%
Weir Minerals Mozambique Ltd	Mozambique	Ordinary	Indirect	100%
Weir Minerals Netherlands B.V.	The Netherlands	Ordinary	Indirect	100%
Weir Minerals North Africa SARL	Morocco	Ordinary	Indirect	100%
Weir Minerals Poland Sp. z.o.o.	Poland	Ordinary	Indirect	100%
Weir Minerals Pump & Mining Solutions Namibia (Pty) Ltd	Namibia	Ordinary	Indirect	100%
Weir Minerals RFW OOO	Russia	N/A	Indirect	100%
Weir Minerals Sweden AB	Sweden	Class A	Indirect	100%
Weir Minerals Taiwan Corp. Ltd	Taiwan	Ordinary	Indirect	90%
Weir Minerals Ukraine LLC	Ukraine	Ordinary	Indirect	100%
Weir Minerals West Africa Limited	Ghana	Ordinary	Indirect	100%
Weir Oil & Gas Australia Pty Limited	Australia	Ordinary	Indirect	100%
Weir Oil & Gas Technical Service (Tianjin) Limited	China	N/A	Indirect	100%
Weir Power & Industrial France SAS	France	Ordinary	Indirect	100%
Weir Power & Industrial Singapore Private Limited	Republic of Singapore	Ordinary	Indirect	100%
Weir Pumps Limited	Scotland	Ordinary	Indirect	100%
Weir Services Australia Pty Ltd	Australia	Ordinary	Indirect	100%
Weir Slurry Group Inc.	USA	Common, Preferred	Indirect	100%
Weir Solutions Caspian LLC	Azerbaijan	N/A	Indirect	100%
Weir Solutions FZE	United Arab Emirates	Ordinary	Indirect	100%
Weir Solutions LLC	Oman	Common	Indirect	100%
Weir SOS Limited	The Bahamas	Common	Indirect	100%
Weir SPM do Brasil	Brazil	N/A	Indirect	100%
Weir SPM Singapore Pte Limited	Republic of Singapore	Ordinary	Indirect	100%
Weir Sudamerica SA	Chile	Ordinary	Indirect	100%

## Subsidiaries continued

Name	Country of incorporation	Class of shares	Ownership	Percentage held
Weir Support Services Limited	Scotland	Ordinary	Direct	100%
Weir Turkey Mineralleri Limited Sirketi	Turkey	Bearer	Indirect	100%
Weir US Holdings Inc.	USA	Common	Indirect	100%
Weir USA Holdings, LLC	USA	Units	Indirect	100%
Weir Valves & Controls (Suzhou) Co., Ltd.	China	N/A	Indirect	100%
Weir Valves & Controls UK Limited	England and Wales	Ordinary	Direct	100%
Weir Valves & Controls USA Inc.	USA	Common, Preferred	Indirect	100%
Weir Vulco Argentina S.A.	Argentina	Ordinary	Indirect	100%
Weir Vulco Venezuela S.A.	Venezuela	Ordinary	Indirect	100%
Weir Warman (UK) Limited	England and Wales	Ordinary	Direct	100%
Weir YES Africa (Pty) Ltd	Republic of South Africa	Ordinary	Indirect	100%
Weir YES Uruguay	Uruguay	Bearer	Indirect	100%
WHW Group, Inc.	USA	Common	Indirect	100%
Wesco LLC	United Arab Emirates	Ordinary	Indirect	49%
Wilkinmark Limited	England and Wales	Ordinary	Indirect	100%
Wokingham Finance Company Limited	England and Wales	Ordinary	Direct	100%
WPR Marks Limited	England and Wales	Ordinary, Ordinary B	Indirect	100%
Wuxi Weir Minerals Equipments Co. Limited	China	N/A	Indirect	100%
YES International Brasil – Energias, Ltda	Brazil	Nominative	Indirect	60%
YES International Portugal, Unipessoal, Ltda	Portugal	Nominative	Indirect	100%
Ynfinity Engineering Services International S.r.l	Italy	Ordinary	Indirect	100%
Ynfinity Engineering Services SL	Spain	Ordinary	Indirect	77%
Ynfinity Engineering Services USA, LLC	USA	Units	Indirect	100%

The Group has an interest in a partnership, the Weir ABF LP, which is fully consolidated into these statements. The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these financial statements. Separate accounts for the partnership are not required to be, and have not been, filed at Companies House in the UK.

## 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](http://www.investorcentre.co.uk)  
 Telephone: 0370 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, 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](http://www.investorcentre.co.uk) and enter the name of the company in which you hold shares, your Shareholder Reference Number (SRN), your postcode (or country if outside the UK or Channel Islands) and security code (provided on screen). For security purposes, Computershare will send a unique activation code to your registered address. Your SRN can be found on your share certificate or dividend documentation.

### DIVIDENDS

#### 2015 final dividend

The Directors have recommended a final dividend of 29.0 pence per share, for the 52 weeks ended 1 January 2016. Payment of this dividend is subject to approval at the 2016 Annual General Meeting. Key dates relating to this dividend are given below.

Annual General Meeting	28 April 2016
Ex-dividend date	28 April 2016
Record date	29 April 2016
Final day for receipt of scrip elections	25 May 2016
Payment date	6 June 2016

#### 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 or download a Dividend Mandate Form by selecting Downloadable Forms at [www.investorcentre.co.uk](http://www.investorcentre.co.uk). The form can also be accessed via the FAQ section on the Company's website at [www.global.weir](http://www.global.weir). Alternatively, you can contact Computershare, who will also be able to assist with any questions you may have. An Annual Dividend Confirmation detailing all payments made throughout the tax year will then be sent to you once a year either electronically or to your registered address. In 2016, the Dividend Confirmation will be dispatched with the November 2016 dividend payment and contain the tax and payment information for dividends paid during the 2016/2017 tax year.

#### Scrip Dividend Programme

The Company plans to introduce a Scrip Dividend Programme and are seeking shareholder approval at the Company's Annual General Meeting on 28 April 2016. The scrip is intended to replace the current Dividend Reinvestment Plan (DRIP).

#### 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 the fees applied for this service will be automatically deducted from the proceeds before it is paid to you. For further details go to [www.investorcentre.co.uk/faq](http://www.investorcentre.co.uk/faq) and select the 'Dividends and Payments' tab followed by 'Global Payment Service'.

#### Dividend tax allowance

From April 2016 dividend tax credits will be replaced by an annual £5,000 tax-free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of the dividends paid by The Weir Group PLC and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability. This change was announced by the Chancellor, as part of the UK government Budget, in July 2015. If you have any tax queries, please contact a Financial Adviser.

#### CAPITAL GAINS TAX

For the purpose of capital gains tax, the market value of an ordinary share of The Weir Group PLC as at 31 March 1982 was 29.75p. This market value has been adjusted to take account of the sub-division of the share capital whereby each ordinary share of 25p was sub-divided into two ordinary shares of 12.5p each on 28 June 1993. Rights issues of ordinary shares took place in April 1987 at 157p per share on the basis of one new ordinary share for every seven ordinary shares held, in July 1990 at 250p per share on the basis of one new ordinary share for every five ordinary shares held and in September 1994 at 252p per share on the basis of one new ordinary share for every four ordinary shares held.

## Shareholder Information **continued**

### 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 the Annual Report and Notice of Meeting, via e-communications rather than receiving printed documents in the post. To sign up for e-communications, please register at [www.investorcentre.co.uk](http://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 documentation. 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 ([www.global.weir](http://www.global.weir)), 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 'Shareholders' FAQ' section. Current and past Annual and Interim Reports are also available to view and download.

### SHARE DEALING SERVICES

Computershare provides Weir Group shareholders with a quick and easy way to buy or sell Weir Group shares (subject to availability) on the London Stock Exchange. Internet share dealing commission is 1% of the value of each sale or purchase of shares, 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, go to [www.investorcentre.co.uk](http://www.investorcentre.co.uk) and select the 'Share Activities' tab followed by 'Share Dealing'. Shareholders should have their SRN available. The SRN appears on share certificates and dividend documentation. Please note that, at present, this service is only available to shareholders in certain jurisdictions. Please refer to the Computershare website for an up-to-date list of these countries.

Telephone share dealing commission is 1% of the value of each sale or purchase of shares, plus £35. In addition, stamp duty, currently 0.5%, is payable on purchases. You can contact Computershare on 0370 703 0084. Shareholders should have their SRN ready when making the call. The SRN appears on share certificates and dividend documentation. Detailed terms and conditions are available at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or by contacting Computershare. Please note this service is, at present, only available to shareholders resident in certain jurisdictions. Please refer to the Computershare website for an up-to-date list of these countries.

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 Conduct 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](http://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 Financial Conduct Authority (FCA) by visiting [www.fca.org.uk](http://www.fca.org.uk).
- Report any approach from such organisations to the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can also find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.
- 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.

## Glossary

Additive manufacturing	The process of joining materials to make objects from 3D model data (3D printing)
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
Brownfield	A term used to describe current and expanding mine sites
capex	Capital expenditure
CGU	Cash generating unit
Comminution	Crushing, screening and grinding of materials in mining and sand and aggregates markets
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
EPCMs	Engineering, Procurement and Construction Management companies
EPS	Earnings per share
Excellence Committees	Weir Group Management Committees ensuring best practice
External auditors	Ernst & Young LLP
free cash flow	Net cash flow generated from continuing operations excluding the cash impact in relation to exceptional items, acquisitions, disposals and net proceeds from/repayments of borrowings
Greenfield	A term used to describe new mine developments
Group	The Company together with its subsidiaries
HR	Human resources
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Input	Orders received from customers
Internet of Things (IoT)	The network of physical objects (devices, vehicles, buildings and other items) that are embedded with electronics, software, sensors and network connectivity, which enables these objects to collect and exchange data
ISO	International Organisation for Standardisation
KPI	Key performance indicator
Kleinwort EBT	Employee benefit trust (Kleinwort Benson (Guernsey) Trustees Ltd)
Like-for-like	On a consistent basis, excluding the impact of acquisitions
LTIP	Long Term Incentive Plan
mill circuit	The various stages of extracting and processing ore
NPBTA	Normalised profit before tax and amortisation
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
PILON	Payment in lieu of notice
Registrar	Computershare Investor Services plc
R&D	Research and development
ROCE (like-for-like)	Continuing operations EBIT (excluding Trio Engineered Products and Delta Industrial Valves EBIT and exceptional items) divided by average net assets excluding net debt, pension deficit (net of deferred tax asset) and Trio Engineered Valves and Delta Industrial Valves net assets
RPI	UK Retail Prices Index
SME	Small and medium-sized enterprises
subsidiary	An entity that is controlled, either directly or indirectly, by the Company
tCO <sub>2</sub> e	Tonnes of carbon dioxide equivalent
Tight oil	Oil produced from petroleum-bearing formations with low permeability and other formations that must be hydraulically fractured to produce oil at commercial rates. Shale oil is a subset of tight oil.
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
WACC	Weighted average cost of capital
WTI	West Texas Intermediate

## Financial Calendar

### **ANNUAL GENERAL MEETING**

28 April 2016

### **EX-DIVIDEND DATE FOR FINAL DIVIDEND**

28 April 2016

### **RECORD DATE FOR FINAL DIVIDEND**

29 April 2016

Shareholders on the register at this date will receive the dividend.

### **FINAL DAY FOR RECEIPT OF SCRIP ELECTIONS**

25 May 2016

### **FINAL DIVIDEND PAID**

6 June 2016

### **Cautionary Statement**

This Annual Report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

### **Registered Office and Company Number**

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Scotland  
Registered in Scotland  
Company Number SC002934



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