

We are **WEIR**



**RESILIENT PERFORMANCE  
IN THE TOUGHEST CONDITIONS**

The Weir Group PLC  
Annual Report and Financial Statements 2016

We are **WEHR**

**We have immense pride in our heritage and history of innovative engineering. We work together, supporting and challenging each other to build a stronger legacy for the next generation.**

# 2016<sup>1</sup> HIGHLIGHTS

<b>Order input<sup>2,3</sup></b> <b>£1,860m</b> -8%	<b>Revenue<sup>3</sup></b> <b>£1,845m</b> -2%	<b>Operating profit<sup>3,4</sup></b> <b>£214m</b> -17%
<b>Profit before tax<sup>3,4</sup></b> <b>£170m</b> -22%	<b>Reported profit after tax</b> <b>£43m</b> n/a	<b>Earnings per share<sup>3,4</sup></b> <b>61.2p</b> -22%
<b>Cash flow from operations<sup>5</sup></b> <b>£293m</b> -26%	<b>Net debt</b> <b>£835m</b> -£10m	<b>Safety Total Incident Rate<sup>6</sup></b> <b>0.6</b> +0%

## Notes

- 2016 refers to the period from 2 January 2016 until 31 December 2016.
- 2015 restated at 2016 average exchange rates.
- Continuing operations excludes American Hydro Corporation and Ynfinity Engineering Services, which were disposed of during 2016 and are reported as discontinued operations. Details of other non-GAAP measures are provided in note 2 of the financial statements.
- Adjusted to exclude exceptional items and intangibles amortisation. Reported operating profit and profit before tax were £90m (2015: operating loss of £133m) and £43m (2015: loss before tax of £174m) respectively. Reported earnings per share was 20.1p (2015: loss per share 73.1p).
- Cash flow from operations includes both continuing and discontinued operations.
- Total Incident Rate is an industry standard safety indicator that measures lost time and recordable incidents against a factor of 200,000 hours worked.

## CONTENTS

Strategic Report		Corporate Governance		Financial Statements			
2016 Highlights	1	Corporate Governance Report	58	Independent Auditors' Report	115	Company Balance Sheet	182
Weir at a Glance	2	Our Board of Directors	60	Consolidated Income Statement	123	Company Statement of Changes in Equity	183
Our Main Markets	5	Our Group Executive	62	Consolidated Statement of Comprehensive Income	124	Notes to the Company Financial Statements	184
Chairman's Statement	6	Nomination Committee Report	75	Consolidated Balance Sheet	125	Subsidiary Undertakings	197
Chief Executive Officer's Review	8	Audit Committee Report	79	Consolidated Cash Flow Statement	126	Shareholder Information	215
Business Model	12	Remuneration Committee Report	86	Consolidated Statement of Changes in Equity	127	Glossary	219
Our Strategy	14	Directors' Report	110	Notes to the Group Financial Statements	128	Financial Calendar	IBC
Sustainability in Action	16	Statement of Directors' Responsibilities	114				
Financial Review	24						
Operational Review	30						
How We Manage Risk	36						
Our People	47						
Ethics	49						
Our Communities	53						
Environment	55						
Technology	57						

## Weir at a Glance



### OUR VISION

To be the most admired engineering business in our markets.



### OUR MISSION

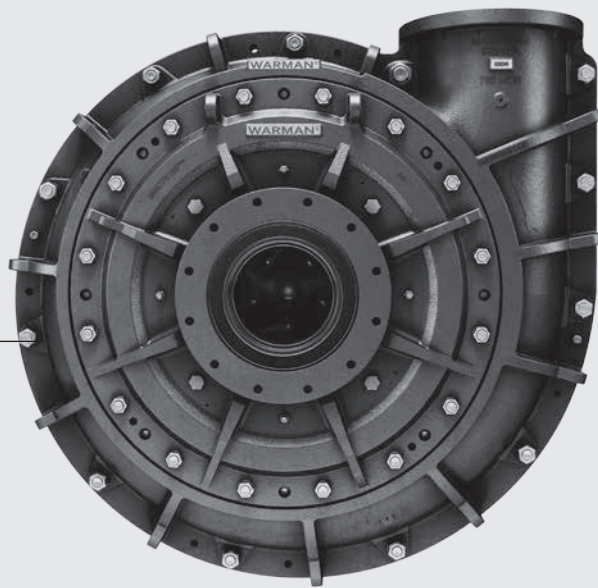
To enable our customers to sustainably and efficiently deliver the energy and resources needed by a growing world.

## WHAT DO WE DO

We design, manufacture and support highly engineered and mission-critical process technology solutions. Our products include brands that lead their industries.

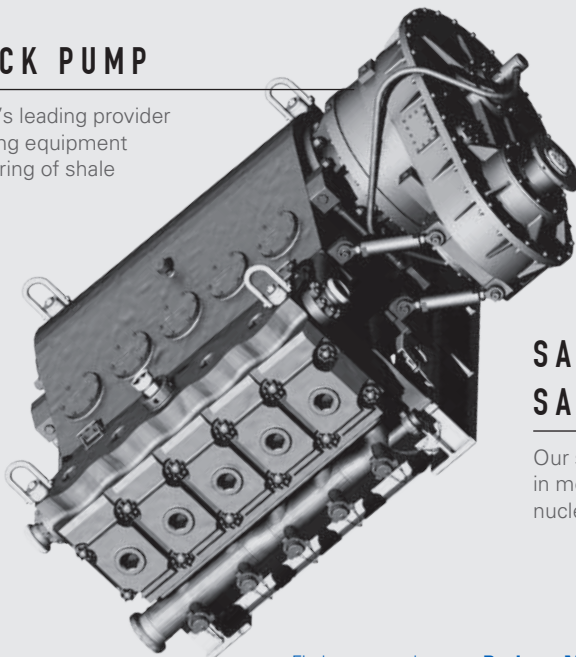
### WARMAN® PUMP

Warman® is the world's leading slurry pump for minerals processing which turns mined rock into valuable ore.



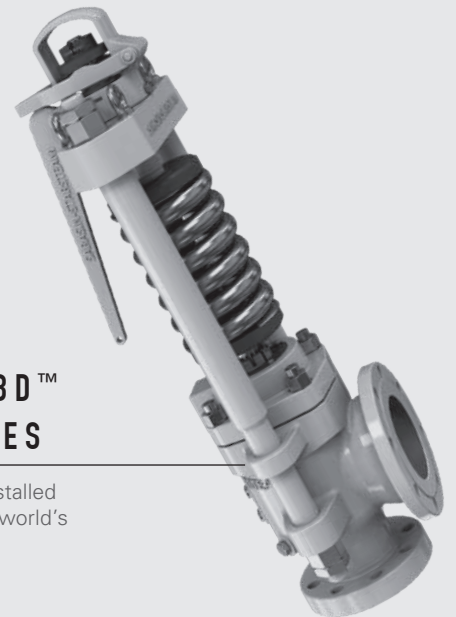
### SPM® FRACK PUMP

SPM® is the world's leading provider of pressure pumping equipment for hydraulic fracturing of shale oil and gas.



### SARASIN-RSBD™ SAFETY VALVES

Our safety valves are installed in more than half of the world's nuclear power stations.



Find out more about our [Business Model](#) on page 12.

## OUR BUSINESS MODEL



**MISSION-CRITICAL SOLUTIONS**



**HIGHLY ENGINEERED EQUIPMENT**



**INTENSIVE AFTERMARKET CARE**



**COMPREHENSIVE GLOBAL SUPPORT**

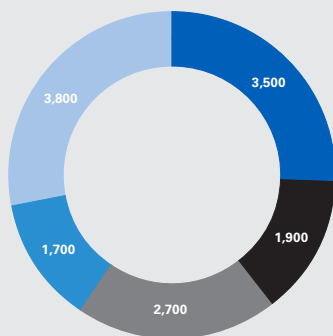
## WHERE WE OPERATE

The Group is focused on serving our customers wherever and whenever they need our solutions.

### PEOPLE

Number of people operating in more than 70 countries.

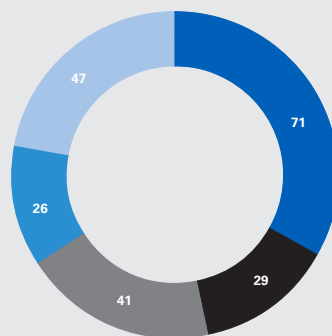
**13,600**



### FACILITIES WORLDWIDE

Number of manufacturing and service facilities.

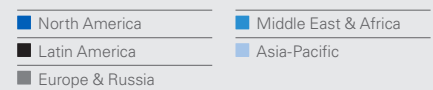
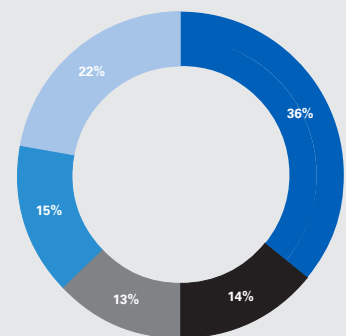
**214**



### GROUP REVENUES

Revenues generated from diverse markets around the world.

**£1,845m**



You can read more in the [Our Main Markets](#) section from page 5 and the [Operational Review](#) from page 30.

## Weir at a Glance continued

## THREE DIVISIONS SERVING GLOBAL CUSTOMERS

## WEIR MINERALS

Engineers pumps, valves, cyclones, crushers, high pressure grinding rolls, rubber and other solutions for global mining, sand and aggregates and oil sands markets. It is the world's leading supplier of slurry handling equipment, which is crucial to the process of turning rock into valuable ore concentrate. In these markets, Weir's technology leadership and comprehensive global service centre network are key differentiators.

2016 Revenue<sup>1</sup>**£1,112m**

+2%

8,436 employees

**Addressable market** of c. £6.3bn.

**Main 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.

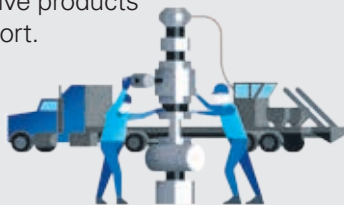
Read the Weir Minerals **Operational Review** on page 30.

2016 Operating profit<sup>2</sup>**£217m**

+2%

## WEIR OIL &amp; GAS

Provides a range of pressure pumping and pressure control solutions to the hydraulic fracturing industry and delivers services to conventional oil and gas markets. It is the world's leading supplier of hydraulic fracturing pumps used to access and process shale oil and gas. Its market leadership position is based on its innovative products and extensive aftermarket customer support.

2016 Revenue<sup>1</sup>**£401m**

-34%

2,317 employees

**Addressable market** of c. £3.5bn.

**Main customers:** Oilfield service companies; national and international oil companies; and EPCMs.

**Main competitors:** FMC Technologies, Gardner Denver and Cameron.

Read the Weir Oil & Gas **Operational Review** on page 32.

2016 Operating loss<sup>1,2</sup>**£9m**

-115%

## WEIR FLOW CONTROL

Designs and manufactures process pumps and valves for use in power, mid and downstream oil and gas and other industrial applications. Its valves are installed in more than half of the world's nuclear power stations and the division supports its customers with an extensive team of service engineers.

2016 Revenue<sup>1</sup>**£332m**

-10%

2,847 employees

**Addressable market** of c. £5.2bn.

**Main customers:** Utility companies; EPCMs; and national and international oil companies.

**Main competitors:** Flowserve, Pentair, Velan, GE and IMI.

Read the Weir Flow Control **Operational Review** on page 34.

2016 Operating profit<sup>1,2</sup>**£30m**

-16%

1. Constant currency – 2015 restated at 2016 average exchange rates.

2. Adjusted to exclude exceptional items and intangibles amortisation.

## Our Main Markets

# WORKING THROUGH THE CYCLE

## 2016 Key drivers:

- Mining equipment demand stabilised.
- Upstream oil and gas markets bottomed and showed signs of recovery late in the year.
- Power markets were subdued due to general economic uncertainty.

The Group serves markets that are cyclical but have attractive long-term growth prospects. Demand for energy and natural resources is supported by strong structural trends such as rising incomes, increasing population and urbanisation. We have chosen to operate in these markets because they depend on mission-critical and highly engineered solutions that produce significant aftermarket demand for spares and services.

## Mining

Commodity prices improved as the year progressed supported by supply constraints and improving demand. Copper prices increased 17%, iron ore doubled and gold increased 8%, but largely remained below incentive levels for greenfield projects.

Overall mining sector capital expenditure fell by an estimated 15%, marking a fourth consecutive year of double-digit declines. The year started with an extended shutdown in many regions, with low commodity prices impacting sentiment and leading to destocking and deferral of maintenance.

As commodity prices improved through the second half of the year, customers continued to defer decisions on major expansion projects but were willing to invest in brownfield optimisations and started to address deferred maintenance. Global ore production grew slightly and ongoing declines in ore grade led to increased processing of rock, which supported aftermarket demand for spares and services.

Regionally, South America benefited from a number of large mines reaching full production. There was increased activity in South Africa, particularly in gold, while Central and West Africa were challenging. In Europe and Asia Pacific, production levels were relatively stable although capital expenditure remained subdued. In North America, coal markets continued to decline. Rising prices in the second half of the year supported increased quotation levels in Australia.

## Oil and gas

The average US land rig count fell by 48% year-on-year with the US land rig count falling 80% from the peak in October 2014 to the trough in May 2016. A recovery in US land rig count in 2016 was supported by increased oil prices and the November OPEC agreement to cut production, with the oil price benchmark West Texas Intermediate (WTI) increasing by 45%. US natural gas prices also saw a partial recovery, driven by a normalisation in storage levels. International markets saw a significant reduction in activity with the average rig count in 2016 18% lower than the prior year and drilling levels continuing to decline in the second half of the year.

Oil and gas companies continued to reduce capital spending. The estimated reduction in North America was around 40%, while international spending is estimated to have fallen 20%. The number of wells drilled in the US fell 45% with the number of horizontal wells drilled down by 41%, substantially reducing demand for pressure control equipment and services.

US oil and gas frack fleet utilisation fell from an average of 59% in 2015 to 36% in 2016. In the second half, as activity levels began to increase, service companies commenced the refurbishment of previously idled frack fleet equipment in anticipation of higher completion activity in 2017. Drilling activity also experienced sharp reductions in line with average rig count declines. North American markets experienced strong further downward pricing pressure through the first three-quarters of the year as both Exploration and Production (E&P) and service companies sought to reduce costs further, although price points stabilised at these low levels in the fourth quarter.

International markets became increasingly challenged throughout the year, despite Middle East production increasing, with national oil companies seeking to reduce capital and operating expenditure. This resulted in increased pricing pressure across the region together with lower drilling related activity. Higher cost production regions such as the North Sea and the Caspian continued to face challenging market conditions.

Downstream oil and gas customers reduced spending, impacting demand for both original equipment and aftermarket. Industrial markets continued to be subdued as customers delayed new investment decisions, although wastewater markets were more resilient.

Following the impact of wild fires in the second quarter, activity levels in the Canadian oil sands recovered in the second half, supported by oil price increases and continued underlying production growth.

## Power

In conventional power markets, demand was subdued in Europe and the United States with aftermarket demand impacted by reduced maintenance spend. However, the pipeline for nuclear opportunities in China, Korea and the UK was more promising.

## Chairman's Statement

# POSITIONED FOR GROWTH



**Dear Shareholder,**  
**2016 was a significant year for The Weir Group. Market conditions were challenging, as reflected in the Group's overall financial performance. More positively, there were also signs of stability and improvement in our core markets of mining and oil and gas.**

Weir has developed strong leadership positions in these markets because of their attractive long-term growth prospects, but the journey is not always smooth. As a result of the cycles mining and oil and gas go through, our business needs to be flexible to quickly respond to challenges and opportunities. That's what Weir has done to stay competitive in recent downturns and that's why we are confident the business will benefit as markets improve.

Weir's great strengths include its culture of innovation, customer focus and community, which has developed over the Group's 146 year history. Our people are our greatest source of competitive advantage and on behalf of the Board I would like to thank all 13,600 colleagues for their exceptional efforts throughout 2016. As we look forward, the Group has reviewed its values to ensure they are clearly articulated for all our people and stakeholders and provide a framework for how we conduct business. You can see these on page 7.

### Results

Driven by overall market conditions, reported revenues fell to £1.85bn, with pre-tax profits from continuing operations, before exceptional items and intangibles amortisation, of £170m: a decrease of 22%, principally as a result of the downturn in oil and gas markets. On a constant currency basis, revenues were 11% lower year-on-year, with pre-tax profits falling 31%. Reported profit after tax of £43m was up on the prior year, primarily driven by a reduction in exceptional costs.

In response to market challenges, the Group reduced its costs and in total, since the beginning of the oil and gas downturn in 2014, has taken actions to deliver £170m in annualised cost savings. While doing this, it has also continued to invest in strategic priorities to generate long-term growth.

### Shareholder returns

We are proposing a final dividend payment of 29.0p per share, making 44.0p for the full year. The Group also introduced a scrip dividend in the year which was taken up by more than half of shareholders.

### New leadership

After ten years of service to The Weir Group, first as Finance Director and then Chief Executive, Keith Cochrane stepped down from the Board at the end of September. Keith was instrumental in the transformation of the Group in the last decade and he left a substantial legacy. On behalf of everyone at the Group, I'd like to thank him for his exceptional service. I was also pleased to see that Keith's contribution to industry was recognised in the Queen's 2016 Birthday Honours, with his appointment as a Commander of the Order of the British Empire.

The Board takes succession planning extremely seriously, and in preparing for Keith's departure we undertook a thorough process that included evaluating both internal and external candidates. The overwhelming conclusion was that Finance Director Jon Stanton was the best person to lead the Group through its next chapter.



## HOW WE BEHAVE

Everything we do as a company stems from our core values.



**THINK  
SAFETY FIRST**



**DELIGHT OUR  
CUSTOMERS**



**DELIVER  
QUALITY**



**DO THE  
RIGHT THING**



**EXPLORE  
AND INNOVATE**

Jon has been with Weir for six years and in that period helped develop the Group's strategy alongside Keith. His appointment demonstrates the strength and depth of the management team at Weir and you can read more about the Group's refreshed strategy under Jon's leadership on page 8.

### Sustainability

No business lasts for as long as Weir without prioritising sustainability and it is central to our strategy. In addition to building a sustainable Weir, we also look to make a positive impact to the communities we operate in. This includes creating and sustaining jobs directly and indirectly and supporting suppliers across the value chain. Our employees also give their time and expertise to raise funds and support charitable causes. In 2016, the Group made charitable donations totalling £456,000, including helping to build a new health centre in rural Zambia and aiding communities impacted by the wild-fires in Canada. You can read more on page 53.

### Governance and Board changes

Following Jon Stanton's appointment as CEO, John Heasley joined the Board in October as Chief Financial Officer. John was previously Divisional Managing Director of the Flow Control Division and brings a valuable blend of operational and financial experience to the Board.

Chief Operating Officer Dean Jenkins stepped down from the Board to spend more time with his family and be based in Australia. Dean had a significant impact on the Group in a number of roles, including leading two of our three divisions. I would like to thank him for his passion, dedication and hard work and wish him and his family well.

As part of our regular programme of visiting businesses to see the Company's operations directly, we spent time with our Oil & Gas operations in Texas, USA, and were again struck by the commitment and hard work of Weir's workforce particularly given the significant challenges faced by that industry in recent years.

Throughout 2017 our focus will be on supporting Jon as Chief Executive Officer as he executes our strategy.

**Charles Berry**  
Chairman

22 February 2017

## Corporate Governance

You can read more about how we comply with the UK Corporate Governance Code in the sections below:

<b>Corporate Governance Report</b>	<b>58</b>
<b>Our Board of Directors</b>	<b>60</b>
<b>Our Group Executive</b>	<b>62</b>
<b>Nomination Committee Report</b>	<b>75</b>
<b>Audit Committee Report</b>	<b>79</b>
<b>Remuneration Committee Report</b>	<b>86</b>
<b>Directors' Report</b>	<b>110</b>

## Chief Executive Officer's Review

# FOCUS ON RECOVERY



**It is a great honour to be your new Chief Executive Officer. There is something very special about The Weir Group. Few engineering companies founded in the Victorian era are still leading their markets in the new industrial age. My job is to ensure this great business stays ahead and delivers sustainable value for all our key stakeholders.**

To help do that, we have launched 'We are Weir' – a refreshed vision, mission and strategy to ensure that every one of our global team has a clear sense of purpose and direction. Our **vision** articulates our core ambition for this Group to be the most admired engineering business in our markets.

Our **mission** is to enable our customers to sustainably and efficiently deliver the resources for a growing world.

We will know we are being successful by achieving the following objectives:

- Growing faster than our end markets and delivering strong returns for investors.
- Becoming the employer of choice in our markets.
- Developing enduring strategic partnerships with customers and suppliers.
- Doing business the right way and living by our values and Code of Conduct.

We'll achieve these objectives by focusing on what we do best and can do even better in the future. That means prioritising our people, customers, technology and performance.

### People

Every day, across the world, in mines, in factories, on frack sites, in power plants and many other places, our people are finding solutions for our customers' challenges. As our most valuable asset, our first priority must be to ensure our people's safety and well-being. We are committed to creating a zero-harm workplace that ensures everyone returns home to their families safely. We also need to be a place where people proudly and sustainably do the best work of their lives.

### Customers

If our customers suffer unexpected downtime in their operations it can cost them millions of pounds a day. Our equipment, and access to a global service centre network that means our engineers respond to issues quickly, is essential to their success, but there is more we can do. By adopting a solutions mindset we can develop deeper relationships with our customers. In mining for instance, by offering plant audits, we can use our expertise to help customers improve productivity across a range of areas including pumps, valves, hydrocyclones and crushers rather than focusing on individual products.

### Technology

This partnership approach gives us valuable insights into our customers' future demands that can then inform our technology programmes, whether traditional mechanical engineering innovations or new digital offerings. We supplement our own expertise by working with academic and other technology leaders to ensure we stay ahead and continue to lead our markets.

### Performance

The Group has benefited from adopting a lean mindset in its operations but we need to ensure momentum is accelerated. We'll do that by re-invigorating our culture of continuous improvement focusing on quality,

## As the year progressed there were signs of improvement in our core markets as commodity prices increased.

customer responsiveness and increased discipline in reducing inventory to free up resources to invest in other strategic priorities.

### An open culture

Weir has always had a vibrant culture. Wherever we operate in the world there are common values that transcend borders and individual businesses. As we go forward we'll build on those strengths through more open leadership and engagement. Our launch of We are Weir was the first time in the Company's history that every colleague was invited to discuss our future direction in one day. The level of engagement and passion for our business was inspiring and we will continue to build a more open culture where best practice is shared and diversity of thought is promoted.

### What we mean by sustainability

Our strategic priorities are aimed at achieving our vision and mission and in doing so building a sustainable business. Weir wouldn't have existed for almost a century and a half without being a responsible corporate citizen of the communities it operates in.

You can read examples of progress in Sustainability in Action on page 16.

### A robust business model

Our business model is focused on providing 'mission-critical' solutions for mining, oil and gas and power customers around the world. For instance, our Warman® slurry pumps, which are the global market leaders in the efficient processing of rock on a mine site, are essential to the successful operations of our customers. Our oil and gas frack pumps are crucial to the process of accessing shale oil and gas deposits. We have chosen these markets because they are underpinned by long-term structural trends: global economic growth, population increases and urbanisation. These trends mean demand for energy and natural resources will increase.

While underlying long-term demand is growing, current resources continue to deplete and the way new resources are accessed is becoming more complex. This drives increased demand for the Group's aftermarket solutions such as spares and services, which generate the majority of our revenues. In mining for instance, ore grades continue to decline meaning miners need to process more rock to get the same amount of valuable ore.

There is a similar theme in oil and gas where the length and intensity of shale well completions is increasing. The concept of a 'super-lateral' was introduced in 2016 after one onshore well in Ohio, USA, was drilled more than 8km down and over 5km horizontally. As hydraulic fracturing becomes more intensive, there will be greater demand for technology that increases customer productivity: a core strength of our offering.

We support customers through our comprehensive service centre network, which alongside our intellectual property, provides high barriers to entry for competitors.

### 2016 review

Before I talk more about Weir's future, I'd like to reflect on 2016.

We launched a new Safety Charter in November setting out the behaviours which will lead Weir to achieve our ambition of becoming a zero-harm workplace. I also established a Chief Executive's Safety Committee comprising the Divisional Presidents and the Chief People Officer to drive improvement throughout the Group. We will never compromise on our commitment to safety.

The headline financial figures show the challenges the Group faced, particularly as oil and gas markets reached the bottom of one of the most severe downturns in decades. As the year progressed there were signs of improvement in our core markets as commodity prices increased. Demand for mining equipment stabilised after an extended winter shutdown at the beginning of the year. Later in 2016, oilfield service companies

## Chief Executive Officer's Review continued

### 2016 review continued

in North America started preparing their fleets in anticipation of an increase in activity in 2017. The agreement from OPEC leaders to reduce oil production further supported sentiment although the market remained oil price sensitive with many customers looking for a sustained recovery in oil prices.

The Group maintained its strong financial discipline with a total of £170m in annualised cost reduction actions taken since the fourth quarter of 2014. During the fourth quarter of 2016, we instigated further internal reorganisation. Oil & Gas' Pressure Pumping and Pressure Control platforms were integrated under a single management team in North America. The China management structure was removed with operations transferred to the divisions. As part of this process a number of legacy financial exposures were identified, principally in relation to warranty, associated inventory and contract liabilities which resulted in an exceptional charge of £17m. These liabilities have been finalised and we have implemented divisional governance across all our operations in China.

The fundamental hallmark of a quality business is its cash generation and once again the Group delivered with cash flow from operations of £293m. The performance of Oil & Gas was outstanding, with cash generation of £47m, even in the context of making an operating loss for the full year. In addition, our programme of non-core asset disposals raised £78m including the sale of our renewables businesses American Hydro and Ynfinity Engineering Services. The sale of these businesses, alongside the integration of process pumps businesses Floway and Gabbioneta from the Minerals and Oil & Gas divisions respectively, gave the new Flow Control division increased scale and strategic focus.

While the pace and shape of recovery in our markets, particularly oil and gas, remains uncertain, we will be well placed to respond to the upturn. Our ongoing commitment to research and development means we have the solutions to help our customers achieve their objective of efficiently increasing productivity. This can be seen in the first orders for our next generation frack pump, the SPM<sup>®</sup> QEM 3000, and the positive customer reaction to our new high-horsepower crushers in Minerals.

In total, the Group generated £110m of revenue in 2016 from new products, defined as having been introduced to the market in the past three years.

You can read more in [Our Main Markets](#) on page 5, our [Operational Reviews](#) from page 30 and the [Financial Review](#) on page 24.

### Outlook for 2017

In recent months I have been encouraged by macro commodity trends and the signs in our mining and oil and gas markets that point to a cyclical upturn. Our new strategic priorities will strengthen our capabilities and enable us to fully capture opportunities presented by improving markets, although there is a range of views about the precise shape of the recovery in 2017. At a Group level, we expect to deliver strong cash generation and good growth in constant currency revenues. Profit growth will be further supported by foreign currency translation benefits, partly offset by incremental investments in people and technology.



**Jon Stanton**  
Chief Executive Officer

22 February 2017

## HOW WE SUCCEED



### PEOPLE

Caring for our colleagues, our neighbours and the environment and inspiring them to flourish.



### CUSTOMERS

Working in partnership to provide distinctive solutions that deliver compelling value for money.



### TECHNOLOGY

Driving the development of new technologies and capabilities that lead the market.



### PERFORMANCE

Delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.

## MEET THE GROUP EXECUTIVE TEAM



(left to right)

**John Heasley**, Chief Financial Officer, **Andrew Neilson**, Director of Corporate Affairs and Strategy, **David Paradis**, Division President of Flow Control, **Ricardo Garib**, Division President of Minerals, **Pauline Lafferty**, Chief People Officer, **Jon Stanton**, Chief Executive Officer, **Paul Coppinger**, Division President of Oil & Gas.

**Business Model**

# HOW WE DELIVER SUSTAINABLE VALUE

Our business model is designed to generate long-term sustainable value. We focus on mission-critical and highly engineered equipment with intensive aftermarket care and comprehensive global support.

This model creates positive outcomes for our customers but we also recognise our business can be impacted by a range of environmental and social issues. Every company depends on sources of value creation or 'capitals'. By recognising these capitals and the impact the business has on them, we are better able to build a sustainable Group.

**Our capitals:**

**Financial:**

Access to financial resources.

**Manufactured:**

Efficient factories, service centres and other infrastructure.

**Intellectual:**

Strong intellectual property regulations to protect our brands and technologies.

**Human:**

A healthy, motivated and skilled workforce.

**Social:**

Shared values to ensure business is conducted to the highest ethical standards.

**Natural:**

Access to raw materials for our manufacturing operations and support for the extractive industries the Group serves.

**How our business activities transform these capitals:**

**Financial:**

Identifying attractive investment opportunities and providing careful stewardship of financial resources.

**Manufactured:**

Lean operations that manufacture our products efficiently and allow the Group to flexibly respond to market conditions.

**Intellectual:**

Innovation and rigorous protection of intellectual property.

**Human:**

Prioritising safety, encouraging learning and development and regularly engaging with our people.

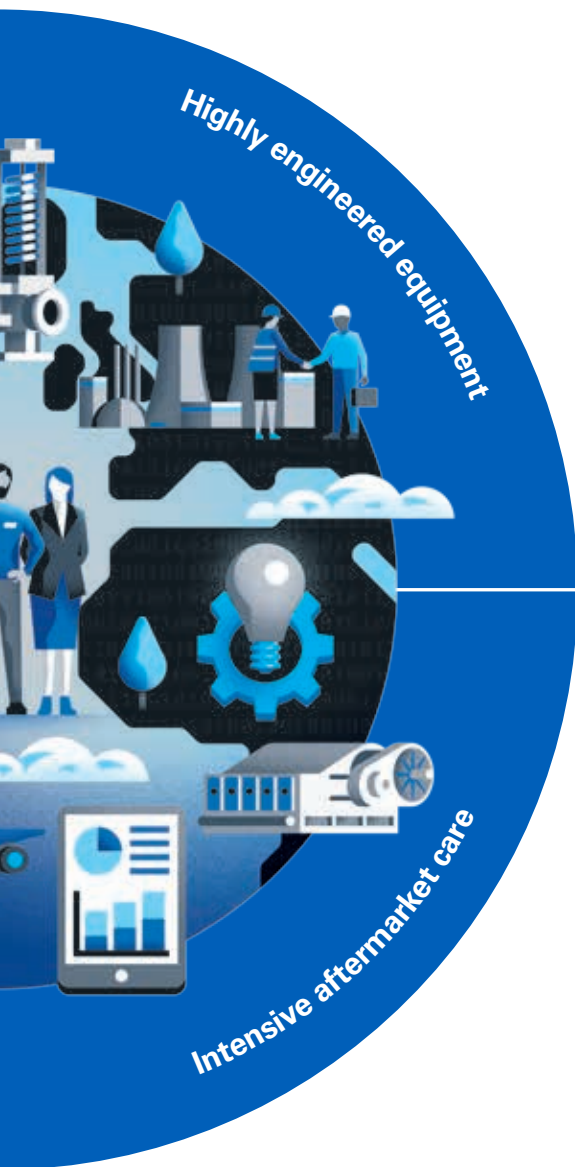
**Social:**

A code of conduct that is applied universally.

**Natural:**

Sourcing raw materials responsibly and designing solutions that increase efficiency and sustainability in our markets.





**Outputs:**

**Pumps**

**Valves**

**Hydrocyclones**

**Wellheads**

**Crushers**

**Rubber**

**Services**

**Outcomes:**

Growth faster than end markets and strong returns.

Competitive, flexible and efficient operations.

Safer, more knowledgeable and motivated workforce.

Technology leadership.

Positive long-term relationships with stakeholders.

More sustainable use of natural resources.

## Our Strategy

# STRATEGY IN ACTION

To achieve the Group's vision and mission, we leverage our business model and focus on four strategic priorities: People; Customers; Technology; and Performance.

### How we succeed

#### Strategic priority #1

## PEOPLE

Caring for our colleagues, our neighbours and the environment and inspiring them to flourish.



#### Strategic priority #2

## CUSTOMERS

Working in partnership to provide distinctive solutions that deliver compelling value for money.



#### Strategic priority #3

## TECHNOLOGY

Driving the development of new technologies and capabilities that lead the market.



#### Strategic priority #4

## PERFORMANCE

Delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.



### What we'll do in 2017

- Implement our new Safety Charter and improve performance through an embedded behavioural safety culture.
  - Re-invest in leadership and training programmes and consolidate best practice across the Group to foster a greater coaching culture.
  - Give additional support to improve diversity further and undertake a global engagement programme supporting the implementation of the refreshed Group strategy.
- 
- Pursue more long-term strategic relationships with customers, strengthening and leveraging existing relationships.
  - Shift from product focus to a solutions mindset and fully understand and align our offerings with customer strategies through a creative and entrepreneurial approach.
  - New product development and sales processes will be updated to ensure they are consistently driven by customer insights.
- 
- Expand our digital customer offering including e-commerce, digital field force and the launch of our Synertrex™ Internet of Things solution.
  - Broaden our skills-base to reflect the digitisation of industrial products and increase investment in research and development.
  - Embed the Group's new innovation framework throughout the business supported by an extensive training programme.
- 
- Continuously improve operational performance with a specific focus on on-time delivery and inventory turns.
  - Lean disciplines will be reinvigorated supported by a simplified value chain excellence process.
  - Embed customer and Weir-specific sustainability goals in value chain improvement plans.



### How we'll measure success

- Reduction in Total Incident Rate.
- Delivery of behavioural safety training.
- Increased utilisation of learning and development resources; launch new leadership programme.
- Businesses to deliver priority actions following diversity self-assessment.
- Level of engagement indicated in employee opinion survey.

- Input growth.
- Number of face-to-face interactions with key account customers.

- Increase number of digital customer success stories.
- Revenues from new products introduced in the past 3 years.

- Growth ahead of end markets.
- Margin performance.
- Improve inventory turns.
- Percentage of materials recycled.
- Reduce energy consumption as a proportion of activity.

### Associated risks

- Failure to adequately protect our people and other stakeholders from harm associated with a breach in Safety, Health and Environment (SHE) standards.
- Failure to recruit, develop or retain key management and staff may lead to disruption to the Group's operations, functions and processes.

You can read more in the [How we Manage Risk](#) section from page 36.

- Changes in key markets, including commodity prices affecting mining and oil and gas, have an adverse impact on customers' expenditure plans.
- As markets improve we fail to effectively upscale operations to meet customer needs.

You can read more in the [How we Manage Risk](#) section from page 36.

- We fail to drive innovation or to react to emerging technology developments.

You can read more in the [How we Manage Risk](#) section from page 36.

- Failure to achieve supply chain management improvements and the associated reduction in costs and enhanced flexibility.

You can read more in the [How we Manage Risk](#) section from page 36.

### Link to remuneration

The Group's strategic priorities, and our achievement against them, are taken into account when determining how Executive Directors are paid.

Objectives within the annual bonus are based on progress against all four strategic priorities.

Our Long Term Incentive Plan (LTIP) is focused on sustainable value creation for our shareholders.

You can read more in the [Directors' Report](#) on page 110.

## Sustainability in Action

---



# PEOPLE

Caring for and developing our colleagues is crucial to the sustainable success of our Group.

Read more on our **People** agenda from page 47.

## Case Study:

## KEEPING OUR PEOPLE SAFE

Our first priority is to keep our people safe and make progress to achieving our ambition of becoming a zero-harm workplace.

To achieve that aim, our new Safety Charter prioritises encouraging safe behaviours. Its guiding principles are:

- Safety is everyone's responsibility.
- All injuries and occupational illnesses are preventable.
- No business objective will take priority over safety.
- No task is so important or urgent that it cannot be done safely.
- We operate sustainably and minimise our environmental impact.

The Charter applies to all employees, contractors, products and services, and joint ventures under Weir's operational control.

## Case Study:

## DELIVERING OUR DUTY OF CARE

To ensure our people who are travelling or working outside of their home country remain healthy and safe at all times, we have introduced a system that offers travel advice before, during and after any trip is made.

Its aim is to ensure that risks are managed appropriately with travellers adequately prepared from safety, security and medical perspectives. The assessment includes a travel risk rating system for every country and many of the major cities in the world. All travellers to regions deemed to be potentially higher risk are required to undertake security training in advance of their trips.

The system provides our travelling population with reassurance that wherever they are going and whatever they may encounter there is a comprehensive system to support them around the world.

## Case Study:

## A MORE DIVERSE WEIR

As a global company we recognise the benefits that a diverse workforce can bring and we have a strong commitment to attracting, retaining and developing employees with different backgrounds, knowledge, experience and abilities and we are committed to leading our sector in improving diversity.

Following the 2016 report of the Hampton-Alexander Review on improving gender balance in FTSE companies, we have committed to ensuring a third of Board, Group Executive and their direct reports are female by 2020. The current levels for the Board, Group Executive and direct reports are 22%, 14% and 20% respectively.

To help encourage a more diverse workforce throughout our business, we have developed a toolkit to help leaders improve diversity and inclusion across our operations. This allows our businesses to audit their current diversity status, gives guidance on measures and metrics to track progress and allows our operations to establish their maturity as the Group seeks to become a more diverse and inclusive organisation.

## Case Study:

## DEVELOPING OUR PEOPLE

The Weir MBA programme is designed to give employees the opportunity to broaden their academic knowledge and then apply those insights to the benefit of our businesses and customers.

Hosted by the University of Strathclyde in Scotland, the Weir MBA offers our people the opportunity to complete a Master of Business Administration qualification with one of the UK's leading business schools.

The first group of 16 graduates, drawn from Weir operations from several different countries, were awarded their degrees in 2016. It is a significant achievement to successfully complete an MBA degree while also working full-time and achieving a work-life balance.

Seven of the Weir graduates passed with distinctions and nine gained merits.



# CUSTOMERS

Our customers are our most important stakeholders and **we work in partnership with them to provide solutions that sustainably deliver quality and efficiency** wherever and whenever they need us.

## Case Study:

## DELIGHTING OUR CUSTOMERS

Throughout the oil and gas downturn the Group continued to invest in research and development to ensure it fully benefits as markets recover.

Engineers in the Oil & Gas division, the global leader in frack pump markets, worked closely with customers to develop and test our next generation frack pump. The SPM® QEM 3000 is the industry's first continuous duty pump responding to customer demands for efficient solutions that meet demands for more intensive hydraulic fracturing.

Canyon Technical Services were the first customers to trial the new pump. James Rukin, divisional manager, pumping services for Canyon said: "We ran this pump harder than any in our fleet."

"Since putting the unit in service, we've experienced first-hand the reliability, ruggedness, and efficiency we were promised by Weir. The SPM® QEM 3000 delivers on value, and we have made the strategic decision to add 11 units to our fleet."

## Case Study:

## HELPING ACHIEVE A WORLD-RECORD PERFORMANCE

EDF Energy is a valued customer of Weir's Flow Control division and its Heysham 2 Nuclear Power Station in the UK recently beat the world record for continuous power generation, which previously stood at 940 days.

The achievement, which helped power thousands of homes throughout the country, was only possible due to precise coordination, scenario planning, good communication and team trust.

Heysham 2 was built in 1980 and is reaching a key stage in the design life as EDF plans to extend its working life to 2030. Weir Flow Control engineers are helping achieve this by ensuring more than 500 valves on site operate as designed and unplanned outages and costly risks are prevented.

## Case Study:

## CAPTURING VALUABLE AFTERMARKET OPPORTUNITIES

Weir's technology leadership has helped the Minerals division become a leading provider of slurry processing pumps to global mining markets. Through a system of trials against competitor products, the division demonstrates the long-term benefits of using the best technology to improve productivity and lower customers' total cost of ownership.

The Kanmantoo Copper Mine is located in the Adelaide Hills, one of South Australia's most under-explored regions. Kanmantoo had two Weir Minerals Warman® slurry pumps in operation but they were using spare parts from competitors and achieving a wear-life of only 300-800 hours, leading to the need for ten pump rebuilds per year.

After discussing the challenge with the mine, our engineers offered the customer a 12 month trial of the Warman® MCU® 250 pump with original equipment spare parts. The trial pump delivered 2,500-4,000 operational hours and reduced the number of pump rebuilds per year from ten to three, reducing downtime and freeing up labour for other tasks.

## Case Study:

## HELPING CUSTOMERS MEET THEIR OBJECTIVES

The Group's investment in the United Arab Emirates' first wellhead manufacturing facility was rewarded with a US\$12m contract with Khuff Trading and Contracting, representatives of Kuwait Oil Company (KOC). The agreement will see the Weir Oil & Gas division provide its Seaboard™ wellheads.

Weir's state of the art facilities in the region have been positively received by customers looking to reduce response times for crucial solutions such as wellheads.

In addition to a manufacturing facility for an entire suite of equipment for the upstream and downstream markets, Weir provides operators in the region with operations and maintenance integrated services contracts. The scale of the Group's resources in the region allows us to effectively provide solutions to companies such as KOC. In 2016, the Dubai facility secured a total of £18m in wellhead orders.



# TECHNOLOGY

The Group's global leadership positions are based on our advanced technology. The combination of close customer relationships, investment in R&D and deep applications engineering knowledge, mean we are able to **drive the development of new technologies and capabilities that lead our markets.**

Read more about our **Technology** agenda from page 57.

## Case Study:

## OUR MOST ADVANCED CRUSHER

The acquisition of Trio® Engineered Products in 2014 strengthened the Group's position in comminution, the process of crushing and screening rock and aggregates for mining and construction markets.

2016 saw the launch of Weir's most advanced cone crusher, the TP 900 which includes features such as long-life bearings, integrated hydraulics for lubrication and setting adjustment and an automatic control system.

The TP 900 was developed over a 12-month period with Trio® engineers working in close collaboration with colleagues across The Weir Group to use our advanced materials, manufacturing and service expertise to improve service life and lower total operating costs.

## Case Study:

## MAXIMISING RELIABILITY

The Flow Control division developed a new pump for mid and downstream oil and gas applications. The new Roto-Jet® RO-FT meets the requirements of the latest API 610 standards and helps make customer assets more productive and efficient.

The new pump has been specifically designed to achieve a broad operating range without generating damaging hydraulic forces during a process upset. These attributes result in improved mechanical seal and bearing life to maximise Mean Time Between Failure, and decrease operational and maintenance costs, which make the Roto-Jet® the most cost effective choice for low-flow high head process applications.

## Case Study:

## A NEW E-COMMERCE PLATFORM

The Flow Control division completed the initial launch of a new e-commerce platform that is designed to make it easier for customers to conduct business with Weir.

The portal was built to enable fast, simple and secure purchasing of spares, and is linked to specific installed valves owned by each customer facility; harnessing the power of market data to offer an efficient way for customers to buy the correct parts directly. Spares associated with four brands; Batley®, Blakeborough®, Hopkinsons®, and Sarasin-RSBD™, are now searchable by serial, tag or part number.

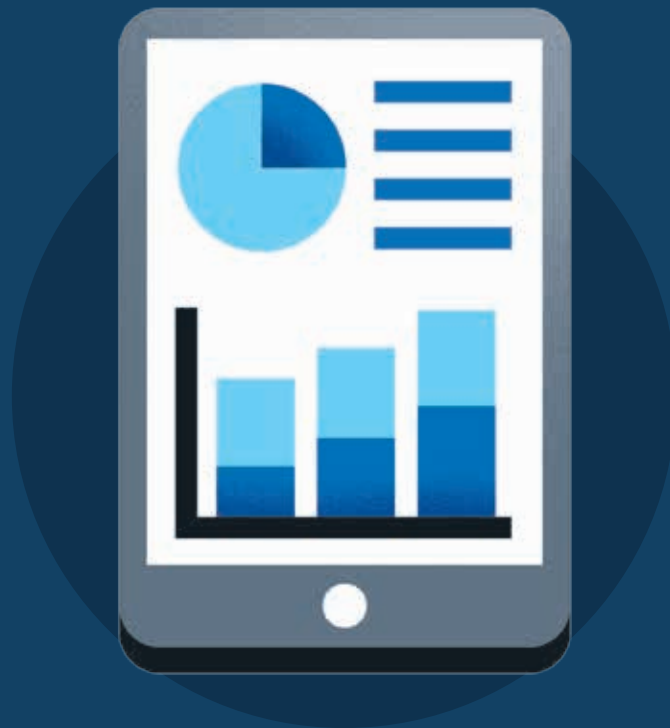
Looking ahead, Flow Control's strategy will focus on offering the solution to more customers and appropriate businesses as the platform develops in 2017.

## Case Study:

## OPEN INNOVATION

Open Innovation is a culture and set of processes that encourages both external and internal sources of creativity to be explored when tackling a problem or challenge. Through Open Innovation, the Group is employing a structured approach to continuously improve our culture of innovation.

A number of technology challenges have been advertised to a community of more than 2 million external innovators through an online platform. Quarterly internal challenge competitions also take place to empower employees to solve problems and identify improvement opportunities across the Group. The first internal competition proposed a new way to streamline manufacturing processes in Malaysia that reduced one process from 7 hours to just 5 minutes.



# PERFORMANCE

Strong execution is key to the successful delivery of any strategy.

We aim to deliver **excellence for all our stakeholders through strong leadership, accountability and a lean mindset.**



Case Study:

## A LEAN MINDSET

The Group's lean mindset includes regular value chain improvement initiatives across our businesses. In 2016, that included more than 90 projects that reduced inventory and improved on-time delivery.

At Weir Seaboard™, which provides Pressure Control solutions to Oil & Gas customers, capability was increased through in-house training and segmentation of supply chain that contributed to improved customer response times and a significant reduction in gross inventory.

In Weir Minerals Africa, improved sales and operations planning reduced customer lead times by up to 50% in some product categories. At Weir Valves and Control USA a lean programme reduced quotation times which will help the business grow market share.

Case Study:

## EFFICIENT PARTNERSHIPS

The Group values strong relationships with our suppliers both locally and internationally. One of the benefits of Weir's scale, with operations in more than 70 countries, is our ability to form partnerships with suppliers across the world.

In 2016, this included consolidating mobile phone network providers in North America and card providers across the world.

A new Group travel policy was implemented that aims to increase efficiency and be fully integrated with our improved travel safety provision.

These measures contributed to the Group reducing its procurement spending by £48m.

Case Study:

## ACCOUNTABLE LEADERSHIP

Our leaders are given significant responsibility for the profit and loss of their business while being supported by the wider Group to help achieve our collective strategic aims.

That culture of accountability is supported by the Group's training and development programmes that include the Weir Leadership Programme. It is designed to deliver continuous improvement in our leadership capability focused on our strategic priorities of People, Customers, Technology and Performance.

In addition, 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.

Case Study:

## DOING BUSINESS THE RIGHT WAY

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 in which we operate have the confidence to trust us and our business.

During 2016, face-to-face training was undertaken by the Weir legal team with employees of operating companies worldwide, including in the USA, China, Europe and Africa, Europe and the Middle East.

We will continue to promote our Code of Conduct and carry out the appropriate training and due diligence in 2017. Further details on the Group's Ethics policies can be found on page 49.

## Financial Review

# A FUNDAMENTALLY RESILIENT BUSINESS



**During the toughest of years we have once again shown the robustness of our business and our commitment to providing long term returns to our shareholders. Revenue and profit growth in our Minerals division and excellent cash generation across the Group ensured we maintained investment in our strategic priorities and our dividend payout.**

For much of the year market conditions remained challenging with mining sector capex falling by an estimated 15% and average US land rig count falling 48%, with a peak to trough decline of 80%. However, order input gathered momentum in the second half of the year with improving outlooks in mining and upstream oil and gas markets. We are confident that the Group is well placed to capitalise on these improving conditions.

#### Financial highlights

Given the relative weakness of Sterling post the EU referendum there has been a significant foreign exchange translation impact on the results versus the prior year, with revenues and operating profits impacted favourably by £183m and £30m respectively while net debt was adversely impacted by £133m.

Order input and revenue (on a constant currency and like-for-like basis) decreased by 8% and 11% respectively, primarily as a result of the significant downturn in oil and gas markets. Aftermarket input declined 9% and Original equipment orders fell by 6%. On a reported basis, revenues were 2% lower, supported by a £183m foreign exchange tailwind.

Reported profit before tax, amortisation and exceptional items of £170m was down 22%, primarily as a result of further declines in oil and gas markets. Free cash inflow was stable at £130m, despite the decline in profits, leaving net debt £10m higher than 2015 at £835m after the £133m adverse foreign exchange impact. Operating exceptional charges of £74m were incurred and included £64m in relation to restructuring costs and £17m related to the China operations of Trio Engineered Products, which was acquired in 2014.

#### Resilient Minerals performance

Minerals has once again showed outstanding resilience in challenging market conditions to deliver 3% input growth on a constant currency basis, with Original equipment up 5% and Aftermarket up 2%. We continue to aggressively seek head to head trials to displace competitor product with great success.

#### Strong cash generation

Operating cash flow at £293m represented 108% of EBITDA and included a £32m working capital inflow, mainly across Oil & Gas and Flow Control. In constant currency terms we delivered a £42m reduction in debtors and a £24m reduction in inventory. Debtor days at 73 remained in line with last year on a constant currency basis and we have managed to avoid any significant bad debts during these turbulent times.

#### Investment and returns

We continued to invest in our strategic priorities with capex maintained at £62m or 1.0 times depreciation. Earnings per share from continuing operations (before exceptional items and intangibles amortisation) at 61.2 pence were 22% lower than 2015 with the dividend per share maintained at 44.0 pence.

## Results summary

Continuing operations <sup>1</sup> £m	2016	2015	As reported	Constant currency <sup>2</sup>
Order input <sup>2</sup>	<b>1,860</b>	2,025	n/a	<b>-8%</b>
Revenue	<b>1,845</b>	1,880	-2%	<b>-11%</b>
Operating profit <sup>3</sup>	<b>214</b>	258	-17%	<b>-26%</b>
Operating margin <sup>3</sup>	<b>11.6%</b>	13.7%	-210bps	<b>-240bps</b>
Net finance costs	<b>(44)</b>	(39)	-13%	<b>-3%</b>
Profit before tax <sup>3</sup>	<b>170</b>	219	-22%	<b>-31%</b>
Reported profit/(loss) after tax	<b>43</b>	(157)	n/a	<b>n/a</b>
Cash from operations <sup>4</sup>	<b>293</b>	396	-26%	<b>n/a</b>
Net debt	<b>835</b>	825	-£10m	<b>£123m</b>
Net debt/EBITDA <sup>3,5</sup>	<b>2.8</b>	2.5	-12%	<b>n/a</b>
Effective tax rate	<b>22.5%</b>	23.9%	-140bps	<b>n/a</b>
Earnings per share <sup>3</sup>	<b>61.2p</b>	78.0p	-22%	<b>n/a</b>
Dividend per share	<b>44.0p</b>	44.0p	0%	<b>n/a</b>
ROCE <sup>6</sup>	<b>7.6%</b>	9.6%	n/a	<b>-200bps</b>

The Financial Review includes a mixture of GAAP measures and those which have been derived from our reported results in order to provide a useful basis for measuring our operational performance. Operating results are for continuing operations before exceptional items and intangibles amortisation as provided in the Consolidated Income Statement. Details of other non-GAAP measures are provided in note 2 of the financial statements.

### Notes

- Continuing operations excludes American Hydro Corporation and Ynfinity Engineering Services, which were disposed of during H1 2016 and are reported as discontinued operations.
- 2015 restated at 2016 average exchange rates.
- Adjusted to exclude exceptional items and intangibles amortisation. Reported operating profit and profit before tax from continuing operations were £90m (2015: loss of £133m) and £43m (2015: loss of £174m) respectively. Reported earnings per share was (17.8p) (2015: loss per share of 83.6p).
- Cash from operations includes both continuing and discontinued operations.
- Calculation is at covenant basis with net debt at average rates.
- Continuing operations EBIT before exceptional items on a constant currency basis (excluding Delta EBIT) divided by average net assets (excluding Delta net assets) excluding net debt and pension deficit (net of deferred tax asset).

### Order input

Order input at £1,860m decreased 8% on a constant currency basis. Original equipment orders were £579m. Aftermarket orders were £1,281m.

Minerals order input increased by 3% to £1,125m (2015: £1,093m), and was also 3% up on a like-for-like basis.

Original equipment orders were up 5% year-on-year (3% higher like-for-like), reflecting increased brownfield and maintenance capital expenditure driven by our strong service and engineering network in close

proximity to mine sites. Aftermarket orders, at 71% of total input (2015: 71%) increased by 2% on both a constant currency and like-for-like basis. The impact of extended mine shut-downs in the first quarter was reversed as the year progressed and mines returned to more normalised maintenance and production levels which reflected the underlying growth in ore production volumes.

## Financial Review continued

### Order input continued

Oil & Gas input at £417m (2015: £568m) was 27% lower reflecting the reduction in North American upstream activity as oil prices remained subdued through most of the year. Aftermarket input was down 27% year-on-year, primarily as a result of significant declines in the upstream North American markets, but also, as the year progressed, in international markets including the Middle East. In the second half of the year, Pressure Pumping input benefited from some customers refurbishing equipment as activity levels rose. This contributed to a positive book-to-bill ratio for the division of 1.04 for the full year.

Flow Control order input decreased by 13% to £318m (2015: £364m) against a strong prior year pump comparator and was impacted by the significant decline in mid and downstream oil and gas markets. In addition, customer decisions to delay projects across the division's power and industrial markets impacted activity levels.

Original equipment orders were down 12%, driven by the decline in pump demand from oil and gas markets. Aftermarket input declined by 13% as customers delayed both planned maintenance and power outages.

### Group revenue

Revenue of £1,845m was 11% down on a constant currency basis mainly reflecting the fall in orders in the Oil & Gas division. Aftermarket accounted for 69% of revenues, remaining consistent with prior year. Reported revenues fell 2%, supported by a foreign exchange benefit of £183m.

Minerals revenue was 2% higher on both a constant currency and like-for-like basis at £1,112m (2015: £1,091m). Original equipment sales were 6% higher (7% higher on a like-for-like basis), while production-driven aftermarket revenues were flat on a constant currency and like-for-like basis. Strong growth in the

Middle East and higher activity levels in Asia-Pacific, Australia and South America offset reduced revenues in North America and Africa. At a product category level there was a strong increase in revenues from our GEHO product line. Slurry pumps also showed good growth, on the back of our brownfield strategy and reflecting their critical importance to support mine production as activity ramped up later in the year. Reported revenues increased by 11%, reflecting a 9% foreign exchange tailwind (2015: £1,001m).

Oil & Gas revenue decreased by 34% to £401m on a constant currency basis (2015: £604m), reflecting order input trends. Reported revenues fell by 26%, after a £63m foreign exchange benefit. North American revenues increased sequentially through the second half, reflecting input trends. Conversely international revenues declined in the second half as customers delayed routine maintenance activities.

Flow Control revenue decreased by 10% on a constant currency basis to £332m (2015: £368m), with Aftermarket revenues down 8% on the prior year and Original equipment revenues down 11% as customers delayed receipt of project orders. Reported revenues fell by 2% reflecting a 9% foreign exchange tailwind (2015: £338m).

### Operating profit

Operating profit from continuing operations (before exceptional items and intangibles amortisation) decreased by £44m (17%) to £214m on a reported basis. Minerals showed great resilience to increase operating profits. The overall Group shortfall was largely due to significantly lower revenues and margins in the Oil & Gas division as a result of depressed market conditions, particularly in the first half of the year. The reported operating profit benefited from a £30m foreign exchange gain on the translation of overseas operating profits due to the weakening of Sterling against the

Operating profit to EBITDA £m	2016	2015
<b>Operating profit (loss)</b>	<b>90.3</b>	(133.1)
Adjusted for:		
Intangibles amortisation	<b>50.2</b>	51.8
Exceptional items	<b>73.5</b>	338.8
<b>Underlying operating profit</b>	<b>214.0</b>	257.5
Depreciation of property, plant & equipment	<b>55.9</b>	62.0
<b>EBITDA</b>	<b>269.9</b>	319.5

majority of currencies in the second half of the year. Unallocated costs were £24m (2015: £19m), with the increase predominantly due to the mark to market impact on derivatives used to hedge sale and purchase contracts denominated in foreign currencies. Operating profit (including exceptional items and intangibles amortisation) for the year of £90m was £223m higher than the prior year due to the £44m reduction in underlying operating profit and a £267m reduction in exceptional items and intangibles amortisation.

#### Net finance costs

Total net finance costs, including exceptional items, were £48m (2015: £41m). There were four components of this net charge, the most significant being the interest cost of £45m (2015: £40m) on the Group's borrowings (including amounts in relation to derivative financial instruments). The other elements were finance income of £4m (2015: £5m), a charge of £3m (2015: £3m) in relation to the Group's defined benefit pension plans and an exceptional cost of £4m (2015: £2m) being the unwind of the discount on contingent consideration liabilities. The overall increase of £7m compared to 2015 was principally due to the adverse impact of foreign exchange translation on US\$ and Euro denominated interest payments.

Net finance costs (excluding retirement benefit related amounts and exceptional items) were covered 5.3 times by operating profit from continuing operations, before exceptional items and intangibles amortisation (2015: 7.3 times).

#### Profit before tax

Profit before tax from continuing operations (before exceptional items and intangibles amortisation) decreased by 22% to £170m (2015: £219m). The reported profit before tax from continuing operations of £43m compares to a loss before tax of £174m in 2015.

#### Exceptional items and intangibles amortisation

Exceptional items resulted in a charge of £74m (2015: £339m) while intangibles amortisation remained broadly in line with 2015 at £50m (2015: £52m).

Restructuring and rationalisation charges of £64m in the current period represent the committed cost of programmes to right size operations and realign certain activities in light of the prolonged downturn across the Group's major end markets. Actions included headcount reductions, rationalisation of product lines, and service centre closures, with the main impact being on Minerals and Oil & Gas, and our downstream pump business in Flow Control.

A number of warranty, associated inventory and contract liabilities and other un-provided liabilities were identified within our China business during the period resulting in an exceptional charge of £17m. These liabilities have been finalised after a detailed review and primarily relate to Trio, which was acquired for \$220m in 2014, and include pre and post-acquisition liabilities. Further details of these liabilities are included on page 72.

Remaining components of the exceptional items in the current period related to a gain on sale and leaseback of three North American properties of £5m, a favourable fair value adjustment of £4m to contingent consideration, and £1m of costs associated with the finalisation of historic legal claims.

An impairment charge of £225m was recognised at the end of 2015 in relation to the intangible assets held in the North America Oil & Gas cash generating unit (CGU). Impairment testing in the current period confirmed no further impairment charge was required (impairment testing – note 14). Further details in relation to prior period exceptional items are included in note 5.

Amortisation decreased to £50m from £52m in the prior year, primarily driven by a reduction from Trio and Delta following the initial impact of acquisition related balances, and Oil & Gas following prior year intangible asset impairments. This is partially offset by an adverse foreign exchange translation impact of £6m.

## Financial Review continued

### Taxation

The tax charge for the year of £38m (2015: £52m) on profit before tax from continuing operations (before exceptional items and intangibles amortisation) of £170m (2015: £219m) represents an underlying effective tax rate (ETR) of 22.5% (2015: 23.9%). 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 and transfer pricing arrangements. It is anticipated that a recovery in business activity, particularly in the US, will yield upward pressure on our ETR.

The Group has a robust framework to mitigate tax risks, together with a prudent and consistent approach to tax provisioning. This is discussed further in note 2.

In terms of cash tax, the Group paid income tax of £16m in 2016 across all of its jurisdictions compared to £50m in 2015, the reduction driven by the phased nature of cash tax payments and cash tax refunds in respect of prior period tax losses in the US.

### Discontinued operations

The loss for the period from discontinued operations of £5m primarily relates to the planned asset disposal programme. The Group disposed of Ynfinity Engineering Services on 31 May 2016 and American Hydro Corporation and the trade and assets of the Montreal business of Weir Canada Inc. on 30 June 2016 for a combined consideration of £39m, resulting in a loss on disposal of £3m. The remaining balance relates to trading in the period prior to disposal of those businesses and reassessment of liabilities in relation to previous disposals.

### Capital expenditure

Net capital expenditure decreased from £88m in 2015 to £62m in the current year (before exceptional proceeds from property disposal programme of £36m), reflecting the Group's focus on cash management while maintaining investment in key strategic arenas including operational efficiency, R&D and safety initiatives.

### Cash flow and net debt

Free cash flow from continuing operations was £130m (2015: £132m), before cash exceptional items of £22m (2015: £33m). Cash from operating activities reduced from £396m in 2015 to £293m in the period which mainly reflected the downturn in Oil & Gas. However, the EBITDA to cash conversion ratio for the period remained positive at 108% (2015: 124%) with a net working capital inflow of £32m supported by strong cash generation within Oil & Gas. The reduction in cash from operating activities was offset by a combination of the reduction in net capital expenditure and cash tax noted above, plus the introduction of the scrip dividend scheme in the period which resulted in cash dividends paid decreasing to £46m (2015: £94m).

Exceptional cash items include a restructuring and rationalisation cash outflow of £58m, offset by £36m of exceptional disposal proceeds relating to properties within the asset disposal programme. Cash proceeds from the disposal of non-core renewable businesses of £31m (received to date), were partly offset by final consideration payments of £11m for historic acquisitions and £3m for purchase of non-controlling interests.

The above movements resulted in closing net debt of £835m (2015: £825m), which includes an adverse foreign exchange movement of £133m. On a lender covenant basis, the ratio of net debt to EBITDA was 2.8 times (2015: 2.5 times), compared to a covenant level of 3.5 times.

### Pension

The Group has four defined benefit pension plans, the largest of which are the two UK plans. The net deficit in the plans of £137m represents an increase of £55m on 2015. The increase in the deficit year on year is mainly due to actuarial assumptions including a reduction in the discount rate from 3.7% to 2.6% reflecting a reduction in high quality corporate bond yields. This combined with the increase in inflation, pensions in payment and change in demographic

assumptions have resulted in a £161m actuarial increase in the pension liability, partially offset by actuarial gains of £108m on the asset side. Insurance policy assets are held which cover 40% (£379m) of the funded obligation, reducing the Group's exposure to actuarial movements. The remaining £2m loss is mainly the result of movements in exchange rates over the year in the North American plans.

#### Asbestos provision

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 2016, there were 1,477 asbestos-related claims outstanding in the US (2015: 1,263). In 2016, as a result of an overall assessment of claims history, the US provision has increased to £48m from £28m in 2015. The Group has comprehensive insurance cover for these cases and as a result the corresponding insurance asset has been increased by an equivalent amount.

In the UK, there are 18 (2015: 21) 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.

Full details of the US and UK provisions, plus related insurance receivable, are provided in note 22.

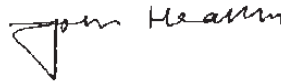
The key accounting and policy judgements are contained within note 2 to the Group financial statements on page 128.

#### Earnings per share

Earnings per share from continuing operations (before exceptional items and intangibles amortisation) decreased by 21.5% to 61.2p (2015: 78.0p). Reported earnings per share including exceptional items, intangibles amortisation and profit from discontinued operations was 17.8p (2015: loss per share of 83.6p). The weighted average number of shares in issue increased to 215.6m (2015: 213.7m) following the issue of 3.7m shares as part of the scrip dividend scheme undertaken during the year.

#### Dividend

The Board is recommending a final dividend of 29.0p resulting in a total dividend of 44.0p for the year, in line with 2015. Dividend cover (being the ratio of earnings per share from continuing operations before exceptional items and intangibles amortisation, to dividend per share) is 1.39 times. If approved at the Annual General Meeting on 27 April 2017, the final dividend will be paid on 5 June 2017 to shareholders on the register as at 28 April 2017 with a scrip dividend alternative continuing to be offered.



**John Heasley**  
**Chief Financial Officer**

22 February 2017

Operational Review

# WEIR MINERALS

WEIR MINERALS IS ONE OF THE WORLD'S LEADING SOLUTIONS PROVIDERS TO GLOBAL MINING CUSTOMERS.



**MISSION-CRITICAL SOLUTIONS**

Our pumps, valves, hydrocyclones, rubber, crushers, grinders and other solutions are crucial to the process of turning mined rock into valuable ore.



**HIGHLY ENGINEERED EQUIPMENT**

The division's deep technology knowledge has made it a market leader and built up a significant installed base of equipment which is biased towards low-cost high production mining regions.



**INTENSIVE AFTERMARKET CARE**

As ore grades decline more rock needs to be produced which leads to more intensive use of the division's solutions and drives demand for spares and other aftermarket services.

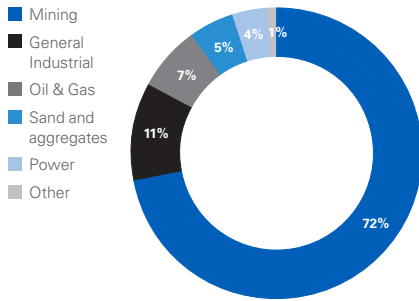


**COMPREHENSIVE GLOBAL SUPPORT**

That demand is supported by the division's unrivalled global service centre network.



**2016 divisional input by end market**



An overview of the division’s main markets is available on page 5 and you can read more about its financial performance in the Financial Review on page 24.

In last year’s Annual Report we set out the division’s strategic priorities for 2016. Below is a summary of progress against those priorities and objectives for 2017.

**Key priorities and progress in 2016**  
**Actively respond to changing market conditions, ensuring ongoing competitiveness.**

- Operating margins were stable supported by cost reductions, procurement and restructuring savings.
- Facility consolidations delivered improved overhead recoveries; further foundry optimisation projects are underway.
- Management layers were reduced.

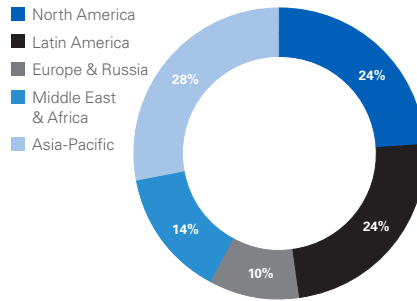
**Leverage the division’s unrivalled service centre network to increase customer responsiveness in challenging market conditions to support financial performance.**

- New service centres opened in Mexico, Kazakhstan and Indonesia.
- Increased numbers of applications engineers deployed to customer sites, resulting in identification and capture of aftermarket and brownfield optimisation opportunities.
- Pursued an aggressive trials programme to win market share.

**Re-allocate internal resources to facilitate Trio product line growth in mining and sand and aggregates end markets.**

- Integration of Trio completed with the roll-out of Weir best practice across all aspects of the business.
- Continuing to recruit for key roles and territories to ensure enhanced market coverage and product expertise.
- Sand and aggregates demand was subdued in China and North America.

**2016 divisional input by geography**



**Align R&D spend with customer focus areas of efficiency, data and control, reducing environmental impact and digital supply chain.**

- Several projects developed in 2016 in conjunction with academic partners.
- Continuing investment in product enhancements to address customers’ short-term priorities of brownfield optimisation and process improvements.

**Drive the benefits of the Delta Industrial valves acquisition and leverage enhanced product offering to expand presence in oil sands and global mining markets.**

- Delta Industrial valves successfully integrated into the division.
- Production relocation underway to larger St Louis facility to support future growth.
- Roll-out of Delta’s premium products to new geographical territories.

**Utilise global resources to deliver value chain excellence including the continued consolidation of the division’s Enterprise Resource Planning (ERP) systems.**

- New ERP system successfully rolled out in England, Peru and Chile.
- Further divisional roll-out to Brazil, Mexico, China and the rest of Europe will follow.

**Key priorities for 2017**  
**In 2017, we will further strengthen the division’s performance by focusing on the Group’s strategic priorities.**

- Continue our strong performance on safety.
- Increase customer intimacy through geographic expansion and pursuing brownfield opportunities to improve established assets.
- Continue to leverage the Group’s expertise to further develop comminution (crushing, grinding and screening) and other new products while also progressing increased digital capability.

- Achieve operational excellence and on-time delivery improvements across global facilities through execution of manufacturing efficiency projects, including optimised machine utilisation and lean enhancements.

**Outlook**

Assuming commodity prices remain around current levels, we expect mining markets to be relatively stable with miners maintaining normal maintenance schedules and continuing modest ore production growth supporting demand for aftermarket products and services. We expect further modest reductions in overall mining capital expenditure in 2017, with the fifth year of declines in exploration and greenfield spending largely offset by increased investment in sustaining capital expenditure in plant optimisation and maintenance; which is the main focus of the division.

Overall, Minerals is expected to deliver moderately higher constant currency revenues as it maintains its focus on brownfield opportunities. Operating margins are expected to be broadly stable as a higher proportion of revenues from original equipment and further investment in operational capabilities is offset by volume leverage and the full year benefit of restructuring actions.

**Revenue<sup>1</sup> £**



**Operating profit<sup>2</sup> £**



**Notes**

1. 2014 and 2015 are restated at 2016 average exchange rates.
2. Adjusted to exclude exceptional items and intangibles amortisation.

# WEIR OIL & GAS

**WEIR OIL & GAS IS A LEADING SUPPLIER OF PRESSURE PUMPING AND PRESSURE CONTROL EQUIPMENT TO THE HYDRAULIC FRACTURING MARKET.**



#### **MISSION-CRITICAL SOLUTIONS**

Our pumps, valves, wellheads and other equipment are vital to the successful operation of upstream oil and gas operations, helping enable access to shale energy resources.



#### **HIGHLY ENGINEERED EQUIPMENT**

Through its technology leadership, particularly in upstream pressure pumping equipment, the division has built up a significant installed base of equipment in attractive shale markets.



#### **INTENSIVE AFTERMARKET CARE**

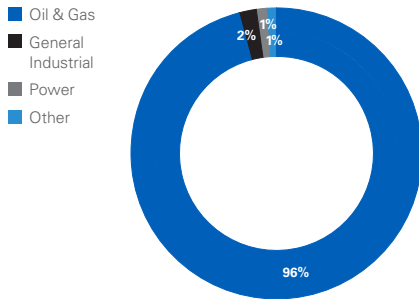
As accessing oil and gas deposits becomes more complex, the division's equipment is subjected to more intensive use which drives demand for spares and other aftermarket services.



#### **COMPREHENSIVE GLOBAL SUPPORT**

The division has strong positions in the world's most attractive oil and gas markets including North American shale and the Middle East.

### 2016 divisional input by end market



An overview of the division's main markets is available on page 5 and you can read more about its financial performance in the Financial Review on page 24.

In last year's Annual Report we set out the division's strategic priorities for 2016. Below is a summary of progress against those priorities and objectives for 2017.

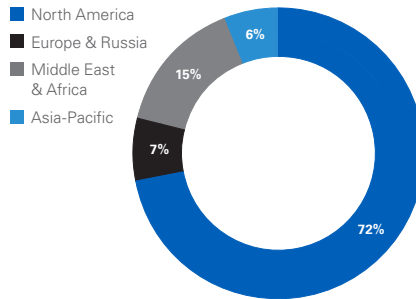
#### Key priorities and progress for 2016 Proactively respond to challenging market conditions through continued commitment to value chain excellence improvement initiatives.

- North American service centre consolidation included closure of 11 centres.
- Edmonton, Canada manufacturing consolidated with the Fort Worth, Texas campus.
- Streamlined management in North America.
- Achieved total of £27m annualised savings through cost reduction initiatives.
- Net inventory levels reduced by 22% across the division.
- 11% improved on-time delivery on average across the division.

#### Leverage Weir's global capability to strengthen current market share positions and penetrate new markets.

- Continuing progress in developing EPIX, a Weir and Rolls-Royce subsidiary MTU, joint venture that will be the first purpose built power system for fracking.
- Weir entered a distribution and service agreement with ZF Friedrichshafen AG to provide transmissions that specifically address hydraulic fracturing in North America.
- EMEA gains pressure control market share through multiple wellhead contracts totalling £18m.

### 2016 divisional input by geography



#### Enhance the division's relationships with key customers through innovative custom tailored products and solutions.

- Seaboard™ SMB-22 LR reduces customers' installation time and risks associated with potential leak paths.
- Mathena™ Intelligent Mud Gas Separator reduces response time to vent overflows.
- SPM® Valve & Seat 2.0 has been designed to provide the lowest total cost of ownership in expendable equipment.

#### Support the transition of Gabbioneta to its new facility in Milan and its successful integration into the Flow Control division.

- State-of-the-art facility opened in 2016 and completed ahead of plan; consolidating 3 previous facilities into 1.
- Financial and operational control transferred to Flow Control.

#### Key priorities for 2017 In 2017, we will further strengthen the division's performance by focusing on the Group's strategic priorities.

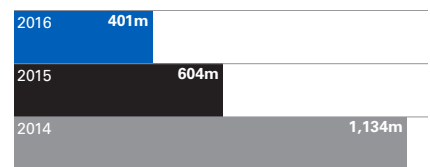
- Rapidly respond to recovering market conditions in North America.
- Expand global pressure control capabilities to continue Middle East market share expansion.
- Extend North American service capabilities to support increasing service intensity requirements and the EPIX joint venture.
- Support key customers' drive for efficiency and safety through the ongoing deployment of technically advanced products and services.

### Outlook

Assuming oil and gas prices remain at or above current levels, E&P and service companies have announced plans to increase capital spending in North America. However, the pricing environment is expected to remain challenging. International markets, which were later to enter the downturn, are expected to be slower to recover.

A strong increase in constant currency divisional revenues from a low base is expected, driven by continued North American rig count growth, with divisional margins expected to return to modest levels. Operating margins will benefit from the higher volumes and the full year benefit of restructuring and cost reduction measures, although pricing benefits are expected to be limited.

### Revenue<sup>1</sup> £



### Operating profit<sup>2</sup> £



#### Notes

1. 2014 and 2015 are restated at 2016 average exchange rates.
2. Adjusted to exclude exceptional items and intangibles amortisation.

# WEIR FLOW CONTROL

WEIR FLOW CONTROL PROVIDES PUMPS AND VALVES TO POWER AND OIL AND GAS CUSTOMERS AROUND THE WORLD.



#### MISSION-CRITICAL SOLUTIONS

Our pumps and valves help power, mid and downstream oil and gas and industrial customers efficiently process liquids and chemicals.



#### HIGHLY ENGINEERED EQUIPMENT

We have established a significant installed base of original equipment including safety valves used in more than half of the world's nuclear safety plants where performance and reliability are crucial.



#### INTENSIVE AFTERMARKET CARE

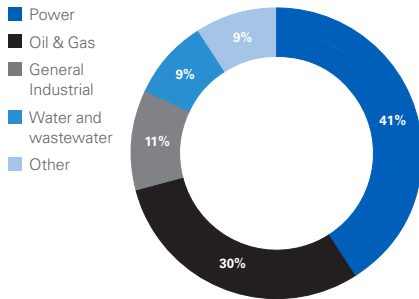
Given their operational importance, our solutions require regular aftermarket maintenance and servicing.



#### COMPREHENSIVE GLOBAL SUPPORT

The division captures those attractive aftermarket opportunities through its comprehensive service capability.

### 2016 divisional input by end market



An overview of the division's main markets is available on page 5 and you can read more about its financial performance in the Financial Review on page 24.

In last year's Annual Report we set out the division's strategic priorities for 2016. Below is a summary of progress against those priorities and objectives for 2017.

#### Key priorities and progress for 2016 Successfully integrate industrial pump businesses into the Flow Control division.

- The pump businesses are now fully assimilated within the division and realising the benefits of shared channels to market.

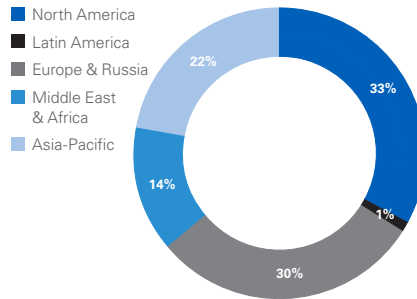
#### Enhanced profitability and operational improvements.

- Margins fell by 70bps reflecting negative operating leverage.
- Operational improvements, best cost sourcing and procurement savings were offset by pricing pressure across downstream markets in particular.

#### Fast-track new product development and expand customer digital experience.

- The division added new products including the new Rota-Jet® pump to its portfolio.
- Successfully launched an initial e-commerce platform for key customers in the UK and France.

### 2016 divisional input by geography



#### Grow aftermarket revenue.

- Aftermarket revenues fell 8% as customers pushed out maintenance schedules and delayed planned power outages.

#### Continue geographic expansion.

- The division successfully integrated the Gabbioneta business from the Oil & Gas division and opened a new factory in Milan.
- The division also opened a new facility in Kuala Lumpur and continued to grow its installed pump and valve base globally.

#### Key priorities for 2017

- Expand the division's aftermarket service offering to further leverage our installed base and grow aftermarket revenue.
- Further strengthen routes to market in order to expand regional brands globally and to improve customer intimacy.
- Continue to rapidly develop and commercialise new products, service offerings and digital solutions.
- Utilise the division's global supply chain further optimise the value chain.
- Through the ongoing application of lean principles, continue to improve operational execution across the division.

### Outlook

Power, mid and downstream oil and gas markets are expected to remain subdued in 2017, while the outlook for industrial markets is mixed. The division entered the year with a lower order book but expects the benefits of the delayed project orders, combined valve and pump portfolio and sales initiatives, to support moderate constant currency revenue growth. However, operating margins and profits are expected to fall as the higher mix of original equipment and continued pricing pressure more than offset operational leverage effects.

#### Revenue<sup>1</sup> £



#### Operating profit<sup>2</sup> £



#### Notes

- 2014 and 2015 are restated at 2016 average exchange rates.
- Adjusted to exclude exceptional items and intangibles amortisation.

## 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.

### The risk agenda

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

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 83.

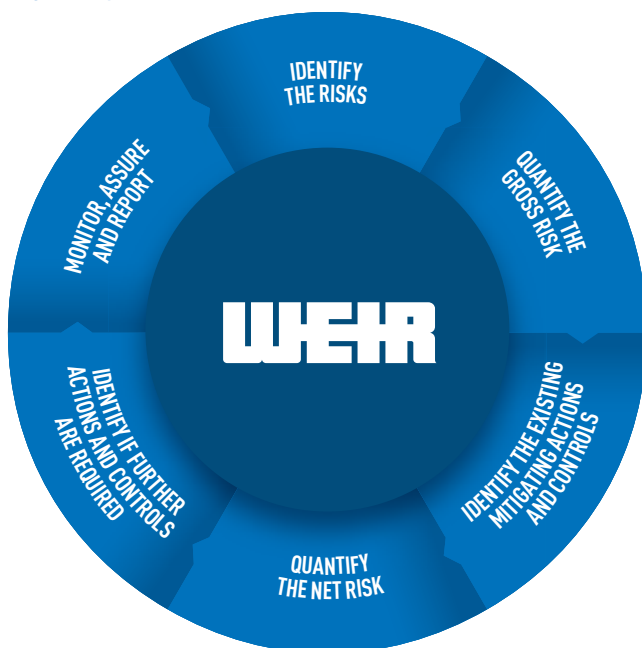
### Risk Management

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; safety, health and environment; 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.

Figure 1: Risk Management Cycle



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

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

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
<p><b>1. Organic growth:</b> We will rigorously pursue divisional organic growth strategies to meet our market growth objectives.</p>	<p>Investment of resources will be consistent with divisional strategies and expected divisional compound annual growth rates over five year plans.</p>
<p><b>2. Mergers and acquisitions (M&amp;A):</b> We will actively pursue M&amp;A opportunities that enhance our strategic platform subject to meeting investment criteria.</p>	<p>Post-tax returns should exceed our cost of capital within three years of the acquisition.</p>
<p><b>3. 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.</p>	<p>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.</p>
<p><b>4. 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.</p>	<p>Local country cash flow projections for investment appraisal purposes discounted at country specific rates.</p>
<p><b>5. 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, recognising cyclicity in our end markets, will maintain significant headroom against our financial covenants.</p>	<p>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.</p>
<p><b>6. 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.</p>	<p>No tolerance for breaches of:</p> <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>
<p><b>7. Safety, Health and Environment (SHE):</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.</p>	<ul style="list-style-type: none"> <li>No tolerance for breaches of Weir Group Safety, Health and Environment Charter.</li> <li>Active community and environmental engagement is expected.</li> </ul>
<p><b>8. 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.</p>	<p>No tolerance for breaches of:</p> <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>
<p><b>9. Innovation:</b> We will invest in technology, research and development to innovate our customer offering allowing us to maintain and expand our market share.</p>	<p>Target research and development spend 2% of revenues.</p>

## 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 66.**

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 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 59 and within the Audit Committee Report on page 79.

Figure 3: Risk Responsibilities and Reporting



### Case study

## CODE OF CONDUCT

Our Code of Conduct provides a clear framework for conducting business to the highest ethical standards. The Group is committed to an environment where open and honest communications are the expectation, not the exception. We want our staff to be able to challenge and report any behaviour they feel is inconsistent with the Code of Conduct, or where they believe violations of policies or standards may have occurred.

In situations where an employee prefers to place an anonymous report in confidence, we have engaged with an independent external company that specialise in operating a confidential, multilingual telephone and web based

reporting system. Each case is then assigned to an appropriate senior manager and a follow-up investigation is conducted. The Company Secretary and General Counsel reports to the Board and Group Executive on all cases, trends, outcomes and lessons learned.

Throughout 2016 we continued to promote the Ethics Hotline. We have also continued our programme of compliance training and awareness across the business. In 2016 we issued a Work Place Harassment training module to all relevant employees and also delivered both online and face-to-face Code of Conduct and Compliance related training.



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

Group	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> </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>Chief Executive's Safety Committee</b> Established in 2016.</p>	<ul style="list-style-type: none"> <li>• Executive Committee representation to drive improvements in our safety performance throughout the Group.</li> </ul>
<p><b>Excellence Committees</b> Engineering Safety, Health &amp; Environment 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 37, meeting the Board's responsibilities in connection with Risk Management and Internal Control detailed in the 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.

## TECHNOLOGY AND INNOVATION

**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.**

### Why we think this is important

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.

### How we are mitigating the risk

Continual investment in research and development, including the Weir Advanced Research Centre (WARC) in conjunction with the University of Strathclyde.

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.

Weir Technical Advisory Board comprising highly regarded experts to ensure Weir continues to be at the leading edge of technology development in our chosen industries.

### Changes during 2016





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, are enhanced through partnerships with certain leading universities around the world. These partnerships are designed to help the Group develop game-changing solutions to our customers' challenges. During 2016, the Weir Technical Advisory Board met four times. The Board provided guidance and advice which positively influenced our digital and advanced manufacturing technology strategies.

We are also devoting additional resources to reviewing and responding to developing technologies, with our agreements with Microsoft and Dell Corporations to develop Internet of Things (IoT) technology.

Recognising the strategic importance of technology and innovation, the recruitment process of a Chief Technology Officer began.

Further information on progress made in this area is set out in the Products and Technology section of the Sustainability Review on page 57.

#### Key to symbols

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

## POLITICAL AND SOCIAL RISK ▼

**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.**

### Why we think this is important

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 and our property and regulatory changes could impact our competitiveness. 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.

### How we are mitigating the risk

Regular review of market attractiveness.

Monitoring travel by Weir employees to higher risk locations.

External expert risk assessments and regular monitoring in higher risk locations.

Contingency plans and exit strategy planning.

Our strategic planning assists in forecasting potential political and social instability in regions.

Proactive monitoring of evolving policy and development of contingency plans as situations materialise.

### Changes during 2016 ▲

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.

The Weir Group travel policy was updated in November and designed to provide a consistent Group wide approach to ensure that travel risks are managed appropriately.

From a security perspective the environment in which a number of the Group's businesses operate continued to be challenging and uncertain during the year.

Material changes in the policy environment in the UK and USA following the EU referendum and Presidential election could have an impact on our trade and taxation position and continue to be monitored.

## GLOBAL ECONOMIC CONDITIONS ▼

**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. As markets improve we fail to effectively upscale operations to meet customer needs.**

### Why we think this is important

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.

In challenging market conditions, our supply chain risks are increased. These are described in more detail on page 43.

### How we are mitigating the risk

We maintain regular engagement with our customers to understand their needs and challenges, and ensure our business is appropriately aligned.

Our strategic planning utilises extensive market intelligence to assist in forecasting opportunities and dips in markets.

We maintain contingency plans for downturns.

### Changes during 2016 ▼

Market conditions have remained challenging during 2016. Necessary adjustments have been made to our operations to accommodate our customers' responses to these market conditions. There have been signs through the latter part of the year that our core markets have started to improve, with customers starting to plan for higher activity levels next year.

#### Key to symbols

▲ Risk increasing    ■ Risk unchanged    ▼ Risk decreasing    ▼ Considered as part of Viability Statement assessment

## How We Manage Risk continued

### Principal risks and uncertainties continued

## SAFETY, HEALTH AND ENVIRONMENT (SHE)

**Failure to adequately protect our people and other stakeholders from harm associated with a breach in SHE standards.**

### Why we think this is important

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:

- Reputational damage leading to a loss of customers;
- Legal action from regulators, including fines and penalties; and
- Exclusion from markets important for our future growth.

### How we are mitigating the risk

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 SHE standards are continually reviewed.

The SHE Excellence Committee is responsible for monitoring performance and compliance with Group objectives, policies and standards relating to SHE.

There is a formal SHE assurance programme with issues escalated as required through the reporting structures.

### Changes during 2016

The Group is never complacent in relation to SHE matters. During 2016 a new Chief Executive's Safety Committee was established. Committed to achieving the highest of standards, the Group continues to set higher benchmarks for SHE compliance and roll out cohesive programmes to address SHE risks and drive safe and sustainable working practices. Improvements have been made throughout the year to our SHE Board reporting and assurance activities and our key performance indicators in place to measure our success in mitigating SHE risks continue to show improvement.

## IT SECURITY AND CONTINUITY

**Failure to maintain business systems or technical infrastructure that serves the business needs.**

**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.**

**Failure to adequately protect the business operations from cybercrime.**

### Why we think this is important

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: interruption to business operations; and loss of intellectual property and other sensitive data.

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.

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.

### How we are mitigating the risk

We continually review the effectiveness of our key IT security controls in consultation with external experts. There is regular reporting of unplanned outages and potential security breaches, with lessons learned across the Group.

We have an IT Governance Framework with a focus on structured change management techniques, including setting project governance levels in line with risk.





External assurance being obtained on the Tier 1 IT transformation projects.

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 in place.

### Changes during 2016

IT security and continuity continues to be a matter of strategic priority for the Group in an environment of ever increasing cyber security threats. Progress to strengthen the Group's defences in this respect is being made, including the Weir Cloud programme which aims to rationalise our IT infrastructure and service.

#### Key to symbols

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

## SUPPLY CHAIN MANAGEMENT ▼

**Failure to achieve supply chain management improvements and the associated reduction in costs and enhanced flexibility.**

### Why we think this is important

If we fail to improve our supply chain management, we risk:

- Losing the opportunity to invest capital into alternative value creating opportunities;
- Damaging our reputation and as a consequence losing customers and market share;
- Losing market position if the Group fails to demonstrate to customers the value of our products and services;
- Incurring penalties as a result of late delivery contractual clauses;
- Reducing margins by incurring unnecessary additional costs associated with late remedial actions taken to avoid missing delivery targets; and
- Holding excess inventory in the event of a market downturn.

### How we are mitigating the risk

Regular KPI monitoring of the supply chain throughout the organisation.

The Group's operations are implementing Value Chain Excellence initiatives amongst other business improvement objectives.

Established Centres of Excellence drive cost savings, efficiencies and enhance delivery standards whilst maintaining quality.

The Group's forward purchase commitments are being closely monitored to manage inventories at levels appropriate to market conditions.

Our credit risk management procedures are under continuous appraisal and review.

We regularly monitor market activity to ensure we remain competitive.

### Changes during 2016 ▼

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.

A programme of Value Chain Excellence initiatives has been operating throughout the Group to drive supply chain improvements.

Initiatives to expand production in best-cost locations are reviewed and the procurement function continues to drive cost and quality improvements through the Group's supply chain.

## ETHICS AND GOVERNANCE

**Interactions with our people, customers, suppliers and other stakeholders are not conducted with the highest standards of integrity which devalues our reputation.**

### Why we think this is important

We are unwilling to accept dishonest or corrupt behaviour from our people, or external parties acting on our behalf, whilst conducting our business. If we fail to act with integrity, we are at risk of:

- Reputational damage leading to a loss of customers;
- Increased scrutiny from regulators;
- Legal action from regulators including fines, penalties and imprisonment; and
- Exclusion from markets important for our future growth.

We expect all areas of the business to do the right thing and conduct business in compliance with procedures, applicable laws, Weir Group operating policies and the highest ethical standards.

### How we are mitigating the risk

The Code of Conduct, supplemented with Group policies on related topics, provides a clear benchmark for how we expect our business will be conducted.

Regular training is provided using a range of mechanisms including Town Hall style sessions, online and induction training.

The financial control framework is continually monitored for effectiveness.

Internal Audit's remit includes regular review of the anti-bribery and corruption and financial controls across the Group. The Group Legal team is responsible for monitoring compliance with the Code of Conduct.

### Changes during 2016 ↔

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.

Compliance procedures adopted for Market Abuse Regulations with training given to the Board and Group Executive. A new Disclosure Committee is now in place.

A number of unprovided liabilities were identified in the China business during the year. This followed an Internal Audit report in October 2016 and local management reorganisation. Further information is set out in the Corporate Governance Report on page 72.

#### Key to symbols

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

## How We Manage Risk continued

### Principal risks and uncertainties continued

## STAFF RECRUITMENT, DEVELOPMENT AND RETENTION

**Failure to recruit, develop or retain key management and staff may lead to disruption to the Group's operations, functions and processes.**

### Why we think this is important

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.

### How we are mitigating the risk

Promotion of the Weir Group Values & 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.

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.

Personal Development Plans are set and reviewed for the effective development of all of our staff.

Continue to offer competitive compensation and benefits packages.


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.


### Changes during 2016


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.


Recruitment of a Group Head of Reward and Recognition complete.

### Key to symbols

 Risk increasing

 Risk unchanged

 Risk decreasing

 Considered as part of Viability Statement assessment

## CONTRACT RISK

**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.**

**In addition, failure to follow Group policies and procedures may lead to commitments without the desired level of contractual protections.**

### Why we think this is important

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.

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.

### How we are mitigating the risk

The Group has policies and procedures for contract acceptance and approval.





These are under continuous review and improvement to ensure they are adequate for current and future circumstances.

The tools and training available to employees responsible for contract management are similarly under continuous review.

### Changes during 2016

Contract management continues to be an area of focus for the Group, given the competitive environment. Group policies and procedures continue to be reviewed and refreshed to provide employees with improved tools to assist them in their contract management activities.

#### Key to symbols

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

## How We Manage Risk continued

### Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 40 to 45 of the Annual Report. Based on this assessment, 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 2019.

The directors have determined that a three year period to 31 December 2019 is an appropriate period over which to provide its viability statement. While the Group operates a five year strategic planning process, subject to annual review by the Board, volatile market conditions and the related lack of visibility over commodity prices in particular indicate that a period of three years is appropriate. We believe that this approach presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer term outlook.

In making this 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.

The strategic plan is a bottom up analysis prepared annually and submitted to the Board for consideration. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth, working capital variances and return on capital investment. This has provided the basis for the viability model in which we have overlaid a number of severe but plausible events to reflect our risk assessment.

While the review has considered all the principal risks identified by the Group, the following were focused on for enhanced stress-testing: technology and innovation; political and social risk; global economic conditions; safety, health and environment; supply chain management; and contract risk. This 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.

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 cyclical nature of the markets in which it operates, it continues to have a strong 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 current and prior year cost reduction programmes – protects our viability in the face of adverse economic conditions and/or additional risks highlighted.

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.



## Our People

**Keeping our people safe is the Group's first priority. It is the duty of every Weir employee to take care of their colleagues and work towards making every Weir facility a zero-harm workplace.**

### CEO's Safety Committee

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. Direct leadership has been enhanced with the introduction of the Chief Executive's Safety Committee. This committee will oversee safety performance ensuring the Group systems and processes are comprehensive, risk-based, deliverable and built on the best practice of our peers, customers and the professional bodies.

### SHE Excellence Committee

The Safety, Health & Environment (SHE) Excellence Committee will continue to support the Board and will provide leadership, coordination and support for the delivery of the Group SHE objectives set by the CEO's Safety Committee. It is tasked by the Board to set and assess rigorous standards to improve SHE performance across the Group. The key shift to a behavioural safety culture led to a review of the SHE Roadmap which has streamlined processes and procedures to allow employees at all levels to focus on working more safely.

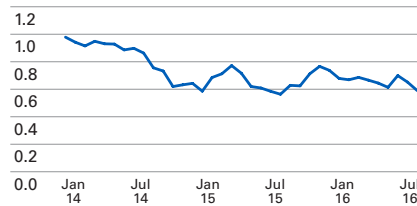
### Weir Zero-Harm Behavioural Safety System

In 2016 significant progress was made in the roll-out of Weir zero harm, our Behavioural Safety System. The Weir Zero-Harm programme started in 2014 with Safe Start, a universal training programme in the fundamentals of safety across the Group. This was completed in 2015 and was followed by climate surveys where employees were asked for their views on the safety culture within the Group. In 2016 the third strand was introduced across the Group and is a tangible step in developing the behavioural safety culture where employees at all levels are trained and empowered to engage in safety.

### 2016 safety performance

Total Incident Rate, our principal indicator, measures lost time and recordable incidents against a factor of 200,000 hours worked and in 2016 the Total Incident Rate was 0.6.

#### TIR performance



In addition, 64 safety audits were completed, including a number of smaller sites audited for the first time. The Group's average score increased by 5%.

### Developing our people

Motivated, engaged and effective people are imperative to our business. The Group depends on their knowledge, commitment and hard work to be successful. Our learning culture is supported by a range of development programmes and Weir University, our online platform offering a range of courses to help our people increase their knowledge and skills. Further details of our people development programmes can be found at [www.careers.weir](http://www.careers.weir)

### Weir University total training hours



### Employee engagement

Chief Executive Officer Jon Stanton writes to all employees on a monthly basis and encourages feedback through 'AskJon' e-mails. The Group's intranet, Weir Bulletin publication and team 'Town Hall' style meetings are the most popular forms of communication among employees with more than 80% of respondents to 2016's internal communications survey positively rating the quality of information they receive.

### Diversity and Inclusion (D&I)

We recognise the need for our employee population to represent the communities we operate in and the Group has a Diversity and Inclusion Policy aimed at providing a work environment which is inclusive, where individuals are valued for their diversity and empowered to reach their full potential.

Our objective is to diversify thought in the Weir Group and provide an environment where values-based inclusion prevails. The Nomination Committee also oversees Diversity and Inclusion initiatives. Below are some of the actions that have been taken on a Group-wide basis:

- A revised Weir Group Diversity and Inclusion policy that uses inclusive language and defines a clear strategy for progress in this area.
- A toolkit to help leaders develop D&I throughout the Group.
- Recruitment and travel protocols that include provision for D&I.
- All development programmes include D&I.
- Philanthropy and charitable initiatives proactively include D&I.
- Oil & Gas promoted use of service dogs at work.
- Minerals developed an 'Autism at work' programme.

The Group has also committed to ensuring that by 2020 at least a third of Board and Group Executive and their direct reports are female – a target proposed by the Hampton-Alexander Review in their 2016 report into female representation among FTSE companies.

In addition, to help build a long-term pipeline of future female leaders, the Group's graduate intake was gender balanced.

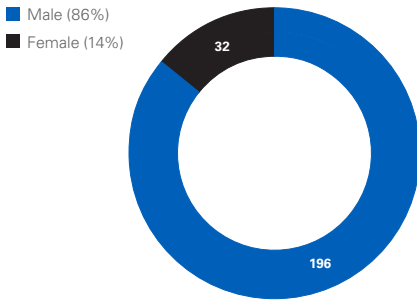
You can read more at [www.careers.weir](http://www.careers.weir)

## Our People continued

Total number of employees:

# 13,600

Senior management diversity  
Total Senior Management  
Employees: 228



Employees (Male)  
as at 31 December 2016



Employees (Female)  
as at 31 December 2016



Board diversity, by gender

## 22% female



2 female 7 male

### The Weir Group Safety, Health and Environment (SHE) Charter

#### Our Safety, Health and Environment vision

A zero harm workplace for people and the environment where everyone goes home safe and healthy.

#### Our guiding principles

- All injuries and occupational illnesses are preventable.
- No business objective will take priority over health and safety.
- No task is so important or urgent that it cannot be done safely.
- Safety is everyone's responsibility.
- We operate sustainably and minimise our environmental impact.

#### Our priorities

- Continuous reinforcement of zero harm to people and the environment.
- Deeply embedded safety culture where employees always act safely at and away from work.
- Delivery of our safety culture through 'felt leadership' at all levels.

#### Our actions

- Maintain and continuously improve the Weir SHE Management System across the organisation.
- Apply Weir Standards consistently and uniformly across the Weir footprint irrespective of geography or local legislation.
- Pursue the identification of all hazards proactively and eliminate or, if not possible, manage the risk to as low as reasonably practicable.
- Lead, train and motivate our people to work in a safe and responsible manner.
- Manage non-conformance with Weir Group Protocols and Best Practices in a fair and consistent way.
- Consult with and promote the active participation of our people in the management of their own and others' health, wellbeing and safety.
- Provide the resources and skills necessary to achieve our continuous performance improvement with respect to the Environment and the health and safety of our people.
- Place SHE at the heart of a whole life cycle approach to product stewardship.
- Identify performance measures, set improvement targets and report performance at all levels; recognising excellent performance appropriately.
- Maintain third party certification to OHSAS 18001 and ISO 14001 in Weir facilities and operations.

- Use resources and energy efficiently, targeting waste, emissions and pollution in our activities, in order to minimise the impact of our activities on our communities.
- As a minimum comply with relevant legal and other requirements.

This charter applies to all employees, contractors, products and services, and joint ventures under Weir's operational control.

## 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.**



### FTSE4Good

The Company 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.



### Transparency International

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 of Conduct 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 of Conduct was revised in 2014 and is available to download from our website in thirteen languages.

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 completed 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 communication with our employees, such as Town Hall meetings, conferences, training courses and our 100 day integration plan for new acquisitions. During 2016, face to face training was provided by the Weir Legal team to employees of various operating companies worldwide including, Weir Trio USA, Weir Trio China, Weir Minerals Europe, Weir Minerals Africa, Weir Gabbioneta and Weir Solutions Dubai. This training programme will continue into 2017. The Code of Conduct 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 of Conduct but also encourage our employees to report any concerns or apparent breaches they may have. Anyone

found in breach of the Code of Conduct 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 2016, the Group updated the Conflicts of Interest Policy. This was revised 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 seven specific anti-bribery and corruption reviews undertaken during 2016 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.

The Group, as an integral member of the Transparency International UK's Business Integrity Forum, continues to work with Transparency International, sharing best practice and benchmarking our compliance procedures with other similar sized organisations within our sector.

### Market Abuse Regulation

The Company reviewed and updated its existing governance framework in 2016 to ensure compliance with the Market Abuse Regulation ('MAR'), which came into effect on 3 July 2016. The measures which exist to ensure compliance with MAR include:

- **Disclosure Committee:** A Disclosure Committee was established to ensure that a framework of robust controls and procedures is in place in relation to the control of inside information. The Disclosure Committee is a sub-committee of the Board.
- **Share Dealing Code:** The Company's existing Share Dealing Policy has been reviewed and updated to ensure compliance with MAR.

## Ethics continued

- **Inside Information Policy:** The Company's Inside Information Policy has been updated to comply with the requirements of MAR.
- **Training Workshops:** Training on the requirements of MAR and the updated Share Dealing Code and Inside Information Policy was delivered to Group employees.

### Gender Pay Gap Reporting

The Company supports the steps being taken by the Government to increase gender diversity across senior roles and on company boards, including the proposed introduction of the The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. The regulations are expected to come into force by April 2017, with publication of the first gender pay gap report no later than April 2018.

The Company will conduct a review of pay structures to quantify any gaps, consider causes and address any issues which may arise.

### Human rights

As part of its human rights policy, which can be found on the Company's website at [www.global.weir/sustainability/policies](http://www.global.weir/sustainability/policies), the Group 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 is the recognition and non-discrimination of rights of association in collective bargaining. In addition, the Group has a zero tolerance policy towards 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 Hotline during 2016.

### Modern Slavery Act

Following an extensive review of our existing policies and practices in light of the introduction of the Modern Slavery Act, the Company has prepared a Modern Slavery Statement ([www.global.weir/sustainability/ethics](http://www.global.weir/sustainability/ethics)) which details the steps we are taking to ensure that slavery and human trafficking do not take place in any of our supply chains or in any part of the business.

To meet the requirements of the new legislation, we have updated our Human Rights Policy to specifically refer to the Modern Slavery Act. The Company already has a number of measures in place to protect human rights including the Code of Conduct, Weir Supply Chain Policy, Weir SHE Standards and a programme of supplier audits and reviews. A training programme is also being developed for procurement to increase awareness and compliance with the Modern Slavery Act and Weir's responsibilities.

### The General Data Protection Regulation

The new General Data Protection Regulation (GDPR), which is aimed at providing a uniform regime for personal data processing throughout the European Union, will apply from 25 May 2018. The GDPR introduces various new approaches to data protection law, including increased penalties for non-compliance and increased enforcement powers for data protection authorities.

We are reviewing our current data protection strategy and compliance methods in light of these future requirements. Privacy and data security issues are regularly reported on in management meetings. Once the practical effects of the new regulation are more certain, we will spend time embedding privacy practices through training and

updating existing policies and procedures, to ensure compliance with the legislation.

### 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.

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.

Weir is 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 many of 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 our various policies and standards used globally. 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.

## Sustainability in action

# MODERN SLAVERY ACT STATEMENT

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 for the financial year ending 31 December 2016.

## Prohibition of Modern Slavery

Modern slavery is a crime and a fundamental violation of human rights. It is constituted in the UK Modern Slavery Act 2015 (the 'Act') by the offences of slavery, servitude and forced or compulsory labour; and human trafficking. Weir's aim is to eradicate the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, in all Weir companies. We expect the same high standards from all our contractors, suppliers and other business partners regardless of where they are located.

## Compliance

We already expect everyone with whom we deal, including employees, contractors and suppliers to maintain the highest standards in conformity with these principles. The prevention, detection and reporting of human rights violations in any part of our business or supply chains is the responsibility of all those working for us or under our control.

## About The Weir Group PLC

Founded in 1871, The Weir Group PLC is based in Glasgow, Scotland and is one of the world's leading engineering businesses. Weir designs, manufactures and services innovative solutions which make our minerals, oil and gas and power customers more efficient. This is recognised in the global leadership positions we have developed in our core markets.

Weir aims to be a partner of choice to our customers with a worldwide network of around 214 manufacturing facilities and service centres. The business has a presence in more than 70 countries, with over 13,600 people around the world working in three divisions: Minerals; Oil & Gas; and Flow Control.

## Supply Chain

Weir has always been committed to doing business at all times in an ethical and transparent manner with the highest standards of integrity.

As an engineering company, we source raw materials, components and services across the globe and recognise that this may involve sensitive countries and industries. 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.

Weir recognises that its responsibilities extend to our supply chain, and has always aimed to maintain a supply chain process which sets out the minimum standards we expect our suppliers to abide by in connection with:

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

## Policies

Weir is committed to ensuring that we are not complicit in any human rights violation and hold our partners and suppliers to this same high standard. Weir expect all suppliers to comply with or exceed the following requirements:

- no forced, bonded or involuntary prison labour will be used;
- no children are to be employed by our suppliers, consistent with the United Nations Convention on the Rights of the Child; and
- employees of our suppliers shall be paid wages for standard working hours that meet or exceed national minimum requirements.

Our existing Code of Conduct and Human Rights Policy currently sets out the minimum standards that we expect of our employees and our supply chain. We expect our employees and suppliers to comply with all applicable laws, including any local laws. This includes complying with applicable laws in relation to modern slavery and human trafficking.

The Weir Human Rights Policy has been updated to reflect a specific reference to the Act and the offences constituted by the Act.

Other Weir policies shall be updated to incorporate specific reference to the Act and shall be rolled out across the Weir Group. These include:

- Code of Conduct;
- Supplier Contract plus terms and conditions templates; and
- Supply Chain Policy & Supplier Quality Manual.

## Due diligence

Many of Weir's suppliers have already been audited by Weir personnel and have gone through a formal procurement process to minimise Weir's overall supply chain risk.

As part of Weir's ongoing initiatives to try and ensure that we prevent any bonded, forced or involuntary labour or other kinds of modern slavery or human trafficking we have

undertaken a geographical risk assessment of our supply chain. Having undertaken a geographical risk assessment of our supply chain, we have identified four categories of risk – extreme, high, medium and low – based on territories we operate in and using the Global Slavery Index 2016.

We aim to have completed due diligence on first tier suppliers in key extreme risk territories identified in the Global Slavery Index 2016 and estimate that this will be complete by December 2017. Thereafter we will complete due diligence on high risk territories and then medium and low risk territories.

Within each location, our planned activities in relation to the Act include but are not limited to: updating supplier contracts; distributing our updated supplier policies; asking suppliers to agree to and sign Weir's updated Code of Conduct acknowledgement letters; and updating our audit documents (both internal and external) to contain expectations relating to the Act.

For any supplier who is non-compliant with our policies, we expect to terminate any involvement with that supplier unless conditions are rapidly improved and compliance is met, regardless of whether it is a first tier supplier or further down our supply chain. If any individual, supplier, Non-Governmental Organisation or other organisation has evidence of modern slavery in Weir's operations, we encourage them to contact the Weir Ethics Hotline. Reports will be investigated and appropriate action will be taken.

## Compliance & Training

Weir is committed to training its employees on an ongoing basis. As part of our regular training schedules globally we intend to incorporate updated ethics training in our programme to ensure our staff are aware of the requirements of the Modern Slavery Act and our related policies. Weir's expectation and aim is to not tolerate any business that does not respect basic human rights.

This statement has been approved by the board of directors of The Weir Group PLC.

Signed for and on behalf of The Weir Group PLC



**Jon Stanton**  
Chief Executive Officer

## Ethics continued

### 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 Agent & Distributor 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 is 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 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 2016, we have continued 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 2016 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.

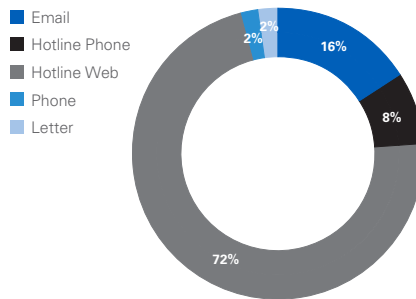
Employees should only give or receive gifts or hospitality for business if they are reasonable and if they could not improperly influence a business decision. All gifts and hospitality above a minimum threshold detailed in the policies must be pre-approved using an online gifts and hospitality register. 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

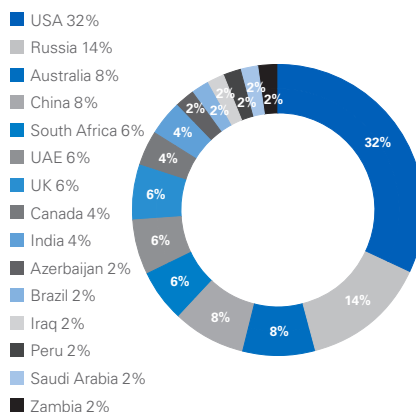
The Group encourages our people to discuss any ethical concerns they may have with local management or the legal department. In addition, the Weir Ethics Hotline, an independent and confidential telephone helpline and online reporting system, is available for our employees, partners and third parties 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 72% of reports being made in this way, but we have seen an increase in the number of whistleblowing concerns being made by email, with 16% of reports made in this way.

During 2016, 50 reports were submitted via the Weir Ethics Hotline with each report being fully investigated. Details of the submission methods of the reports and their respective geographic location 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.

#### Submission method



#### Submissions by country



## Our Communities

**Weir is a global business which operates in over 70 countries around the world. We strive to make a positive impact in the communities in which we operate. We do this through employment opportunities, the payment of taxes and philanthropic efforts.**

We set clear expectations for how each of our businesses should interact and engage with people and other organisations. Wherever we operate in the world, we aim to:

- enhance the local community by running our operations safely, ethically and responsibly;
- respect the communities we operate in; and
- invest in the communities for the long-term mutual benefit of the community and Weir.

We strive to build close relationships in our communities by keeping local people informed about projects which might affect them. If issues arise, we listen and do our best to help to find a solution. Our Ethics Hotline is available for any individual to use if they wish to raise concerns about ethical and compliance related conduct involving any Weir Group company. Further details on the Ethics Hotline can be found on page 52.

In addition to approaching community relations in an open and transparent manner, we seek to support charitable organisations through donations and volunteering.

We recognise that as an organisation with a global reach, our influence is not insignificant, particularly in developing countries. Our charitable and philanthropic work focuses on the key priorities of improving the health and education of our employees and the local community. We recognise that contributing to these important areas can have an enduring positive effect on the local area.

In addition to supporting charitable organisations, Weir contributes to 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. This can make a substantial positive contribution to 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.

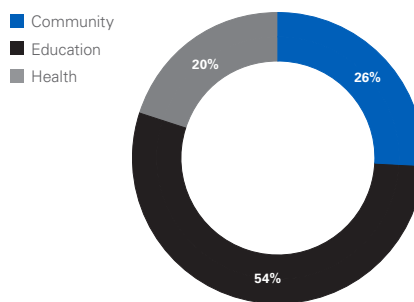
Weir is a 146 year old engineering company, and our commitment to training is as strong in the 21st century as it was in the 19th. We are dedicated to developing engineering excellence and we were the first company in Scotland to set up an apprentice school. Weir is a founding member of the Institute 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.

Weir provides experience and training to develop the next generation of engineers. Although our focus is on engineering, we also provide work placements and internships across all sectors. Our placements give young people from around the world the opportunity to experience working for a global business.

### Charitable giving

In 2016, the total amount of charitable donations made by Group companies was £456,000 (2015: £477,800). We do not make any political donations. Our charitable donations include cash and non-cash items such as services, materials, employee time and use of corporate facilities.

### Charitable donations



In 2016 the Group continued to support Newlands Junior College which is a vocational school that provides career opportunities to young people who have become disengaged with the traditional education system. The College provides vocational training and helps young people to develop and reach their potential. The Group donated £100,000 to Newlands Junior College in 2016.

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 2016, the two scholars who were recruited in 2015 undertook a five day summer placement in our main manufacturing facility in Marseille, France. We were delighted to welcome another two scholars onto the programme at an awards ceremony in Edinburgh in October 2016.

In 2016, 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.

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. Please see the case study on the Sachibondu Health Centre on page 54.

## Our Communities continued

### Employee activities

We are 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.

During 2016, our employees undertook many charitable projects. A small selection of these projects are highlighted below.

#### Fort McMurray Toy Drive

In 2016 wildfires ravaged Fort McMurray, resulting in many families losing their homes and all of their possessions. In December 2016 the Weir Minerals Canada Fort McMurray facility team participated in the community annual toy and food drive. \$1,000 was donated by Weir Minerals and \$600 was pooled together by the Fort McMurray facility team employees.

Approximately 40 toys were purchased and donated. In addition, \$600 in food and cash was donated to the local foodbank in Fort McMurray.

#### Weir Minerals Canada Elliot Lake Facility

In December 2016 a team from our Elliot Lake facility, in conjunction with the local fire department, participated in the 26th Annual Food Drive. The team visited 200 houses and collected enough food to fill an entire container of the Weir Minerals truck. The drive proceeds totalled \$45,000 in food and \$2,300 in cash donations.

#### Weir Valves and Controls UK Limited Sport Relief

Employees from Weir Valves and Controls UK in Elland raised £400 (\$566) for Sport Relief (a UK based charity which raises money to help vulnerable people both in the UK and in the world's poorest countries). The staff in Elland promoted a healthier lifestyle by walking their 'Weir Mile' (a mile-long-route mapped around the Elland facility), taking part in the company sports quiz and sweepstake. The day's events promoted health and wellbeing, as well as boosting morale and camaraderie within the Weir facility. It showcased the fun, generosity and creativity of all employees and brought young and old together, in what was a successful day for both Weir and Sports Relief.



Sustainability in action

## FUNDING BRIGHTER FUTURES A ZAMBIAN HEALTHCARE PROJECT

**Founded over 45 years ago, Sachibondu was set up as a Rural Health Centre near Mwinilunga, a remote and rural region of North West Zambia on the Democratic Republic of Congo border. Each year thousands of patients come to the Health Centre where they are met by a small team of dedicated nurses and midwives.**

With few good alternative options, most patients travel remarkably long distances to reach Sachibondu, some up to ten days from within Zambia or neighbouring Angola and DRC.

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 number of new infections.

Better design and innovative approaches to basic materials and local building methods can make a huge impact on the health and well-being of patients. By increasing internal air-change rates passively and introducing effective and controllable natural ventilation, we can reduce

health risks. Effective day light strategies can also reduce the reliance on electricity, which is often inaccessible, and helps provide more enjoyable and usable spaces.

Working closely with the staff and selected patients at Sachibondu, the OrkidStudio charity, with financial support from Weir, have developed a masterplan and development strategy for the Centre, incorporating patient wards, clinical and diagnostic testing facilities, a specialist infectious diseases unit, operating theatre and staff housing.

The key aim in redeveloping the Centre has been to achieve an upgrade status with the Ministry of Health to a Hospital (higher level than a 'Rural Health Centre'). With this, the Government will provide fully trained doctors, more staff and better resources, whilst the facilities themselves will be able to accommodate significantly increased patient numbers and undertake critical surgery and treatments.

Employing around 120 people, the reconstruction project began in 2016 and is due to be completed in 2017.



## Environment

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

#### 2016 Performance Highlights

##### Operational control

The Weir SHE Management Standards set our expectations and provide a framework for environmental risk management, incorporating key elements such as regulatory compliance, risk assessment, self-audit, and employee engagement.

We are pleased to report a 7% increase in overall compliance with environmental standards across our businesses during 2016, compared to that assessed in 2015.

##### Environmental protection

No significant environmental incidents, penalties or fines were reported at sites under the operational control of the Group during the period ended 31 December 2016.

##### Operational resilience

As a business with global reach we can be exposed to a wide range of extreme weather events in different geographic locations. Four facilities reported impact from extreme weather events during 2016:

- Two Weir Minerals sites in Dubai suffered storm damage when the United Arab Emirates encountered unprecedented rainfall and strong winds in March 2016. The cost of remedial works was c.£670,000, the majority addressed by the Landlord.
- Our Weir Canada facility in Alberta avoided physical damage from major local wildfires, however, access was denied for safety reasons over a

four-week period. The local management team invoked the local Crisis Management Plan, mitigating potential business interruption.

- In November 2016, major flash floods affected our Weir Minerals facility in Gauteng, South Africa. Remedial works and business interruption resulted in a loss of c. £350,000.

We actively address potential challenges facing our own operations through extreme weather and climatic events. We also enable our customers to protect their own operations and business interests through our technical support and innovative products. For example, our market leading GEHO suite of High Concentrate Slurry Deposit technology, which reduces water demand by millions of litres per annum; invaluable for mine owners operating large tailings dams in relatively remote and water scarce locations.

##### Resource efficiency

Our foundries and manufacturing facilities continually seek to improve resource efficiency and to reduce costs; delivering real results for the Value Chain Excellence initiative. Over 12,000 tonnes of scrap metal were reused internally in our foundry operations in 2016, comprising 34% of all metal poured in the foundries.

##### CDP climate change initiative

We submit annual CDP reports to share our risk management approach to climate change and our GHG emissions performance.

In 2016, we achieved a score of 'B: Management' for our more advanced level of environmental stewardship and actions to effectively reduce emissions.

##### 2016 CDP score

## B

##### 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 period ended 31 December 2016 were 136,167 tCO<sub>2</sub>e (2015: 141,548 tCO<sub>2</sub>e). This comprises a slight decrease (4%) in total absolute GHG emissions for the Group when compared with 2015 figures.

In absolute terms, annual GHG emissions for our seven foundries increased slightly (+2%) over the same period; reflecting the planned expansion of foundry production in Malaysia and South Africa.

Carbon intensity for our foundries has remained fairly stable. As our Case Study on page 56 shows, we continue to identify, explore and implement opportunities for improved energy efficiency and to minimise GHG emissions, particularly at our foundries, the biggest driver in our global footprint.

#### TOTAL ANNUAL GHG EMISSIONS

	Global GHG emissions (tCO <sub>2</sub> e)		GHG emissions intensity (tCO <sub>2</sub> e per £m revenue)	
	2016	2015	2016	2015
Scope 1 emissions: Fuel combustion & operation of facilities	37,170	39,103	20.1	20.4
Scope 2 emissions: Purchased electricity & heat	98,997	102,445	53.7	53.4
<b>Total</b>	<b>136,167</b>	<b>141,548</b>	<b>73.8</b>	<b>73.8</b>

#### Annual GHG emissions from foundries:

	Annual GHG emissions (tCO <sub>2</sub> e)		Proportion of global annual GHG emissions (%)		GHG emissions intensity (tCO <sub>2</sub> e per tonne of metal poured)	
	2016	2015	2016	2015	2016	2015
Scope 1 emissions: Fuel combustion & operation of facilities	13,536	13,701	9.9	9.7	0.4	0.4
Scope 2 emissions: Purchased electricity & heat	51,501	49,927	37.8	35.3	1.5	1.5
<b>Total</b>	<b>65,037</b>	<b>63,628</b>	<b>47.7</b>	<b>45.0</b>	<b>1.9</b>	<b>1.9</b>

We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement. We do not have responsibility for emission sources that are not included in our consolidated statement.

Annual emissions figures for 2015 have been restated to account for more accurate consumption data and correction of an emissions conversion error, which had resulted in an understatement. The need to restate was identified during our standard review process.

We have referred to the 'GHG Protocol: Corporate Accounting and Reporting Standard' (revised edition) and used emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2016, amongst others.

## Environment continued



Sustainability in action

# ENERGY EFFICIENCY MAKING THE MOST OF EVERY OPPORTUNITY

**Energy saving opportunities worth an estimated £250,000 per annum were identified at our Todmorden foundry during 2016.**

Along with many other major businesses in the UK, we spent time during 2016 taking steps to comply with the UK Energy Savings Opportunity Scheme (ESOS) Regulations.

Central to this was building on and capturing our understanding of energy use, along with energy audits to identify energy saving opportunities.

Having submitted information to the Environment Agency, there is no requirement to act on any opportunities identified.

The Group decided to use the opportunity as a springboard to revisit and revitalise our energy efficiency programme, it just makes good business sense.

At the Todmorden foundry, our most energy intensive UK site, energy saving opportunities identified by the ESOS audit equate to over 4,000,000 kWh, an estimated £250,000 saving per annum.

During 2016 our sustainability and maintenance teams worked through the potential opportunities, and prioritised further investigation and/or implementation.

The site has already installed an electrical interlock timer on extraction units for a sand reclamation plant, which will deliver an estimated annual saving of up to 180,000 kWh.

A further annual saving of over 240,000 kWh is anticipated with the switch from 400 watt high bay light fittings to 130 watt LED equivalents throughout the machine shop, assembly shop and distribution centre at Todmorden.

During 2017 and beyond we will continue with this programme and take full advantage of the potential energy, carbon and financial savings that could be achieved, where it makes good commercial sense.

## Technology

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

### Innovation

In 2016, the Group maintained investment in research and development at 1.5% of sales. Weir continues to invest in fundamental research and development in line with technology's core position in the Group's strategy. 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 Group has made progress in improving customer digital experience to further enhance the support and maintenance services we provide, as well as simplifying access to spares. Our Synertrex™ Internet of Things (IoT) solution is under development and has the potential to further optimise the operation of our equipment in the field, both in terms of performance and dependability, to make our customers' operations more efficient.

### Product and technology development

In 2016, our pressure pumping team achieved a significant milestone with the successful completion of the SPM® QEM 3000 field trials. The results further confirm significant reductions of circa 17% in customers' total cost of ownership. Minerals also developed new high-horsepower crushers for comminution markets that lower energy consumption compared to legacy products.

In the Flow Control division, 2016 was characterised by rapid progress in technology and digital innovation. Innovative new valve and pump products were introduced to the market including the Roto-Jet® RO-FT API610 Pump and Hopkinsons® Forged Gate Valve. The accelerated commercial introduction of additive manufacturing continued. It has the potential to substantially reduce lead times and lower costs of valve and pump spares. Key customers helped Flow Control's Lens and Elland facilities successfully deploy a secure e-commerce concept for ordering spares associated with installed control, isolation and safety valves.

### Research and development

The Weir Advanced Research Centre (WARC), Weir's central research and development hub is co-ordinating the fundamental research undertaken around the world on behalf of the Group. A two-tier approach for the relationships with universities has been established – Tier 1 is for long-term strategic partnerships and Tier 2 for shorter-term projects where we need access to specific areas of expertise within a university. Only a few Tier 1 relationships will be set up due to the levels of commitment needed to gain the optimum benefit from the relationship. At present we have two such arrangements – with the University of Strathclyde and Imperial College London. A third partner will be added in due course.

### Technology Advisory Board

The Weir Technology Advisory Board brings together experts from a diverse range of backgrounds to inform the Group's technology agenda. Its aim is to ensure Weir looks beyond our own markets and is able to benefit from complementary innovations in other sectors. During 2016, the Board provided advice on and influenced the Group's digital capability and advanced manufacturing technologies.

The Strategic Report, covering pages 1 to 57 of the Annual Report and Financial Statements 2016, 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



**Christopher Morgan**  
**Company Secretary and General Counsel**  
 22 February 2017

## Corporate Governance Report

# MAINTAINING HIGH STANDARDS

## Included in this report

## LEADERSHIP

59

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.

Chairman's Introduction	59
Our Board of Directors	60
Our Group Executive	62
Board Composition	63
Board Responsibilities	63
Board Meetings	64
Board Meeting Attendance	64
Board and Group Executive Meeting Locations for 2011-2016	65
Matters Reserved for the Board	65
Board Activities During 2016	65
Board Committees	66
Group Executive	67
Management Committees	67
Nomination Committee Report	75

## EFFECTIVENESS

68

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.

Board Skills and Attributes	68
Board Effectiveness Review	68
Board Appointment and Tenure	69
Induction and Ongoing Training	69
Directors and their Other Interests	70
Board Site Visit	71

## ACCOUNTABILITY

72

The Board maintains sound risk management and internal control systems and has well-established committees to assist it in the undertaking of its duties.

The Audit Committee and Auditors	72
Internal Control and Risk Management	72
Audit Committee Report	79

## REMUNERATION

73

The Board ensures an open and transparent remuneration policy for the effective recruitment and retention of Board members and Company employees.

Remuneration Committee Report	86
Directors' Remuneration Policy	89

RELATIONS WITH  
SHAREHOLDERS

74

The Board maintains an open dialogue with shareholders and Board members attend investor events globally.

Engagement With Stakeholders During 2016	74
--	----

## The UK Corporate Governance Code

The UK Corporate Governance Code (the 'Code') is published by the Financial Reporting Council and sets out standards of good practice in relation to matters such as Board composition and effectiveness, the role of Board committees, risk management, remuneration and relations with shareholders. The Code can be obtained from the Financial Reporting Council via its website at [frc.org.uk](http://frc.org.uk).

As a listed company, we are required to explain how we have complied with the Code and applied its principles and provisions. We must also provide an explanation of any instances where we have not. This Corporate Governance Report, together with the Nomination, Audit and Remuneration Committee Reports and the Directors' Report, details how the Company has applied the main principles of the Code in 2016. For the period ended 31 December 2016 and to the date of this Annual Report, the Board considers that the Company has complied fully with the Code.

The Financial Conduct Authority's Disclosure and Transparency Rule 7.2.6 ('DTR 7.2.6') requires the corporate governance statement to contain certain information required by Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410). This information relates to significant interests in the securities of the Company, securities carrying special rights with regard to the control of the Company, restrictions on voting rights, rules regarding the appointment and replacement of directors, rules regarding changes to the Company's Articles of Association and the Directors' powers in relation to the issuing or buying back by the Company of its shares. The relevant information can be found within the Directors' Report on pages 110 to 113.

# LEADERSHIP

## Corporate Governance Report Chairman's Introduction

As Chairman, I continue to focus on ensuring that the Board delivers prudent and effective leadership in order to discharge its duties responsibly and effectively.

During 2016, the Board remained committed to setting the tone from the top by demonstrating the values and behaviours which we expect our employees to adopt throughout the Group. We recognise that a robust framework of Corporate Governance procedures and controls is essential to deliver the strategy of the Group and promote the long term success of the Company.



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

### UK Corporate Governance Code

I am pleased to report that the Company has fully complied with all the principles of the Code for the period ended 31 December 2016, and from that date to the date of approval of this Annual Report.

### Changes to the Board

Board and Committee changes during 2016 were as follows:

- Jon Stanton was appointed as Chief Executive Officer on 1 October 2016.
- John Heasley was appointed as Chief Financial Officer on 3 October 2016.
- Christopher Morgan was appointed as Company Secretary and General Counsel on 1 May 2016. Andrew Neilson was appointed Interim Company Secretary during the period from December 2015 until May 2016.
- Keith Cochrane stepped down as Chief Executive on 30 September 2016.
- Dean Jenkins stepped down as Chief Operating Officer on 30 September 2016.

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 considerable time on succession planning to ensure that we continue to evolve as a Board, enabling us to further enhance our leadership of the Group.

### Board inductions

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

During 2016, John Heasley received an induction following his appointment to the Board. Full details can be found on page 69.

**Charles Berry**  
**Chairman**  
22 February 2017

## Corporate Governance Report continued

# LEADERSHIP

### Our Board of Directors



**Charles Berry**  
Chairman (64)



**Jon Stanton**  
Chief Executive Officer (49)



**John Heasley**  
Chief Financial Officer (42)



**Alan Ferguson**  
Non-Executive Director (59)



**Melanie Gee**  
Non-Executive Director (55)



**Mary Jo Jacobi**  
Non-Executive Director (65)

#### Nationality

British	British	British	British	British	Dual American and British citizenship
---------	---------	---------	---------	---------	---------------------------------------

#### Date of appointment

Chairman since January 2014 and Non-Executive Director since March 2013	Chief Executive Officer since October 2016	October 2016	December 2011	May 2011	January 2014
---	--	--------------	---------------	----------	--------------

#### Committee membership

<b>N</b>	None	None	<b>A R</b>	<b>A N R</b>	<b>R</b>
----------	------	------	------------	--------------	----------

#### Expertise

<p>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.</p> <p>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.</p>	<p>Jon joined the Board as Finance Director in 2010 where he helped shape the Group's strategy and developed Weir's finance, treasury, tax and information services capability.</p> <p>Before joining Weir, he was a partner with Ernst &amp; Young, one of the world's largest professional services companies, where he led global board-level relationships with a number of FTSE-100 multi-national companies.</p> <p>Jon is a Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales.</p>	<p>Prior to his appointment as Chief Financial Officer, John was the Divisional Managing Director for Weir Flow Control.</p> <p>Prior to joining Weir in 2008 he held a number of senior financial, commercial and operational roles, including positions at PricewaterhouseCoopers and Scottish Power.</p> <p>He is a Chartered Accountant and a member of the Institute of Chartered Accountants of Scotland.</p>	<p>Alan was Chief Financial Officer and a Director of Lonmin plc, from 2007 until 2010. Prior to this he was Group Finance Director of the BOC Group plc. Alan also spent 22 years working for Inchcape plc in a variety of roles, including six years as Group Finance Director.</p> <p>Alan is a member of the Institute of Chartered Accountants of Scotland and sits on their Business Policy Panel.</p>	<p>Melanie is a Senior Adviser at Lazard &amp; 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.</p> <p>She was an alternate member of The Takeover Panel – LIBA (FC) between 2006 and 2013.</p>	<p>Mary Jo advises companies on international affairs and reputation management.</p> <p>She was formerly a senior executive of BP America, Royal Dutch Shell, Lehman Brothers, HSBC Holdings and Drexel Burnham Lambert and a Non-Executive Director of Tate &amp; Lyle plc.</p> <p>Mary Jo was Special Assistant to President Ronald Reagan, Assistant US Commerce Secretary for President George H.W. Bush and a British Civil Service Commissioner from 2005 until 2010.</p>
---	--	---	--	--	---

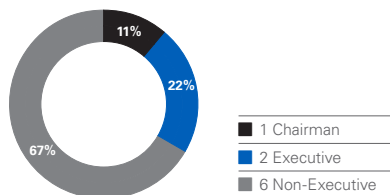
#### Key external appointments

<p>Non-Executive Chairman of Senior plc</p> <p>Member of the steering group of the Hampton-Alexander Review</p>	None	<p>Non-Executive Director of Royal Scottish National Orchestra Society Limited</p>	<p>Senior Independent Non-Executive Director and Audit Committee Chairman of Johnson Matthey plc</p> <p>Non-Executive Director and Audit Committee Chairman of Croda International plc</p> <p>Senior Independent Non-Executive Director and Audit Committee Chairman of Marshall Motor Holdings plc</p>	<p>Non-Executive Director, Remuneration Committee Chairman and member of the Risk &amp; Capital Committee and Investment Committee of Standard Life plc.</p> <p>Non-Executive Director of Ridgeway Partners Limited. Council member and Trustee of Fauna &amp; Flora International. Member of the Steering Committee of the 30% Club</p>	<p>Non-Executive Director of Mulvaney Capital Management Limited</p> <p>Member, UK Government Advisory Committee on Business Appointments</p> <p>Advisory Board co-chair, George Washington University Institute for Corporate Responsibility</p>
---	------	--	---	--	---

#### Committee Membership Key:

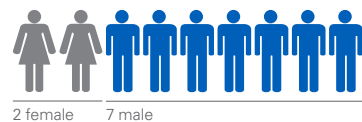
- A** Audit Committee Chair
- A** Audit Committee Member
- N** Nomination Committee Chair
- N** Nomination Committee Member
- R** Remuneration Committee Chair
- R** Remuneration Committee Member
- S** Secretary to the Board, Audit, Nomination and Remuneration Committees

#### Executive/Non-Executive



#### Board diversity, by gender

**22% female**



# LEADERSHIP



**Professor Sir Jim McDonald**  
Non-Executive Director (59)



**Richard (Rick) Menell**  
Senior Independent Director (61)



**John Mogford**  
Non-Executive Director (63)



**Christopher Morgan**  
Company Secretary and General Counsel (46)



**Keith Cochrane**  
Former Chief Executive Officer (52)



**Dean Jenkins**  
Former Chief Operating Officer (45)

**Nationality**

British

South African

British

British

British

Australian

**Date of appointment**

January 2015

April 2009  
Senior Independent Director from 1 February 2015

June 2008

May 2016

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

January 2016

**Committee membership**

**A**

**N R**

**A N**

**S**

**N** (former member)

**Expertise**

Jim is Principal and Vice Chancellor of the University of Strathclyde and has held the Rolls-Royce Chair in Electrical Power Systems since 1993. He holds a number of Non-Executive Director roles including in ScottishPower Plc, the UK Offshore Renewable Energy Catapult and the UK National Physical Laboratories. He co-chairs the Scottish Energy Advisory Board with the First Minister and is Chairman of the Royal Academy of Engineering Research Committee and Chairman of the Scottish Engineering and Energy Research Pools. He is FEng, FRSE, FIET, FInstP, FEI.

Rick was appointed Chief Executive of Anglovaal Mining in 1996, then Executive Chairman in 2002. In 2005, he was appointed President and Chief Executive of TEAL Exploration & Mining Inc. He was formerly Chairman of Avgold Ltd and Bateman Engineering BV. Rick is a Senior Advisor to Credit Suisse and Chairman of Credit Suisse Securities (Johannesburg) (Pty) Limited. 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 an Executive Vice President of BP plc. He was Chairman of Amromco Energy LLC and White Rose Energy Ventures LLP, and a Non-Executive Director of Deep Gulf Energy LP. He is a fellow of the Institution of Mechanical Engineers and a visiting Professor at the University of Strathclyde.

Christopher joined the Group as Deputy General Counsel in April 2014 and was appointed as Company Secretary and General Counsel in May 2016. Prior to joining Weir, Christopher was the General Counsel of Balfour Beatty's Rail Division and their Group Compliance Officer, based in London. He has also held senior legal positions with Honda Motor Europe and British Airways. He is a qualified Solicitor in both Scotland and England and a member of the Law Society of Scotland and the Law Society of England and Wales.

Following a number of years with Arthur Andersen, Keith joined Stagecoach Group plc in 1993. He was appointed Finance Director in 1996 and Group Chief Executive in 2000. He joined Scottish Power plc in 2003 where he became Director of Group Finance. He is a chartered accountant and a member of the Institute of Chartered Accountants of Scotland. Keith is Chairman of the selection group for CSCLeaders, a senior leadership programme for leaders from across the Commonwealth.

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.

**Key external appointments**

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

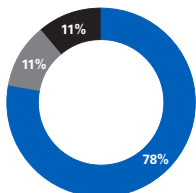
Non-Executive Director of DOF Subsea AS in Norway  
Non-Executive Director of ERM Worldwide Group Limited  
Non-Executive Director of Network Rail

None

Senior Independent Non-Executive Director of Carillion plc  
Lead Non-Executive Director for the Scotland Office and the Office of the Advocate General

None

**Nationality**



■ 7 British  
■ 1 South African  
■ 1 British/American

**Board diversity, by tenure**



Corporate Governance Report  
continued

# LEADERSHIP

## Our Group Executive



**Name and title**

**Paul Coppinger**  
Division President  
of Weir Oil & Gas (55)

**Ricardo Garib**  
Division President  
of Weir Minerals (62)

**David Paradis**  
Division President of  
Weir Flow Control (49)

**Pauline Lafferty**  
Chief People Officer (51)

**Andrew Neilson**  
Director of Strategy  
& Corporate Affairs (41)

**Biography**

Paul joined the Group Executive in January 2015. 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 has been a director of the Petroleum Equipment & Services Association since 2007 and presently is the association's Chairman. He holds a Bachelor of Science degree in Petroleum Engineering from Texas Tech University.

Ricardo joined the Group Executive in January 2016. 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.

David joined the Group Executive in January 2017. Prior to this he held the position of President of Pressure Pumping. Before joining Weir, David spent 22 years in the flow control industry including 14 years with Tyco Flow Control. He holds a Bachelor of Science degree in Mechanical Engineering and a Masters of Business Administration from Texas A&M University, where he currently serves on the Masters of Science in Marketing Advisory Board in the Mays Business School. In addition, he is an Advisory Board member of the Petroleum Equipment & Services Association.

Pauline joined the Group as HR Director in 2011. Prior to this she was previously in executive search with Miles Partnership and Russell Reynolds Associates in the UK and Australia. Pauline also 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 the Scottish Exhibition Centre and Trustee of the charity Playlist for Life which promotes the use of personal music in enhancing the lives of people with dementia.

Prior to joining Weir in 2010, Andrew held a variety of senior roles within banking, energy and professional services companies, including HSBC, HBOS, Scottish Power plc and KPMG. Andrew holds a Masters degree in engineering from the University of Strathclyde and is a qualified accountant. He held the position of Company Secretary from December 2015 until May 2016 and has had interim responsibility for the Group's technology agenda since September 2016. Andrew is a member of CBI Scotland Council and a Trustee of Newlands Junior College.

Jon Stanton and John Heasley are also members of the Group Executive Committee. Their biographical information can be found on the previous pages.

Keith Cochrane held the position of Chief Executive and was a member of the Group Executive until 30 September 2016.

Dean Jenkins held the position of Chief Operating Officer and was a member of the Group Executive until 30 September 2016.

Group Executive diversity, by gender\*

**14% female**



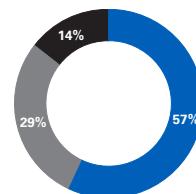
1 female 6 male

Group Executive by tenure\*



0-3 years 3-6 years 6-9 years

Group Executive by nationality\*



■ 4 British  
■ 2 American  
■ 1 Chilean

\* David Paradis was appointed to the Group Executive on 23 January 2017.



# LEADERSHIP

## Board Composition

During 2016, the Board comprised of three Executive Directors, the Chairman and six Non-Executive Directors.

Keith Cochrane stepped down as Chief Executive at the end of September 2016 and was succeeded by Jon Stanton as Chief Executive Officer at the start of October 2016. John Heasley was appointed to the Board as Chief Financial Officer in October 2016 to succeed Jon Stanton as Group Finance Director. Dean Jenkins stepped down as Chief Operating Officer at the end of September 2016.

Biographical information on the Board of Directors, including their relevant experience and significant appointments, can be found on pages 60 and 61.

Following an extensive recruitment process, Christopher Morgan was appointed as Company Secretary and General Counsel on 1 May 2016. Christopher succeeded Andrew Neilson as Company Secretary. Andrew held the position from December 2015 until May 2016. Christopher Morgan is Secretary to the Board of Directors, Audit Committee, Nomination Committee and the Remuneration Committee. His biography can be found on page 61.

## Board Responsibilities

**The Board of Directors has a collective duty to promote the long-term success of the Company for its shareholders. The Board sets the strategic aims of the Group and provides leadership and guidance to senior management to ensure that the necessary resources are in place to achieve the agreed strategy. 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, the Board operates within a robust framework of internal controls and risk management. The Board also 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 judgement. The roles of the Chairman and Chief Executive Officer are separate, with each having clearly defined duties and responsibilities which are 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 the members of the Board of Directors are set out below.

### Chairman of the Board Charles Berry

- Leading the Board in an ethical manner and promoting effective Board relationships.
- Building a well-balanced Board, considering succession planning and the Board's composition.
- Ensuring the effectiveness of the Board and individual Directors.
- Overseeing the Board evaluation and acting on its results.
- Ensuring appropriate induction and development programmes.
- Setting the Board agenda and chairing the Board meetings.
- Ensuring effective communication with shareholders and other stakeholders.

### Chief Executive Officer Jon Stanton

- Planning the Group objectives and strategy for Board approval.
- Ensuring the effective delivery of Group strategy.
- Providing leadership to the Group and communicating the Company's culture, values and behaviours.
- Day-to-day management of the Company.

### Chief Financial Officer John Heasley

- Ensuring an effective financial control environment which is compliant with regulations.
- Ensuring effective management of Group capital structure and financing needs.
- Provision of timely and accurate financial reporting.
- Assisting in formulating the Group objectives and strategy.
- Delivery of the Group value chain excellence and IT strategy.
- Day-to-day management of the Company.

### Senior Independent Director Rick Menell

- Supporting the Chairman in his duties where necessary.
- Leading the annual review of the performance of the Chairman.
- Being available to Directors and shareholders with concerns that cannot be addressed through the normal channels.

### Non-Executive Directors

**Alan Ferguson  
Melanie Gee  
Mary Jo Jacobi  
Professor Sir Jim McDonald  
John Mogford**

- Contributing independent challenge and rigour.
- Assisting in the development of the Company's strategy.
- Ensuring the integrity of the financial information, controls and risk management processes.
- Monitoring the performance of the Executive Directors against agreed goals and objectives.
- Advising senior management.

### Company Secretary Christopher Morgan

- Advising the Board on governance, legislation and regulatory requirements.
- Ensuring the presentation of high-quality information to the Board and its committees.
- Ensuring best practice in Board procedures.
- Facilitating inductions and development programmes.
- Facilitating the Board review process.

## Corporate Governance Report continued

# LEADERSHIP

### Board Meetings

The Board meets regularly in order to effectively discharge its duties. Board meetings are held in person or by telepresence video-conferencing. During 2016, there were eight scheduled meetings and one additional unscheduled Board meeting. In October 2016, the Board meeting was held in Fort Worth, Texas, USA and full details can be found on page 71. 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 in February at a dinner held in London and once in June at a dinner held in Glasgow.

The table below details the attendance at Board meetings of each of the Directors during their term of office for the period to 31 December 2016.

### Board Meeting Attendance

Name	Board meetings									Percentage of meetings attended
	19 January	20 January	23 February	28 April	16 June	22 July	6 September	19 October	13 December	
<b>Charles Berry</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Jon Stanton</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>John Heasley<sup>1</sup></b>	–	–	–	–	–	–	–	✓	✓	<b>100%</b>
<b>Alan Ferguson</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Melanie Gee</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Mary Jo Jacobi</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Sir Jim McDonald</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Rick Menell</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>John Mogford</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Keith Cochrane<sup>2</sup></b>	✓	✓	✓	✓	✓	✓	✓	–	–	<b>100%</b>
<b>Dean Jenkins<sup>3</sup></b>	✓	✓	✓	✓	✓	✓	✓	–	–	<b>100%</b>

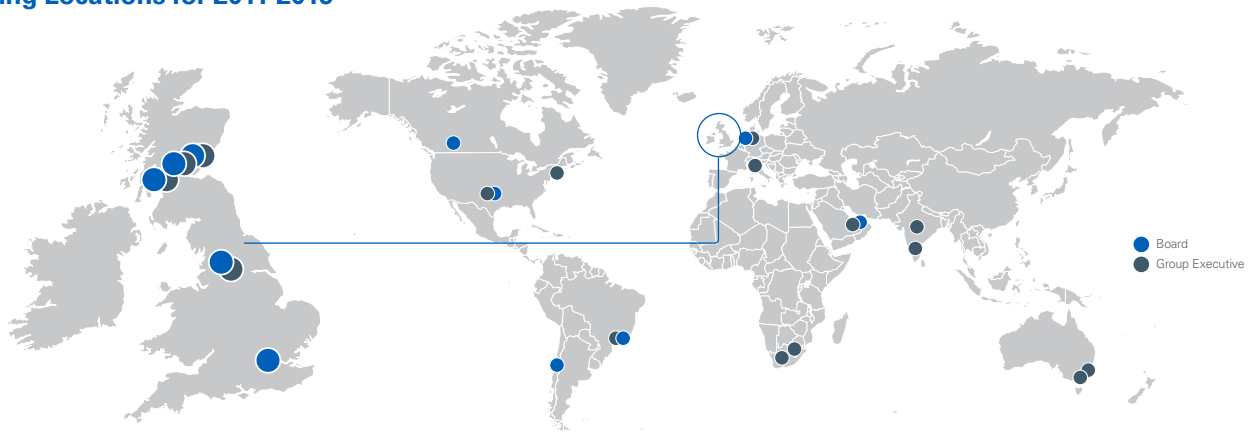
#### Notes

1. John Heasley was appointed to the Board on 3 October 2016.
2. Keith Cochrane stepped down from the Board on 30 September 2016.
3. Dean Jenkins stepped down from the Board on 30 September 2016.

The Board's annual timetable is discussed at least 12 months prior to its commencement to allow the Directors to plan their time accordingly. The 2018 annual timetable was discussed at the Board meeting in January 2017 and circulated as soon as it was finalised. The 2017 timetable was reviewed during 2015 and 2016. 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 the agenda items means that 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.

# LEADERSHIP

## Board and Group Executive Meeting Locations for 2011-2016



## Matters Reserved for the Board

The Board recognises that in order to ensure the long-term success of the Company, certain 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. In accordance with the Code, these decisions are formally recorded in a document entitled Matters Reserved to the Board for Approval. This document was reviewed and substantially updated in 2016 to ensure that it remains appropriate and that there is an effective framework in place to support the Board’s decision-making process. The document is available on the Company’s website at [www.corporategovernance.weir](http://www.corporategovernance.weir).

## Board Activities During 2016

During the year, the Chairman, supported by the Chief Executive Officer and the Company Secretary, maintained a rolling 12-month agenda for Board and Committee meetings. At each meeting, the Board received reports from the Chief Executive Officer and other members of the Group Executive. This included updates and information on safety, strategy, legal and financial 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. Standing items also included reviewing the Group’s risk dashboard and internal controls, safety, strategy and succession planning.

In order to effectively discharge their duties, the Non-Executive Directors met regularly with senior management and received presentations by members of the Group’s senior management team and other external advisers as required. The Board also received an annual review on the following matters: asbestos, insurance and risk management, the Ethics Hotline, Value Chain Excellence, HR, tax, treasury and agents.

The Board’s time during 2016 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
<ul style="list-style-type: none"> <li>Setting strategy targets.</li> <li>Reviewing potential mergers and acquisitions.</li> <li>Product development and innovation.</li> </ul>	<ul style="list-style-type: none"> <li>Risk Appetite Statement.</li> <li>Group’s risk and internal control framework.</li> <li>Crisis management.</li> </ul>	<ul style="list-style-type: none"> <li>Legal updates and new disclosure requirements.</li> <li>The UK Corporate Governance Code.</li> <li>Board review.</li> <li>Succession planning.</li> </ul>	<ul style="list-style-type: none"> <li>Oversight of the preparation and management of the financial statements.</li> <li>Dividend policy.</li> <li>Pensions.</li> <li>Tax and treasury.</li> </ul>	<ul style="list-style-type: none"> <li>AGM and other shareholder feedback.</li> <li>Investor calls, meetings and roadshows.</li> <li>Oversight of remuneration consultation process.</li> </ul>	<ul style="list-style-type: none"> <li>SHE Standards and Management System.</li> <li>SHE Audit System.</li> </ul>

## Corporate Governance Report continued

# LEADERSHIP

### Board Committees

The Board has a number of committees to assist in discharging 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 75 to 109. The Company Secretary is the Secretary to the Board Committees and ensures that the Committees adhere to the highest standards of Corporate Governance and apply the provisions and principles of the Code.

Only committee members are entitled to attend meetings, however, other Board members may attend at any time if they choose to do so. Professional advisers and members of the senior management team attend committee meetings when they are invited to do so.

The Board may also set up separate committees to consider specific issues, when the need arises.

### Board and Committee Structure



### Disclosure Committee

The Disclosure Committee is a sub-committee of the Board which comprises the Chief Executive Officer, Chief Financial Officer, Company Secretary and General Counsel and Director of Strategy & Corporate Affairs. The Disclosure Committee was established in July 2016 to ensure compliance with the Market Abuse Regulation. The Committee is responsible to the Board and provides information to assist with the identification of inside information and makes recommendations as to how and when the Company should disclose that information, in accordance with all applicable legal and regulatory requirements. The Terms of Reference of the Disclosure Committee are set out in writing and approved by the Board.

### General Administration Committee

The General Administration Committee is a sub-committee of the Board which comprises two Executive Directors of the Company. 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 Scrip Dividend Scheme. The Committee's Terms of Reference are annually reviewed to ensure their continuing appropriateness. Minutes of meetings of the General Administration Committee are made available to all Directors at the Board meetings.

# LEADERSHIP

## Group Executive

The Group Executive comprises the Chief Executive Officer, Chief Financial Officer, Divisional Presidents, Director of Strategy & Corporate Affairs and Chief People Officer. Biographical details of the members of the Group Executive can be found on page 62. The Group Executive is chaired by the Chief Executive Officer.

In the period ended 31 December 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, there are several management committees, known as Excellence Committees. The Excellence Committees have clearly defined remits and work across the Group to promote best practice and information sharing. The Executive Directors and members of the Group Executive can 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 to the Boards for approval 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 important decisions are being taken at the appropriate levels, and information flows both up and down the reporting lines.

## Corporate Governance Report continued

# EFFECTIVENESS

### Board Skills and Attributes

Name	Board skills and experience								
	Independence	Banking and finance	Governance	International	Leadership	Engineering	Mining	Oil and gas	Power
<b>Charles Berry<sup>1</sup></b>	-	-	✓	✓	✓	✓	-	-	✓
<b>Jon Stanton</b>	-	✓	-	✓	✓	-	-	-	-
<b>John Heasley<sup>2</sup></b>	-	✓	-	✓	✓	-	-	-	✓
<b>Alan Ferguson</b>	✓	✓	✓	✓	✓	-	✓	-	-
<b>Melanie Gee</b>	✓	✓	✓	✓	✓	-	-	-	-
<b>Mary Jo Jacobi</b>	✓	-	✓	✓	✓	-	-	✓	-
<b>Sir Jim McDonald</b>	✓	-	-	✓	✓	✓	-	-	✓
<b>Rick Menell</b>	✓	✓	✓	✓	✓	-	✓	-	-
<b>John Mogford</b>	✓	-	✓	✓	✓	✓	-	✓	-
<b>Keith Cochrane<sup>3</sup></b>	-	✓	✓	✓	✓	-	-	-	-
<b>Dean Jenkins<sup>4</sup></b>	-	-	-	✓	✓	✓	✓	-	✓

#### Notes

1. Charles Berry was considered independent on his appointment as Chairman in January 2014.
2. John Heasley was appointed to the Board on 3 October 2016.
3. Keith Cochrane stepped down from the Board on 30 September 2016.
4. Dean Jenkins stepped down from the Board on 30 September 2016.

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

This combination of individuals and skills ensures that the Board is sufficiently balanced and that no individual or group of individuals can dominate the decision-making process. It also allows for an effective division of responsibilities within the Board and its Committees. The positions of Chairman and Chief Executive Officer are held separately and clearly defined in writing. Each Director devotes sufficient time and attention in order to perform their duties effectively.

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties. The Chairman ensures that Non-Executive Directors are properly briefed on any issues arising at Board meetings and Non-Executive Directors have the ability to communicate with the Chairman at any time.

### Board Effectiveness Review

Building on the external Board evaluation that was undertaken by Independent Audit Limited in 2014 and the responses from the 2015 internal Board evaluation, this year's evaluation of the Board and its Committees was carried out internally in December 2016. The same process was followed this year as in 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.

Two reports were produced, one report detailed the findings of the 2016 evaluation and another report compared the findings from 2015 to 2016. These were circulated to the Board and Committees and were discussed by the Board as a whole at its meeting in January 2017. The evaluation process confirmed that the Board and Committees had further improved in the areas that were highlighted in the previous evaluation and 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 2017. No significant issues were raised during the evaluation and the general consensus of the Board is that the governance structure of the Board and its Committees continues to operate effectively.

In line with our three-year evaluation cycle, there will be an externally facilitated Board Evaluation Review in 2017 led by the Chairman with the assistance of the Company Secretary.

# EFFECTIVENESS

## Board Appointment And Tenure

Name	Length of tenure at 31 December 2016										Date of appointment	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		
<b>Charles Berry</b>											1 March 2013	27 April 2017
<b>Jon Stanton<sup>1</sup></b>											1 October 2016	27 April 2017
<b>Alan Ferguson</b>											13 December 2011	27 April 2017
<b>Melanie Gee</b>											4 May 2011	27 April 2017
<b>John Heasley</b>											3 October 2016	27 April 2017
<b>Mary Jo Jacobi</b>											1 January 2014	27 April 2017
<b>Sir Jim McDonald</b>											1 January 2015	27 April 2017
<b>Rick Menell</b>											1 April 2009	27 April 2017
<b>John Mogford</b>											1 June 2008	27 April 2017
<b>Keith Cochrane</b>											3 July 2006	n/a
<b>Dean Jenkins</b>											1 January 2016	n/a

### Note

1. Jon Stanton was appointed to the Board as Group Finance Director on 19 April 2010 and was appointed Chief Executive Officer on 1 October 2016.

The Executive Directors have contracts of service with one year's notice, whilst Non-Executive Directors' appointments can be terminated with six months' notice. The letters of appointment of the Chairman and the Non-Executive Directors are available for inspection at the Company's registered office and set out the required commitment to the Company. Further details can also be found in the Directors' Remuneration Report on pages 86 to 109.

In accordance with the Company's Articles of Association and good practice, John Heasley will offer himself for election at the Company's AGM on 27 April 2017. All other Directors on the Board at 31 December 2016 will seek re-election at the Company's AGM in compliance with the Code.

## Induction and Ongoing Training

When a new Director is appointed to the Board, they are provided with information on the Group's structure, operations, policies and other relevant documentation. The induction process also includes introductory meetings with senior executives in the Company, a formal briefing on legal and governance matters from the Company Secretary and visits to the Company's operations.

In 2016, an induction programme was provided for John Heasley following his appointment as Chief Financial Officer. As John 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 external legal counsel on Director's Duties and met with the Non-Executive Directors. John was provided with an electronic version of all relevant materials and met with the Company Secretary and General Counsel.

Directors are informed of important 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. Additional induction and training is also available to new committee members as required. Training is also built into the Board meetings with relevant topics being covered.

**Corporate Governance Report**  
continued

---

# EFFECTIVENESS

## **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 those Directors who have no interest in the matter being considered are able to take part in 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 have any material business or other relationship with the Company or its management. Sir Jim McDonald is the Principal and Vice Chancellor of the University of Strathclyde, but 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 on pages 86 to 109.



# EFFECTIVENESS



Case study

## BOARD VISIT TO OPERATIONS IN TEXAS

**In October 2016 the Board visited the Group's Oil & Gas division in Texas to learn more about its strategic progress in very challenging conditions. The Board recognises that site visits are important in order to maintain an up to date knowledge of the Company and its operations.**

In Houston, the Board visited the Pressure Control business unit which includes Seaboard, whose product portfolio contains wellheads and frack stacks used in hydraulic fracturing. The Pressure Control management team presented their strategy road map which was followed by a tour of the facility. This location has enhanced its lean manufacturing capabilities by introducing 'one piece flow' which has reduced the time to complete a wellhead by as much

as 30% from traditional methods. This new line eliminates the need to move equipment from one station to another by moving the kit along one straight line which also reduces potential hazards of moving large equipment around the facilities.

The Board then travelled to Fort Worth, where the Pressure Pumping business unit, the Group's largest, is based. The Weir campus is comprised of 13 buildings totaling over 500,000 square feet including manufacturing for well service pumps and flow control equipment, functional offices, research and development, a service centre and warehouses. During their visit to Fort Worth the Board also held the scheduled October Board meeting and heard from Pressure Pumping management about the business' strategy.

Particular attention was given to Pressure Pumping's research and development facility where engineering teams validate and optimise equipment in a controlled space with field-like pressures before sending equipment to customers. Test labs include a pump testing environment, flow product erosion testing and other work areas which allow us to conduct competitive analysis of varying equipment. The Board saw new technologies launched throughout the year including SPM® QEM3000 and TWS 2250 hydraulic fracturing pumps, SPM® 2.0 valve and seat and RFID tags which help customers manage asset maintenance lifecycle.

**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 79 to 85. Information on the Company’s external auditors is contained within the Audit Committee Report.

**Internal Control and Risk Management**

In accordance with the 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 2016. More information on how the Group seeks to manage risk can be found on pages 36 to 46.

The Board, in seeking to achieve the Group’s business objectives, cannot offer an absolute guarantee that the application of a risk management process will overcome, eliminate or mitigate all significant risks. However, by further developing and operating an annual and ongoing risk management process to identify, report and manage significant risks the Board seeks to provide a reasonable assurance against material misstatement or loss.

The Audit Committee conducted a review of the effectiveness of the Group’s systems of internal control and risk management during 2016, as detailed on page 83.

Notwithstanding these procedures a number of warranty, associated inventory and contract liabilities and other unprovided liabilities were identified in the China business during the period. This followed an internal audit report in October 2016 and local management structure reorganisation and changes also in October 2016. A subsequent detailed review has concluded that these liabilities primarily relate to Trio, which was acquired for \$220m in 2014, and include pre and post-acquisition liabilities.

The identified liabilities, totalling £17m, result from poor product performance and inventory management over the periods before and after acquisition. This charge has been recognised in the Consolidated Income Statement as an exceptional item in 2016 (refer to note 5). Local management changes and engineering enhancements to legacy products have been completed and the business remains an important part of the Minerals strategy going forward.

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.

# ACCOUNTABILITY

## 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 66, various internal and external sources of assurance report to the Board and management. These are principally external audit, internal audit, SHE 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 49 provides more details on the Group's activities to promote ethical behaviour.

The Group's internal control procedures described on page 83 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

The Remuneration Committee is responsible for determining the remuneration policy for the Board of Directors and the Group Executive. Full details of the Committee's roles, responsibilities and members are contained within the Remuneration Report on pages 86 to 109. The Remuneration Report also details the Company's remuneration policy and the remuneration received by Directors in 2016.

**Corporate Governance Report**  
continued

# 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 319 investors in 2016 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 22 during the year held in Canada, France, Germany, the UK and the USA.

During the period under review, the Chief Executive Officer, Chief Financial Officer, Chairman, Senior Independent Director 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 Company’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 in hard copy. Copies are available upon request to the Company Secretary or can be downloaded from the website.

The Board also recognises the importance of the internet as a means of communicating widely, quickly and cost-effectively and a new updated Group website was successfully launched in 2016, to better facilitate communications with all of our stakeholders. As well as the Interim and Annual Reports, 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 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 2017 AGM is to be held on 27 April 2017. Together with the rest of the Board, the Senior Independent Director, Chairman of the Remuneration, Nomination and Audit Committees will be available to answer questions relevant to the work of the Board and the Committees.

## Engagement With Stakeholders During 2016

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

### Introduction to the Nomination Committee

Dear Shareholder

I am pleased to introduce our Nomination Committee report for 2016. It has been a busy year for the Nomination Committee, with the appointment of our new Chief Executive Officer and Chief Financial Officer. You can find details of the recruitment process undertaken on page 77. This report explains the Committee's focus and activities during the year, and also highlights the Committee's key priorities for 2017/18. All relevant provisions of the UK Corporate Governance Code continue to be met.

#### Committee Members

**Charles Berry (Chairman)**

**Melanie Gee**

**Rick Menell**

**John Mogford**



### Structure of Report

Role of Nomination Committee	75
Terms of Reference	75
Membership and Attendance	75
Meetings	76
Main Activities of the Committee During 2016	76
Areas of Focus for 2017/18	76
Board Composition and Skills	76
Board Appointments	76
Committee Effectiveness	77
Succession Planning and Talent Management	77
Board Diversity	78

### Role of Nomination Committee

The Nomination Committee has responsibility for considering the size, structure and composition of the Board; for reviewing Director and senior management succession plans, retirements and appointments of additional or replacement Directors; and for 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 approved by the Board. The Terms of Reference are available on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir).

### Membership and Attendance

The Nomination Committee is currently made up of three independent Non-Executive Directors and me as Chairman. Senior members of management and advisers are invited to attend meetings as appropriate. The Company Secretary acts as Secretary to the Committee. Keith Cochrane retired from the Committee in September 2016.

There were five scheduled meetings held during the year and two sub-committee meetings. Details of the attendance of the members of the Committee for the period ended 31 December 2016 are contained in the table overleaf. 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.

## Nomination Committee Report

continued

### 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.

Committee membership in 2016		Appointed to the Committee
Chair	Charles Berry	1 January 2014
Committee	Melanie Gee	18 June 2015
	Rick Menell	14 June 2012
	John Mogford	21 January 2014
	Keith Cochrane <sup>1</sup>	2 November 2009
Other attendees (by invitation)		
Chief Executive Officer	Jon Stanton	January – April 2016
Secretary	Andrew Neilson	
	Christopher Morgan	

Name	Committee attendance in 2016					Percentage of meetings attended
	23 February	28 April	22 July	6 September	13 December	
<b>Charles Berry</b>	✓	✓	✓	✓	✓	<b>100%</b>
<b>Melanie Gee</b>	✓	✓	✓	✓	✓	<b>100%</b>
<b>Rick Menell</b>	✓	✓	✓	✓	✓	<b>100%</b>
<b>John Mogford</b>	✓	✓	✓	✓	✓	<b>100%</b>
<b>Keith Cochrane<sup>1</sup></b>	✓	✓	–	–	–	<b>50%</b>

#### Note

1. Keith Cochrane stepped down from the Committee on 30 September 2016.

### Main Activities of the Committee During 2016

- The appointment of your Chief Executive Officer, Chief Financial Officer and Company Secretary and General Counsel.
- A review of Board composition and Non-Executive Director rotation.
- An assessment of Board skills including a gap analysis.
- A review of the Committee's Terms of Reference.
- Undertaking an Internal Board Evaluation Review.

### Areas of Focus for 2017/18

- Continuing to ensure Board, senior management and Group-wide succession planning is aligned to both strategy and culture.
- Further development of the leadership and talent framework and pipeline.
- Development of the diversity initiatives across the wider Group.
- Reviewing the findings of the Group's employee engagement survey.
- Reviewing Non-Executive Director rotation.
- Facilitating an external Board Evaluation Review.

### Board Composition and Skills

The Nomination Committee considers that the Board consists of individuals with the right balance of skills, diversity, experience and knowledge to provide strong and effective leadership of the Group. The Board consists of the Chairman, six Non-Executive Directors and two Executive Directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience.

The Committee reviews the tenure of individual Non-Executive Directors on a regular basis looking at length of service, experience, independence, contribution and skills. Details on the Board skills matrix can be found on page 68.

### Board Appointments

You can find details of the recruitment process that the Nomination Committee led in the appointment of your Chief Executive Officer and Chief Financial Officer on page 77.

## Appointment of Chief Executive Officer – Jon Stanton

The Committee was responsible for leading the process in appointing a new Chief Executive Officer. External search advisers The Zygos Partnership Limited were engaged in the process and assisted the Nomination Committee. Elisabeth Marx Associates were also engaged in the process to enable both the preferred candidate and the Company to confirm the fit of personal profile and role.

The Committee recommended to the Board that Jon Stanton be appointed Chief Executive Officer with effect from 1 October 2016. Keith Cochrane stepped down from the Board on 30 September 2016 but remained employed until 31 December 2016. Further information on Keith Cochrane's termination and remuneration arrangements can be found on page 99 of the Directors' Remuneration Report.

## Appointment of Chief Financial Officer – John Heasley

The recruitment process was overseen by the Committee with the incoming Chief Executive Officer taking the lead in the candidate assessment again supported by The Zygos Partnership Limited. The Committee conducted final stage interviews and the preferred candidate met with the Chairman of the Audit Committee.

The Committee recommended to the Board that John Heasley be appointed Chief Financial Officer.

## Appointment of Company Secretary – Christopher Morgan

External search advisers Spencer Stuart were engaged to identify a successor to Keith Ruddock, who retired from the Company on 31 December 2015. Andrew Neilson, Director of Strategy and Corporate Affairs, was appointed Interim Company Secretary from 18 December 2015 to 1 May 2016. Christopher Morgan who was Interim General Counsel was appointed Company Secretary and General Counsel on 1 May 2016.

\* The Zygos Partnership Limited, Elisabeth Marx Associates and Spencer Stuart have no other connection with the company and have signed up to the voluntary code of appointment to the board of conduct on matters such as diversity for executive search firms. During 2016, The Zygos Partnership Limited and Elisabeth Marx Associates provided no other services to the Company.

## Independence and Re-Election to the Board

The Nomination Committee reviewed and confirmed the independence of all Non-Executive Directors. The continued service of John Mogford as a Director was specifically reviewed in light of his length of service, as noted in the Corporate Governance Report on page 69. The Committee concluded that John's sector and management experience were of importance to the Company at this time and recommended that his term should be extended for a further year (subject to re-election by shareholders at the 2017 AGM). This year's review also enabled the Committee to confirm its support for the election of John Heasley, and for the re-election of all other members of the Board, at the Company's forthcoming 2017 AGM. The Directors biographies can be found on pages 60 and 61 and a note of their skills can be found on page 68.

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 their independence.

The Board considers all its Non-Executive Directors to be independent in character and judgement.

## Committee Effectiveness

The Committee's performance was reviewed during the year through the internal Board and Committee evaluation. This was facilitated by the Company Secretary with assistance from Independent Audit Limited, by way of a confidential on-line questionnaire. The Board and Committee evaluation reports were presented to the Committee in January 2017. The review found that the positive trend of improvement had continued, which was largely attributable to the quality of information now being received by the Committee, and more detailed discussions around the areas of succession planning, leadership, talent management and diversity. Details of the Board Effectiveness Review can be found on page 68.

## Succession Planning and Talent Management

During the year the Committee continued to spend significant time and focus on succession planning not only at both Board and Group Executive level, but across the wider Group. The Nomination Committee takes an active interest in talent management across the Group and this year the Committee received its annual review from the Chief People Officer providing information on how the pipeline of talent was being managed and how this worked to support succession planning at senior levels. Some of the current initiatives are noted below.

- Mentoring programme is now developed and underway.
- A more robust succession planning process is in place.
- The Group Executive team specifically discusses people and talent management at each monthly meeting.
- High potential employee identification tool launched.
- The quality of conversations in performance development continues to improve.

Succession planning and Board structure will remain a priority for the Committee during 2017. No changes were recommended to the composition of the Nomination Committee.

## Nomination Committee Report continued

### Succession Planning and Talent Management continued

The annual leadership review is an embedded process within each of our operating companies and the results are consolidated and analysed by the divisional HR Directors and discussed with the Chief People Officer. Succession risks, critical roles and scarce skills are identified through this process. The talent strategy is reviewed each year to address this maturing agenda. The Committee recognises the importance of preparing a pipeline of high-quality internal talent ready for senior management and Board positions in a range of roles.

During the year, the Committee was updated on the succession plans for all senior management across the Group. Where there had been changes to the individuals in key critical roles, or new roles were established, the Committee was updated on the plans and process for making future appointments to these roles. The Board recognises that significant advantage is to be gained by identifying and developing our own people as well as bringing in skills from outside the organisation. We continue to strengthen our internal retention strategies to include career planning, personal development plans, coaching and secondments.

### 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 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 that 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, personal attributes, as well as differences in age, nationality, race and gender.

I am pleased to serve on the steering group of the Hampton-Alexander Review which aims to improve diversity in FTSE 350 companies. We have committed to ensuring that one third of the Board, one third of the Group Executive Committee members and their direct reports are female by 2020. The current levels are 22%, 14% and 20% respectively.

The Nomination Committee also oversees the Diversity and Inclusion initiatives across the wider Group. You can read more about Diversity and Inclusion on page 47 where it details some actions that have been taken on Group wide diversity and inclusion initiatives.



**Charles Berry**  
**Chairman**  
22 February 2017



## Audit Committee Report

### Introduction to the Audit Committee

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 'Code'). Through this report, I hope we will demonstrate how we have responded to the Code's requirements, as well as our commitment, as an Audit Committee, to our responsibilities under the Code and how we have discharged them during the year.

#### Committee Members

**Alan Ferguson (Chairman)**

**Melanie Gee**

**Sir Jim McDonald**

**John Mogford**



### Structure of Report

Key Objective	79
Membership	79
Responsibilities	79
Committee Evaluation	80
Meetings	80
Main Activities	81
Our Focus for 2016	85
Our Focus for 2017	85

### 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 and disclosures, as well as the areas requiring significant estimates or judgements;
- 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 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 60 and 61.

### 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;
- 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;

## Audit Committee Report continued

### Responsibilities continued

- reviewing and approving the remit and annual plan 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; and
- oversight of the Anti-Bribery & Corruption (AB&C) programme and providing input to the Board on ethics compliance.

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 2016, via the completion of a detailed survey by each Committee member. This follows a similar self evaluation in 2015 and the triennial process conducted externally by Independent Audit Limited during 2014. The evaluation concluded that the Committee was performing well. It receives well-presented papers and good reports from management, external audit and internal audit. No significant areas of concern were noted however there is more to be done, in conjunction with the Board, in reviewing the matching of our overall assurance structure against our principal risks.

### Meetings

We met five times during the period and have met twice since the year end. Each Committee meeting normally 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 to March 2016. Following the appointment of PricewaterhouseCoopers LLP (PwC) on 28 April 2016, they subsequently attended the meetings as auditors to the Group by invitation.

Committee membership in 2016		Appointed to the Committee
Chairman	Alan Ferguson	13 December 2011
Committee	Melanie Gee	4 May 2011
	Sir Jim McDonald	1 January 2015
	John Mogford	1 August 2008
Other attendees (by invitation)		
Chairman	Charles Berry	
Chief Executive	Keith Cochrane (to Sep 16)	
Finance Director (to Sept 16)	Jon Stanton	
Chief Executive Officer (from Oct 16)	Jon Stanton	
Chief Financial Officer	John Heasley (from Oct 16)	
Company Secretary and General Counsel	Christopher Morgan	Attends as Secretary to the Committee
Group Financial Controller	Lindsay Dixon (to Mar 16)	
Group Financial Controller	Steven Wallace (from Apr 16)	
Head of Internal Audit	David Kyles	

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

Name	Committee attendance in 2016						Percentage of meetings attended
	19 January	20 January	17 February	5 April	22 July	19 October	
<b>Alan Ferguson (Chairman)</b>	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Melanie Gee</b>	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Sir Jim McDonald</b>	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>John Mogford</b>	✓	✓	✓	✓	✓	✓	<b>100%</b>

## 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 of the actions and judgements of management in relation to the Interim 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 errors, adjusted or unadjusted, 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 which includes 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 presenting a fair, balanced and understandable assessment of the Group's position and prospects.

We received formal reports from the Chief Financial Officer and the external auditor, summarising the main discussion points for both the half year in our July 2016 meeting and full year reporting during our January and February 2017 meetings.

The financial reporting matters 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 full discussion of the restructuring programmes, related charges and cash flows. These can be found in the Financial Review on page 24.

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 Chief Financial Officer 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 and 2015 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. Furthermore, we considered the nature of these costs in light of the Group's accounting policy for exceptional items. We also received confirmation from PwC that management's treatment was acceptable. The Committee agrees with the accounting treatment and disclosure of these items in the 2016 Annual Report.

#### (2) Exceptional Items – China Operations

The Committee has discussed in detail with management the warranty, associated inventory and contract liabilities and other unprovided liabilities identified in the China business during the second half of the year. A report was received from management which provided details of the nature and timing of the specific issues which gave rise to a number of identified liabilities, which total £17m (refer to note 5).

Furthermore, we considered the impact of this matter on the general control environment and the appropriateness of the disclosure of these matters. The effect of this is considered further in the Corporate Governance Report on page 72. We confirm our agreement with the accounting treatment and disclosure adopted. Reporting on this area has also been received from PwC.

#### (3) Discontinued Operations and Related Exceptional Items

We discussed and reviewed with management and the external auditors the items included within discontinued operations. In terms of the disposals we have reviewed the basis for the loss and the assumptions supporting the related contingent consideration asset. We confirmed that the treatment of both the disposal of non-core renewable assets within Flow Control and the reassessment of liabilities relating to previous disposals as exceptional items is appropriate and that the disclosures provided are in line with IFRS 5. We have reviewed the movements in significant contingent consideration balances, and confirm that the changes in estimate are appropriate.

## Audit Committee Report continued

### Recurring Agenda Items

#### (1) Impairment Review 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.

We challenged management on the process undergone to revise the CGUs from 11 to 4 during the year following the introduction of Flow Control and the organisational changes made in Oil & Gas North America. This included questioning the evidence identified by management in support of the changes made. We agreed that the requirements of IAS 36, including those in respect of the management of cash flows, support the level at which the CGUs are identified and reported on and that the level of disclosure in the financial statements is appropriate.

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. 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 Oil & Gas North America CGU. Due to the low level of headroom in this CGU, we have also considered the sensitivity analysis supplied by management and the corresponding disclosures.

We are satisfied that the impairment analysis supports the carrying value of the underlying assets in each revised CGU, that this conclusion would not have been different under the old CGU structure. We have reviewed the relevant disclosures in the financial statements and the related narrative provided in note 14.

#### (2) Accounting for Pensions – note 24

We examined the disclosures and were satisfied. In reaching this conclusion, we challenged management on the key assumptions underpinning the valuation, taking assurance from the fact that external advice had been taken by the Company.

#### (3) Tax Charge and Provisioning – note 7

The Audit Committee receives a detailed report from the Chief Financial Officer every six months, which covers the following key areas: (i) status of ongoing 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. Based on the work we have undertaken, we are satisfied that the position presented in these financial statements, including the disclosures, is appropriate.

#### (4) Accounting for Provisions – note 22

Total provisions on the Group Balance Sheet are £143m (2015: £117m) 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 including the linkage to the exceptional charges recorded in the Income Statement, and the employee-related provision, specifically the element in respect of US asbestos-related claims.

The Committee's work in relation to 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 period over which the liability can be reasonably estimated; (iii) the position with regard to insurance cover available; and (iv) the adequacy and transparency of the disclosures in note 22.

As explained in the Financial Review on page 29, the actual experience of the number and value of settlements over the year has been broadly in line with the assumptions underpinning the liability assessment. We have reviewed management's decision to extend the period of claims included within the estimated liability from 5 to 10 years, based on the growing claims history. We have also 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, as is recording a matching receivable on the basis of the insurance asset. 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 Company Secretary and 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.

### (5) Valuation of Inventory – note 16

Given the continuing market pressures experienced during 2016 within both the Minerals and Oil & Gas divisions, the Committee has retained valuation of inventory as a judgement for specific consideration. Reporting has been received from management on the business drivers behind movements in both gross inventory and the related slow moving and obsolete provision. Specific consideration was given to a review of the accuracy of inventory provisioning, with the five most significant inventory balances reviewed and presented to the Committee. Based on the information provided, the Committee concluded that management action had been effective and that the level of provisioning appeared adequate.

### 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, Divisional Finance Directors, 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 (from December to February inclusive) involving 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 proof reader.

The successful completion of this work has been reported to the Board.

### Viability Statement

The remit of the Committee includes 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 46, within the section on Principal Risks and Uncertainties.

### (ii) Internal Control and Risk Management

Overall responsibility for the Group's risk management and internal control frameworks, and strategic decisions within the Group, rests with the Board. 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. In this regard, the Committee considered the issues arising from the exceptional item relating to China during 2016, details of which are noted above. Further details are also provided in the Corporate Governance Report on page 72.

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 internal 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 Company Secretary and General Counsel and Head of Internal Audit. This includes reviewing compliance with the Group's Ethics Hotline programme which provides a mechanism for employees with serious concerns about the conduct of the Group or its employees to report those concerns. The Committee ensures that appropriate arrangements are in place to receive and act proportionately upon a complaint about malpractice. The Committee takes a particular interest in any reports of possible improprieties in financial reporting.

## Audit Committee Report continued

### (ii) Internal Control and Risk Management continued

Since the last Annual Report and Financial Statements, there have been presentations from two 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.

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 (as a percentage) 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. To ensure that internal audit remains focused on providing effective assurance to the Group Executive, the Audit Committee and Board the scope and approach was reviewed during the year. This resulted in developing more targeted financial assurance approaches and placing greater emphasis on IT risks. It also considered the wider sources of assurance for key risk areas. These developments have been reflected in the internal audit plan for 2017. 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. Particular attention was given to the results of the China internal audit which was reported to the Committee in October.

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.

### (iv) External Audit

#### Auditor Choice, Tenure, Tendering and Reappointment

The previously disclosed audit tender process was completed during the first quarter of the year. The final stages of the process included the submission of proposals from the participating firms with each formally presenting their proposition to the Tender Panel which was made up of all members of the Committee, the Chairman, the Chief Financial Officer and the Group Financial Controller. Following the presentations, and based on a number of decision-making criteria including (i) audit quality and approach to communication with the business at all levels and the Committee; (ii) proposed service levels; (iii) the capability and competence of the audit partners, both at Head Office and at Divisional level; and (iv) the audit approach of the firm and its focus on internal quality control procedures; the Tender Panel, supported by all members of the Audit Committee, proposed that PwC be appointed as the Group's auditors. This was approved by the Board, and ratified at the Annual General Meeting on 28 April 2016.

The Company confirms that it complied with the provision of the Competition and Market Authority's Order for the financial year under review.

A resolution to re-appoint PricewaterhouseCoopers LLP 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. PwC (and previously EY) present their detailed audit plan to the Committee 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, accounting for exceptional items, the carrying value of inventory, accounting for disposals, tax positions and accounting for asbestos-related claims.

In addition, auditing standards require review of the potential for management override of controls and fraud in revenue recognition. In respect of this area, the 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 PwC 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, the quality of their annual plan, 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. Overall management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory.

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 PwC and key finance individuals 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 and this was reviewed and updated in the year. The policy makes it clear that only certain types of service are permitted to be carried out by the auditors. All permitted non-audit services require the approval of the Chief Financial Officer and, where the expected cost of the service is in excess of £75,000, the approval of myself, the Audit Committee Chairman. If non-audit fees approach £0.5m during a calendar year then the Committee will consider imposing additional restrictions on non-audit services. The auditors confirm their independence at least annually.

Fees payable to PwC in respect of audit and assurance services for 2016 of £2.2m (2015 in respect of EY: £1.8m) were approved by the Committee after a review of the level and nature of work to be performed and after being satisfied by PwC that the fees were appropriate for the scope of the work required.

Non-audit fee work conducted by PwC for assurance services, from the date of their appointment as auditors, amounted to £0.4m, which predominately related to activities that were in progress when PwC were appointed as auditors, such as HR support around global mobility. The bulk of this work has now been completed, and any future such work has been transitioned to other providers. The spend of £0.4m represented 15% of the total fees, including audit fees, and 18% of audit fees. 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 PwC, their qualifications, expertise, resources and effectiveness, the Committee concluded that they remained independent and effective for the purposes of the 2016 year end. As a result, the Committee recommended to the Board that they should be reappointed as auditors at the next AGM.

### Our Focus for 2016

In last year's report we said that, in addition to our routine business, we would ensure a successful completion of the external audit tender process and handover, respond to the changes in the UK Corporate Governance Code and Guidance on Audit Committees and ensure a seamless transition for our then new Head of Internal Audit. Our work during the year confirms that we have been successful in this regard. PwC have performed well and have met the initial expectations we had when we selected them. The Head of Internal Audit has also settled in well and the handover was effective. In terms of governance we have responded appropriately to the changes to the Code.

### Our Focus for 2017

In addition to our routine business in 2017 we will increase our focus on three areas. Firstly following the exceptional item arising from issues in China we will review with management what we can do to minimise the risk of a reoccurrence of such exposures in the future. Secondly we will increase our focus on the IT control environment given that the rollout of SAP in Minerals is underway following initial implementations during 2016. Finally in conjunction with the Board we will increase our focus on the matching of our overall assurance structure against our principal risks.



**Alan Ferguson**  
On behalf of the Audit Committee  
22 February 2017

## Remuneration Committee Report

### Introduction to the Remuneration Committee

Dear Shareholder

As Chair of the Remuneration Committee, I am pleased to present our 2016 Remuneration Report incorporating our Annual Report on Remuneration and Remuneration Policy which are both being tabled for shareholder approval at the 2017 AGM.

#### Committee Members

**Melanie Gee (Chair)**

**Alan Ferguson**

**Mary Jo Jacobi**

**Rick Menell**



### Structure of Report

At a Glance	88
Directors' Remuneration Policy	89
Annual Report on Remuneration	97
Single Figure Table	99

In recent years the Company has operated in difficult and volatile markets. The proposed 2016 remuneration policy sought to increase management's line of sight to reward and to create greater alignment between executives' interests and those of our shareholders. Despite extensive consultation, the remuneration policy tabled for approval at our 2016 AGM did not receive a sufficient level of support from shareholders to be approved.

As a result, throughout 2016 we continued to operate under the remuneration policy approved by shareholders at the 2014 AGM. This can be found on our website at [www.corporategovernance.weir](http://www.corporategovernance.weir).

We have recently undertaken a renewed shareholder consultation exercise to ensure that we fully understand the ongoing concerns and expectations of our shareholders.

### Recent Board Changes

After 10 years on the Board, Keith Cochrane stepped down as Chief Executive, and Jon Stanton (Group Finance Director since 2010) succeeded Keith from 1 October 2016. As announced on 3 October 2016, John Heasley succeeded Jon Stanton as Chief Financial Officer with effect from that date. Dean Jenkins, Chief Operating Officer, stepped down from the Board on 30 September 2016.

Jon Stanton and John Heasley were appointed to their new roles on salaries of £650,000 and £400,000 respectively, which are lower than the previous incumbents.

As required, details of the remuneration arrangements for departing Directors were disclosed when agreed and have been included in this Remuneration Report. All of those terms were in line with current corporate governance expectations, except for one area.

In accordance with Keith Cochrane's legacy service contract (entered into on 19 February 2010), he will remain eligible for consideration for the Company performance element of the annual bonus (80% of total bonus) in respect of part of the 2017 financial year, subject to evaluation of Company performance objectives on the same basis as for other Executive Directors. Any payment will be subject to time pro-rating to 28 July 2017 and to mitigation. The Remuneration Committee is obligated to honour this term which is part of his service contract and it is fully in line with our approved policy. He will not be entitled to a pay-out in relation to the personal element (20% of total bonus).

To ensure alignment with market practice, no such terms are included in the contracts of the newly appointed Executive Directors.

### 2016 Performance and Incentive Payouts

When determining bonus payouts in respect of 2016, the Committee took into account a number of factors including the overall performance of the business, external factors and alignment to the Company's risk appetite.

For 2016, 80% of the total bonus was based on performance against three key indicators of Group performance – Normalised Profit before Tax and Amortisation ('NPBTA'), order input and cash flow.



During 2016, external factors, including the sustained downturn in oil and gas markets continued to have a significant impact on the Company. As the year progressed, higher commodity prices gave rise to signs of improvement in our core markets. Performance achieved against all three financial measures was between threshold and target resulting in an outcome of 24.7% for this element. Full details of achievement against the personal element (20% of total bonus) are provided on pages 101 to 103.

When approving the bonus payments, the Committee considers the overall performance of the business and alignment with the shareholder experience. A number of warranty, associated inventory and contract liabilities and other unprovided liabilities, totalling £17m, were identified in our China business during the period primarily relating to Trio which was acquired for \$220m in 2014. In light of this, the Committee agreed that it would be appropriate to apply a discretionary downward adjustment of 10% to the bonus outcome for those Executive Directors who were in role at the time. Further details are provided on page 103.

The 2014 LTIP awards lapsed as the performance targets measured over the three year period to 31 December 2016 were not met.

### Proposed Approach for 2017

Since his appointment in the autumn of 2016, our new Chief Executive Officer Jon Stanton has undertaken a review of Weir's strategic direction. In light of this, the Committee decided to delay a detailed review of Directors' pay arrangements until after the CEO concluded his review. The refreshed strategy was announced as part of the preliminary results and is detailed in the 2016 Annual Report and Accounts.

As such, the remuneration policy we are submitting for shareholder approval at the 2017 AGM contains no significant changes to the policy under which we currently operate, and which was approved by shareholders at our 2014 AGM. Only minor changes have been made to ensure that the policy is in line with shareholder expectations and updated investor guidance.

For 2017, no increases are proposed to salaries or any other element of remuneration. We will continue to operate salary and benefits, our annual bonus plan with deferral and our LTIP which measures performance over three years and is subject to a two year holding period.

The Committee reviewed the appropriateness of the annual bonus and LTIP performance measures and determined that no changes should be made for 2017. The measures comprising the annual bonus will continue to be NPBTA (40%), cash flow (20%), order input (20%) and personal strategic objectives (20%). Under the LTIP, we will continue to use an equal weighting of Earnings Per Share ('EPS'), Total Shareholder Return ('TSR') and Return On Capital Employed ('ROCE').

During the last quarter of 2016, the Committee worked with our Chairman and new Chief Executive Officer to significantly refine our approach to target setting for the personal performance element of the annual bonus. This refined approach will also be used for all Group Executive members and will facilitate a more holistic and evidence based approach to assessing achievement against these targets.

Setting targets for both the annual bonus and LTIP has continued to present some challenges given the trading environment. The emerging optimism around the recovery of our end markets has, however, been taken into account alongside our strategic plan when approving both short- and long-term targets. The Committee is satisfied that the targets under both incentive plans are stretching and will only result in payouts for sustained value creation. Achievement against the targets will be fully disclosed in the relevant Remuneration Report.

### Proposed Approach for 2018

The Committee intends to conduct a more comprehensive review of the remuneration policy during 2017. This review will help us determine if the policy remains 'fit for purpose' in terms of suitably aligning our executives with the longer-term performance of the business based on the strategic priorities of our new CEO and his team.

The Committee feels that undertaking this wholesale review of the remuneration framework is the most appropriate course of action to ensure alignment of the framework with the Company's refreshed strategic direction.

If any major changes are proposed following this review, a new remuneration policy will be put forward for shareholder approval at the 2018 AGM, prior to which we will consult with our shareholders.

### Next Steps

We are committed to maintaining an open and honest dialogue with our various stakeholders. Our overarching objective is to establish a remuneration policy that works for both shareholders and the business, and I encourage shareholders to get in touch with me through our Company Secretary to give me, and the Remuneration Committee, the benefit of their views.



**Melanie Gee**  
**Chair of the Remuneration Committee**  
 22 February 2017

## Remuneration Committee Report continued

### At a Glance

#### Fixed Pay

##### Implementation in 2016

- New incumbents appointed on salaries lower than previous incumbents. Salaries effective from appointment:
  - CEO – £650,000
  - CFO – £400,000
- Pension contributions or supplement of 12% p.a. in line with other senior UK employees.

##### Proposed Approach for 2017

- No salary increases proposed:
  - CEO – £650,000
  - CFO – £400,000
- No change to pension contributions or supplement of 12% p.a. which is in line with other senior UK employees.

#### Annual Bonus Plan

##### Implementation in 2016

- Full disclosure of performance outcomes on pages 100 to 103.

##### Total Bonus – Existing Directors

- CEO – £255,838 (38.2% of maximum).
- CFO – £52,157 (41.7% of maximum).

##### Total Bonus – Former Directors

- Keith Cochrane – £448,294 (39.8% of maximum).
- Dean Jenkins – £202,067 (35.5% of maximum).

##### Proposed Approach for 2017

- No change proposed to maximum opportunity:
  - CEO – 150% of salary
  - CFO – 125% of salary
- 30% deferred into shares for three years.
- No change to performance measures or weightings:
  - 40% NPBT
  - 20% cash flow
  - 20% order input
  - 20% personal objectives
- Full retrospective disclosure of financial and non-financial targets will be provided in next year's Report.

#### Long Term Incentive Plan

##### Implementation in 2016

- Awards based on:
  - 33.3% EPS
  - 33.3% ROCE
  - 33.3% relative TSR
- Two year holding period.
- The threshold level of performance for the 2014 Awards was not met. Therefore all awards lapsed in full.

##### Proposed Approach for 2017

- No change proposed to maximum opportunity:
  - CEO – 250% of salary
  - CFO – 200% of salary
- No change to performance measures or weightings:
  - 33.3% EPS
  - 33.3% ROCE
  - 33.3% relative TSR
- Increase in stretch of targets for EPS and ROCE targets. Full disclosure on page 98.
- Two year holding period.

#### Shareholding Guidelines

- No change to the current share ownership levels.
- CEO – 200% of base salary.
- Executive Directors – 150% of base salary.

## Directors' Remuneration Policy

### Directors' Policy Table

Subject to approval at the AGM, this remuneration policy will apply from the date of the AGM, 27 April 2017. No major changes have been made to the policy approved by shareholders at the 2014 AGM. Minor changes have been made to align the policy with updated investor guidance.

The Group's overarching remuneration policy is to ensure that remuneration supports the Group's strategy and business objectives. The Committee has adopted a set of remuneration principles that are used as a basis against which remuneration arrangements have been established that should enable the Group to:

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

### Base Salary

#### How the Element Supports Our Remuneration Principles

The provision of a competitive base salary as part of an overall remuneration package enables the Group to attract and retain talented leaders.

#### Operation and Recovery Provisions (If Applicable)

Typically reviewed annually, with increases normally taking effect from 1 April. Set by reference to market practice for similar roles in a peer group of companies of a similar size and complexity; personal performance; the wider employee context; and economic and labour market conditions.

#### Maximum Limit

Whilst there is no stipulated maximum salary increase, increases will be determined taking into account the salary increases applied to UK employees, or the relevant jurisdiction if an Executive Director is based outside the UK.

Different increases may be awarded at the Committee's discretion in instances such as where:

- there has been a significant increase in the size, complexity or value of the Group;
- there has been a change in role or responsibility;
- the individual is relatively new in the role and the salary level has been set to reflect this; and
- the individual is positioned below relevant market levels.

Any significant salary increases will be appropriately explained.

#### Performance Measures

Not applicable.

### Benefits and Pension

#### How the Element Supports Our Remuneration Principles

The provision of a competitive benefits offering is part of an overall remuneration package enabling the Group to attract and retain talented leaders.

#### Operation and Recovery Provisions (If Applicable)

Benefits include, but are not limited to: Group health care; car allowance; travel allowance; liability insurance and death in service insurance.

The Company may also meet certain mobility costs (such as travel, accommodation or education allowances if an Executive Director is required to relocate) 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 relevant market practice.

Executive Directors will also be entitled to take part in any 'all-employee' benefits and share plans on the same basis as other employees.

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 of benefits, other than the car allowance which will normally be no greater than £20,000 per annum.

The Executive Directors' participation in any all-employee share plans will be limited by the maximum set by relevant legislation.

Executive Directors are eligible for a contribution into the pension plan, or an equivalent cash allowance, or any other arrangement the Committee considers has the same economic benefit, 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 and individual performance on an annual basis, supporting our strategy of delivering sustainable growth in our key markets.

###### Operation and Recovery Provisions (If Applicable)

Awards are based on performance each year. Measures and targets are set by the Committee and payout levels are determined by the Committee based on performance against those targets.

Typically 30% of any bonus will be deferred into an award of Weir Group shares which will normally be released after three years. Executive Directors are entitled to receive the value of the dividends payable on any deferred bonus awards that vest up to the point of vesting. This value may be calculated assuming that the dividends were notionally reinvested in the Company's shares.

Malus and clawback provisions may be applied in the event of material restatement or correction of financial statements of the Group or a subsidiary/division, gross misconduct (leading to termination for cause), or reputational damage causing significant damage to Weir and clearly attributable to the individual.

###### Maximum Limit

The maximum annual bonus opportunity is 150% of salary. For 2017, the maximum opportunity for the Executive Directors (other than the Chief Executive Officer) is 125% of salary.

###### Performance Measures

Annual bonuses will be subject to such financial, strategic and/or personal targets as the Committee considers appropriate. The measures, as well as the weightings of these measures, will depend on the strategic focus of the Company in any given year.

Financial measures will normally be used to calculate at least 50% of the bonus, with the remainder being based on strategic and/or personal goals.

No more than 20% of the annual bonus will be based on personal performance objectives.

All financial metrics are calibrated with payment on a straight line basis between threshold (up to 20% of maximum bonus payable) and stretch.

In exceptional circumstances the Committee has discretion 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 has discretion in exceptional circumstances to alter the payout levels of an award if it believes this will better reflect the underlying performance of the Company, but in no circumstances will the award exceed the maximum bonus potential.

## Long Term Incentive Plan (LTIP)

### How the Element Supports Our Remuneration Principles

To motivate Executive Directors to achieve long term objectives which are critical to the successful delivery of our strategy.

### Operation and Recovery Provisions (If Applicable)

For Executive Directors, awards may vest dependent on the achievement of performance conditions set by the Committee measured over a performance period of at least three years. Vested shares for Executive Directors are then normally subject to a two-year holding period.

Executive Directors are entitled to receive the value of the dividends payable on any LTIP awards up to the point of vesting, or where awards are subject to a holding period, the end of the holding period. This value may be calculated assuming that the dividends were notionally reinvested in the Company's shares

Malus and clawback provisions may be applied in the event of:

- a discovery of a material misstatement in the audited consolidated accounts of the Company or audited accounts of any Group Company;
- action or conduct of an award holder which in the reasonable opinion of the Committee is gross misconduct;
- events or behaviour by an award holder which has a significant detrimental impact on the reputation of any Group Company (where the Committee is satisfied that the award holder was responsible for the reputational damage or the reputational damage is attributable to the award holder); or
- the information used by the Committee to determine the number of shares over which an award is granted or vests is found to be materially incorrect, mistaken or misrepresented to the advantage of the award holder.

## 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 and Recovery Provisions (If Applicable)

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 a minimum of 50% of net shares, delivered under the deferred bonus and LTIP, after the deduction of applicable taxes, until the requirement is satisfied.

All shares beneficially owned by an Executive Director, including shares held by a connected person and shares subject to a restriction on sale count towards this guideline.

### Maximum Limit

The normal maximum award in respect of any financial year will be over shares worth 250% of salary for the Chief Executive Officer and 200% of salary for other Executive Directors. In line with the rules of the plan, the Committee can grant awards of up to 300% of salary in exceptional circumstances.

### Performance Measures

The performance measures may be a combination of financial, share price based measures and/or strategic based measures.

At least 50% will be based on financial and/or share price based measures. The measures and their weightings will be disclosed prospectively in the annual report on remuneration each year.

Up to 25% of the award vests at threshold and 100% at maximum.

The Committee 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 LTIP potential.

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 Officer: 200% of base salary.

Other Executive Directors: 150% of base salary.

## Remuneration Committee Report continued

### Directors' Remuneration Policy continued

#### Directors' Policy Table continued

##### Non-Executive Directors' Fees

###### How the Element Supports Our Remuneration Principles

To attract and retain experienced and skilled Non-Executive Directors.

###### Operation and Recovery Provisions (If Applicable)

Fees will normally 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 fees may be made available to Non-Executive Directors, where appropriate, to reflect any additional time commitment or duties.

The Company may reimburse Non-Executive Directors for any business related costs (such as travel and accommodation costs incurred in connection with their duties) and any associated tax on these costs.

###### Maximum Limit

Increases are normally 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.

###### Performance Measures

The fees paid to the Chairman and the Non-Executive Directors are not performance related.

#### Notes to the Policy Table

##### 1. Performance Measures and Targets

- Performance measures and targets under the annual bonus are designed to reward the achievement of stretching Group and personal performance goals for the current year, supporting our strategy of delivering sustainable growth in our key markets. 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 external consensus forecasts and the internal budget.
- Performance measures and targets under the LTIP are designed to incentivise Executive Directors to achieve growth through long-term performance measures which are critical to delivering our strategy. 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.

##### 2. Common Award Terms

Awards under any of the Company's share plans referred to in this report may:

- be granted as forfeitable or conditional share awards or nil-cost or 'market value' options or in such other form that the Committee determines has the same economic effect;
- have any performance conditions applicable to them varied or substituted by the Committee if an event occurs which causes the Committee to determine that the performance conditions no longer achieve their original purpose, the varied or substituted performance condition would be not less challenging to satisfy but for the event in question;
- be settled in cash at the Committee's discretion; and
- be adjusted in the event of any variation of the Company's share capital or any demerger, special dividend or other event that may affect the current or future value of awards.

##### 3. Legacy Arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before AGM 2014 (the date the Company's first shareholder-approved Directors' remuneration policy came into effect); (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

### 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.

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 PLC; 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 on the previous page.</li> <li>The maximum level of variable remuneration (excluding any buy-out awards) will not exceed the overall limit set out in the policy table (450% of salary).</li> </ul>
<b>Buy-out Awards</b>	<ul style="list-style-type: none"> <li>The Committee will consider what buy-out 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.</li> <li>The Committee will seek to structure any buy-out awards taking into account relevant factors including any performance conditions, the form in which it is to be paid (i.e. cash, shares, etc.), and the timeframe of awards. Buy-out awards will generally be made on a 'like-for-like' basis and will be no more generous in quantum than the awards being forfeited.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The Company shall reimburse the Executive Director for all reasonable expenses and associated tax incurred as part of their recruitment.</li> </ul>

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 those arrangements 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.

### Service Contracts and Policy on Payment for Loss of Office

The Board's policy on 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 service contracts or letters of appointment.

The 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 and ability of that Executive Director to mitigate any loss which they may suffer as a result of the termination of their contract.

## Remuneration Committee Report continued

### Directors' Remuneration Policy continued

#### Service Contracts and Policy on Payment for Loss of Office continued

The table below sets out the Company's policy on Executive Director service contracts.

Contract Commencement Date	Executive Director	Contract commencement date
	Jon Stanton	28 July 2016
	John Heasley	3 October 2016
<b>Unexpired Term</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	
<b>Notice Period</b>	<ul style="list-style-type: none"> <li>The current Executive Directors have service contracts that may be terminated by the Company or by the individual on giving 12 months' notice.</li> <li>The Company's policy on the setting of contractual notice periods for Executive Directors is to set a notice period of no more than 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.</li> </ul>	
<b>Contractual Payments</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The Executive Directors' service contracts include PILON clauses providing for the calculation of PILON at 1.2 times gross salary (to reflect the value of salary and contractual benefits during such period).</li> <li>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 mitigation (which can take into account any earnings from alternative employment, including bonus and commission).</li> <li>In the event of termination of employment the Committee may authorise such payments for statutory entitlements (whether arising in the UK or other relevant jurisdictions) as necessary. In the event of a settlement agreement, the Committee may authorise payments it considers reasonable in the settlement of potential legal claims as well as reimbursement of reasonable fees for legal and/or tax advice in connection with such an agreement.</li> </ul>	
<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 unvested deferred bonus awards.</li> <li>In all other departure cases, existing rights are retained in respect of any deferred bonus and vesting will take place at the normal vesting date unless the Committee determines otherwise. Malus and clawback provisions will continue to apply to deferred bonus awards.</li> <li>An Executive Director will only be eligible to earn a bonus if he or she is an employee of the Group on the date that the Company approves the bonus outcome although, at the discretion of the Committee, a pro-rated payment (payable in such proportions of cash and shares as the Committee may determine) may be earned by an Executive Director who has ceased employment prior to this date, subject to assessment of the bonus targets.</li> </ul>	
<b>LTIP</b>	<ul style="list-style-type: none"> <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 have been determined as retirement, ill-health, injury or disability, redundancy, the sale of the individual's employing company or business, or 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, taking into account any applicable performance conditions over the normal performance period and pro-rated for the proportion of the vesting period that has elapsed, unless the Committee in its discretion decides otherwise. Awards subject to a holding period will continue to be subject to that holding period as if the Executive Director had not ceased employment, except in the case of death, or in such other circumstances as the Committee may determine, when the holding period will end at that time.</li> <li>The Committee may exercise its discretion to release shares to 'good leavers' before the end of the vesting period or before the end of any holding period. If it permits this to take place during the normal vesting period, an unvested award will vest to the extent the Committee determines, taking into account, unless it determines otherwise, any performance conditions and the proportion of the vesting period that has elapsed.</li> <li>On death, the award vests at the date of death on the basis set out for 'good leavers' above and can be exercised for a period of 12 months by the deceased's estate. Other leavers have a period of three months to exercise their options unless this period is extended by the Committee.</li> <li>Where an Executive Director's employment is terminated for a reason other than a 'good leaver' reason or on death, any unvested LTIP awards will lapse.</li> <li>Awards remain subject to the operation of malus or clawback provisions.</li> </ul>	
<b>All-Employee Plans</b>	<ul style="list-style-type: none"> <li>In the event of an Executive Director's termination of employment or a change of control (or similar) situation, the rules of any all-employee share plans will apply in accordance with applicable legislation.</li> </ul>	



**Change in Control**

- No Executive Director has provisions in his or her service contract that relate to a change of control of the Company.
- 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.
- Deferred bonus shares will vest on a change of control.
- Awards granted under the LTIP may vest on a change of control and certain other corporate events (such as a demerger or special dividend) at the Committee's discretion. The extent to which unvested awards vest will be determined by the Committee, taking into account, unless it determines otherwise, the performance conditions and the proportion of the vesting period that has elapsed. Alternatively, awards may be exchanged for new equivalent awards in the acquiring company. The holding period applicable to any LTIP awards will also end at the time of the corporate event.
- The Committee has discretion to allow payment of reasonable fees incurred by Executive Directors to take legal and/or tax advice on the effect of corporate restructurings or transactions on their service agreements.

**Relocation**

- If an Executive Director is relocated to a country where he would suffer a tax or regulatory disadvantage by holding his awards, his deferred bonus and LTIP awards may vest early to the extent determined by the Committee.

**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.

<b>Non-Executive Director</b>	<b>Contract commencement date</b>	<b>Expiry of current term</b>	<b>Notice period by the individual</b>	<b>Notice period by the Company</b>
Charles Berry	1 January 2014	April 2017	6 months	6 months
Alan Ferguson	13 December 2011	April 2017	–	6 months
Melanie Gee	4 May 2011	April 2017	–	6 months
Mary Jo Jacobi	1 January 2014	April 2017	–	6 months
Sir Jim McDonald	1 January 2016	April 2017	–	6 months
Rick Menell	1 April 2009	April 2017	6 months	6 months
John Mogford	1 June 2008	April 2017	6 months	6 months

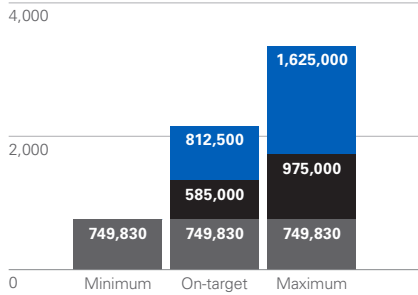
## Remuneration Committee Report continued

### Directors' Remuneration Policy continued

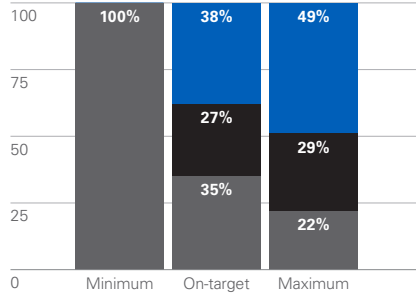
#### Illustrations of Application of Remuneration Policy

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.

**Jon Stanton**  
Illustration of package value (£'000s)

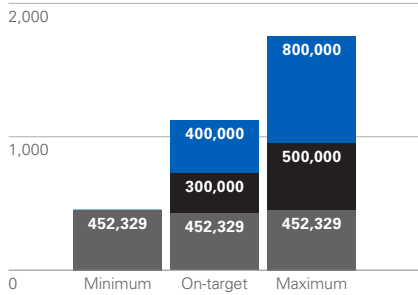


**Jon Stanton**  
Illustration of package composition (%)

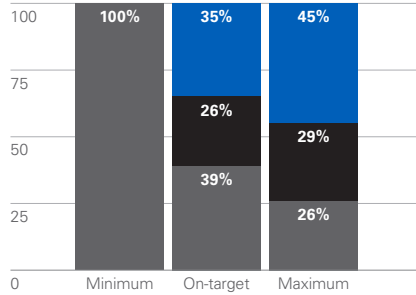


■ Long-term incentive  
■ Short-term incentive  
■ Fixed element

**John Heasley**  
Illustration of package value (£'000s)



**John Heasley**  
Illustration of package composition (%)



#### Notes

Element of package	Assumptions used
Fixed pay	Base salary is shown based on the salary effective 1 April 2017. Benefits are shown based on 2016 benefits received as per the single total figure of remuneration. Pension is shown based on the 2017 employer contribution or cash allowance rates.
Annual bonus	Minimum: no bonus is earned. On-target: 60% of the maximum bonus has been earned. Maximum: 100% of the bonus has been earned (based on 2017 maximum bonus opportunities).
LTIP	Minimum: no bonus is earned. On-target: 50% of the LTIP award vests. Maximum: 100% of the LTIP award vests (based on 2017 LTIP grant sizes).

In line with the relevant regulations, these scenarios do not assume any share price growth or 'dividend equivalent' payments on deferred bonus or LTIP awards.

#### 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 shareholders. 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 votes on the Directors' remuneration policy and the Annual Report on Remuneration.

In the event of a significant vote against any element of the Directors' Remuneration Report by shareholders, a summary of the reasons for those votes, as far as known to the Directors, and any actions taken by the Committee in response to those concerns will be set out in the Annual Report on Remuneration.

##### (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. The Company looks to engage with employees on a range of employment matters, both globally and at a business unit level. We are continually working to improve employee engagement, which includes the use of blogs, employee surveys and the company intranet. 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.

## Annual Report on Remuneration

### Statement of Implementation of Directors' Remuneration Policy in 2017

As explained in the Remuneration Committee Chair's statement, we are seeking shareholder approval for a new Directors' remuneration policy at the AGM on 27 April 2017. On the basis that this is approved by shareholders, the policy will be operated in 2017 as set out below.

#### Executive Directors

Element	Operation of the element												
Base salary	<p>The Committee reviewed salary levels and has made the following salary decisions effective 1 April 2017.</p> <table border="1"> <thead> <tr> <th></th> <th>2017 salary</th> <th>2016* salary</th> <th>Percentage change</th> </tr> </thead> <tbody> <tr> <td>Jon Stanton</td> <td>£650,000</td> <td>£650,000</td> <td>0%</td> </tr> <tr> <td>John Heasley</td> <td>£400,000</td> <td>£400,000</td> <td>0%</td> </tr> </tbody> </table> <p>* Increases were made to the salaries during the year to reflect their change in roles.</p>		2017 salary	2016* salary	Percentage change	Jon Stanton	£650,000	£650,000	0%	John Heasley	£400,000	£400,000	0%
	2017 salary	2016* salary	Percentage change										
Jon Stanton	£650,000	£650,000	0%										
John Heasley	£400,000	£400,000	0%										
Benefits and pension	There is no change in the implementation of our policy in relation to pension (12% of salary) and benefits.												
Annual bonus	<p>There will be no change to the annual bonus maximum potential in 2017:</p> <ul style="list-style-type: none"> <li>• CEO: 150% of salary</li> <li>• CFO: 125% of salary</li> </ul> <p>30% of any bonus will be deferred into Weir Group shares for three years.</p> <p>The following performance conditions will apply to awards in respect of 2017:</p> <p>Group Normalised Profit Before Tax and Amortisation (NPBTA) (40%), cash flow (20%), order input (20%) and personal objectives (20%).</p> <p>The personal objectives for the Executive Directors support and reinforce our strategy for 2017 and include objectives in line with our stated strategy related to our customers, our people, our technology and our performance.</p> <p>The performance targets are determined annually by the Remuneration Committee and approved at the beginning of the performance year. The Committee is of the view that the performance target for the financial element under the annual bonus is commercially sensitive and that it would be detrimental to the interests of the Company to disclose this before the end of the financial year. Disclosure of the performance targets of the financial elements in advance could lead the Company to be at a competitive disadvantage as many competitors are not listed in the UK and would not be subject to this requirement. The Company would be releasing potentially commercially sensitive information which many of the Company's direct competitors in its three end markets would not be required to disclose. The Committee is of the view that the performance targets for the personal element are commercially sensitive as they relate to internal management projects and personal goals. The Company will disclose performance against the financial and personal targets and the resulting bonus pay-outs for 2017 in next year's Annual Report on Remuneration.</p>												

## Remuneration Committee Report continued

### Annual Report on Remuneration continued

LTIP	<p>There will be no change to the LTIP maximum potential in 2017:</p> <ul style="list-style-type: none"> <li>• CEO: 250% of base salary</li> <li>• CFO: 200% of base salary</li> </ul> <p>The following performance conditions will apply to awards in respect of 2017:</p> <p>Earnings Per Share (EPS) (33.3%), Return on Capital Employed (ROCE) (33.3%), Total Shareholders Return (TSR) (33.3%).</p> <p>The environment in which we are trading continues to be uncertain, particularly in terms of the future performance of our end markets and foreign exchange rate fluctuations. We anticipate that this uncertainty will continue in light of recent economic and political events such as the UK's decision to leave the EU and the result of the US Presidential election. The targets for the 2017 LTIP have therefore been set taking into account these factors, whilst ensuring that they continue to be aligned with our overarching strategic objective of building shareholder value over the long-term.</p> <p>Both the ROCE and EPS targets have been set at more stretching levels for awards to be made in 2017. The Remuneration Committee is satisfied that the revised targets mean that awards will only pay out if there is sustained improvement in the performance of Weir over the longer term.</p>
------	--

TSR		EPS		ROCE	
Relative TSR growth against comparator group	Percentage of TSR portion vesting	EPS growth per annum	Percentage of EPS portion vesting	2019 ROCE	Percentage of ROCE portion vesting
Upper quintile	100%	15%	100%	12.6%	100%
Median	25%	5%	25%	8.6%	25%
Below median	0%	Less than 5%	0%	Less than 8.6%	0%

The base ROCE is 7.6%. For the 2017 awards this represents growth of 1% at threshold and 5% at maximum over the base 2016 ROCE of 7.6%. Awards will be granted in the form of performance shares with a three-year performance period, followed by a two-year holding period. In all cases awards will only vest subject to the achievement of performance conditions. The Committee must also be satisfied that the underlying performance of the Company is sufficient to justify the vesting of the awards.

TSR performance for the 2017 LTIP grant will be assessed against the following companies:

Amec Foster Wheeler, Atlas Copco AB, Caterpillar, Dover Corporation, Fenner Plc, FLSmidth & Co A/S, Flowserve Corporation, Forum Energy Technologies Inc, Hunting, IMI Plc, ITT Corporation, John Wood Group Plc, Joy Global, Komatsu, Melrose, Metso Corporation, National Oilwell Varco, Outotec Oyj, Petrofac, Rotork Plc, Sandvik AB, Smiths Group, SPX FLOW, Sulzer, TechnipFMC.

### Non-Executive Directors

The fees per annum for Non-Executive Directors are set out in the table below.

	2017 fees <sup>1</sup> £	Percentage change	2016 fees £
Non-Executive Chairman's fee	298,000	2.8%	290,000
Non-Executive Director's base fee	59,500	2.6%	58,000
Chairman of Committee's fee	15,500	3.3%	15,000
Senior Independent Director's fee	12,500	4.2%	12,000
Additional fee for Chairman of Technology Advisory Board	15,500	3.3%	15,000

#### Note

1. Fees are effective from 1 April 2017.

**Single Total Figure of Remuneration for Executive Directors (Audited)**

	Fixed elements				Short-term incentives		Long-term incentives		Pension		Total	
	Base salary		Benefits		Annual bonus		LTIP		Retirement benefits		Total	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Jon Stanton <sup>1</sup>	503,750	441,771	21,830	20,356	255,838	113,750	–	–	60,450	54,150	841,868	630,027
John Heasley <sup>2</sup>	99,999	–	4,329	–	52,157	–	–	–	5,333	–	161,818	–
<b>Former Executive Directors</b>												
Keith Cochrane <sup>3,5</sup>	562,500	728,125	17,079	22,994	365,456	225,000	–	–	67,500	89,250	1,012,535	1,065,369
Dean Jenkins <sup>4,5</sup>	303,719	–	67,346	–	148,671	–	–	–	11,903	–	531,639	–

**Notes**

- Jon Stanton was appointed Chief Executive Officer on 1 October 2016. The figures in the table above include payments in respect of his role as Group Finance Director to 30 September 2016 and as Chief Executive Officer from 1 October 2016. The increased bonus potential in respect of his role as Chief Executive Officer has been pro-rated from the date of appointment (i.e. 1 October 2016).
- John Heasley was appointed to the Board on 3 October 2016. The figures in the table above are in respect of the period from his appointment to the Board.
- Keith Cochrane stepped down from the Board on 30 September 2016 and his employment with the Company ceased on 31 December 2016.
- Dean Jenkins stepped down from the Board on 30 September 2016 and his employment with the Company ceased on 31 December 2016.
- The figures in the Single Figure table for Keith Cochrane and Dean Jenkins relate to the period that they were members of the Board (1 January 2016 to 30 September 2016). Further information on payments in the period from when they stepped down from the Board are provided below.

**Notes to the Single Figure of Remuneration for Executive Directors Table (Audited)****Payments to Former Directors**

No payments to former Directors in the year.

**Departures of Keith Cochrane and Dean Jenkins**

Both Keith Cochrane and Dean Jenkins stepped down from the Board on 30 September 2016 with employment ceasing on 31 December 2016. The terms of their departures were announced at the time and are included here in line with the reporting regulations. Both Keith Cochrane and Dean Jenkins continued to receive salary and benefits in respect of the period up to and including 31 December in the usual way (values of £298,531 and £189,563 respectively). Thereafter, they will be made a payment in lieu of notice (PILON) of £472,788 and AUD\$489,463.98 (£250,250 at an agreed exchange rate of £1 = AUD\$1.955) respectively. This is calculated as the base salary which would have accrued during the unexpired portion of the 12 month notice period plus 10% of salary in lieu of benefits (as provided for in their service contracts). PILON payments are subject to mitigation in the event that alternative employment is taken up. There were no other payments made to former directors above a de minimis threshold of £750.

Both Keith Cochrane and Dean Jenkins remained eligible for a bonus in respect of the financial year ending 31 December 2016, to be paid at the same time as other participants subject to Company and individual performance conditions being met. The bonus relating to their period as Executive Directors has been included in the table above. The bonus for the full financial year has been disclosed on page 103.

Existing LTIP and deferred bonus awards will continue to their normal vesting dates in accordance with the plan rules. For the LTIP awards, vesting will be based on existing performance conditions, subject to time pro-rating to 31 December 2016 (i.e. the date employment ceased). The two-year post-vesting holding period for LTIP Awards will apply. No further LTIP Awards will be granted.

In line with his service contract dated 19 February 2010, and the policy approved by shareholders in 2014, Keith Cochrane will be eligible to be considered for the Company performance element of bonus in respect of the financial year ending 31 December 2017, pro-rated for the period to 28 July 2017, to be paid at the same time as other participants subject to performance conditions being met and subject to mitigation. He will not be entitled to any payout in relation to the personal element which accounts for 20% of his 2017 bonus. 30% of any bonus shall be subject to deferral into shares in the Company for a period of three years from the date the bonus pays out.

**Base Salary**

Upon his promotion to Chief Executive Officer, Jon Stanton's salary was increased to £650,000 (from £455,000), effective 1 October 2016. John Heasley was appointed to the Board on a salary of £400,000, effective 3 October 2016.

**Benefits and Pension**

Benefits paid in the 2016 financial year included life insurance cover, car allowance and Group healthcare. These are detailed in the table on page 100.

## Remuneration Committee Report continued

### Annual Report on Remuneration continued

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. The Group made no additional provisions for Executive Director pensions in 2016.

	Jon Stanton 2016 £	John Heasley 2016 £	Keith Cochrane <sup>1</sup> 2016 £	Dean Jenkins <sup>1</sup> 2016 £
Life insurance cover	5,488	433	3,107	4,222
Car allowance	14,727	3,492	12,761	15,870
Group healthcare	1,615	404	1,211	773
Other benefits <sup>2</sup>	–	–	–	46,481
<b>Total</b>	<b>21,830</b>	<b>4,329</b>	<b>17,079</b>	<b>67,346</b>

#### Notes

1. Benefits for Keith Cochrane and Dean Jenkins relate to the period they were members of the Board (1 January 2016 to 30 September 2016).
2. Other benefits for Dean Jenkins are in relation to travel and accommodation.
3. Life Insurance cover and Group healthcare for Dean Jenkins has been converted into Sterling using the average exchange rate of 2016 £1 = AUD\$1.8258.

### Annual Bonus Plan

The 2016 annual bonus was based on achievement of Group Normalised Profit before Tax and Amortisation (NPBTA) (40%), cash flow (20%), order input (20%) and personal performance (20%) targets. Executive Directors' 2016 performance was assessed relative to both the financial and non-financial targets and wider shareholder experience.

### Annual Bonus Performance Measures and Targets

		2016 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>Group Normalised Profit Before Tax and Amortisation (NPBTA)</b>						
Based on the achievement of NPBTA targets measured over the financial period.	Threshold	£139m	£151m	30.6%	40%	12.2%
	Target	£188m				
	Stretch	£236m				
<b>Cash flow</b>						
Based on the achievement of cash flow targets measured over the financial period.	Threshold	£262m	£271m	28.7%	20%	5.7%
	Target	£301m				
	Stretch	£340m				
<b>Order input</b>						
Based on the achievement of orders received targets measured over the financial period.	Threshold	£1,645m	£1,733m	33.7%	20%	6.7%
	Target	£1,902m				
	Stretch	£2,158m				
<b>Total</b>				<b>30.9%</b>		<b>24.7%</b>

The profit performance measure of Normalised Profit before Tax and Amortisation (NPBTA) was selected by the Company as profitability is central to the Company's overall strategy. The performance measure is normalised by adjusting to exclude exceptional items and intangible amortisation, and is also restated to January 2016 average exchange rates.

The performance targets are also set using January 2016 average exchange rates and are increased or decreased to reflect the impact of any acquisitions or disposals made in the year that are of a size requiring Board approval. For acquisitions, targets are increased by the expected performance from the acquired business. For disposals, the target is reduced by the expected performance from the business which was disposed of.

### Assessment of Individual Performance

For each of the individuals covered below, 2016 has been a year of change in their roles. Specific personal performance objectives were agreed for each specific role and the individual was assessed against these objectives, with the outcome time weighted to provide an overall score. The overall scores also reflect a more refined approach to assessment, particularly towards the end of the year.

#### Current Executive Directors

##### Jon Stanton

Jon Stanton served as CFO for the period 1 January to 30 September 2016 (CEO designate from 28 July 2016). He then served as CEO from 1 October to 31 December 2016. Given the Board changes during the year, new objectives were approved by the Committee reflecting the shift in role and responsibilities. The tables below provide detail on the objectives and achievement for the two roles.

##### CFO role\*

Objective	Performance achieved
Cost control and disposals	<ul style="list-style-type: none"> <li>• Delivery of more than £160m in total savings across the Group in 2016.</li> <li>• Achievement of active balance sheet management.</li> <li>• Progress on disposals of non-core assets, with a total of £78m received.</li> </ul>
People engagement and management in finance function	<ul style="list-style-type: none"> <li>• Significant improvement in team communication and engagement, resulting in good retention levels and enhanced leadership development.</li> <li>• Step change in tax capability with progression of team.</li> </ul>
Treasury focus on business support	<ul style="list-style-type: none"> <li>• Supply chain financing fully rolled out in the year with around £70m of financing utilised by suppliers.</li> <li>• Progress on packaging customer financing solutions with bids.</li> <li>• Development of Treasury function with evidence of added value to the business.</li> </ul>
IT strategy	<ul style="list-style-type: none"> <li>• Successful delivery of the IT strategy with a full roll-out of several IT programmes and significant progress made on the e-commerce platform.</li> </ul>

##### CEO role\*

Objective	Performance achieved
Strategy 'refresh'	<ul style="list-style-type: none"> <li>• Review of strategy including current portfolio and M&amp;A. Launch of updated strategy announced with 2016 preliminary results.</li> </ul>
People engagement and management	<ul style="list-style-type: none"> <li>• A number of senior appointments made including internal promotion to CFO role.</li> <li>• Positive feedback on leadership approach.</li> </ul>

\* Assessment against the personal objectives set out above has been pro-rated to reflect the period served in each role.

On the basis of the above performance, the Committee determined that payment of 17.6% out of a maximum of 20% for the personal element is appropriate.

## Remuneration Committee Report continued

### Annual Report on Remuneration continued

#### John Heasley

John Heasley served as CFO for the period 3 October to 31 December 2016; therefore the objectives below relate to this period\*. However when assessing his achievement in the year the Committee took into consideration his performance across the whole year, including the period prior to becoming a member of the Board.

Objective	Performance achieved
Successful management of transition	<ul style="list-style-type: none"> <li>• Successful execution and delivery of 2017 budget.</li> <li>• Effective handover of Flow Control activities with solid strategy in mid-execution.</li> </ul>
Stakeholder relationships	<ul style="list-style-type: none"> <li>• Good relationships built with external and internal stakeholders including successful integration with the Board.</li> </ul>

\* Assessment against the personal objectives set out above has been pro-rated for the period that John Heasley served as CFO.

On the basis of the above performance, the Committee determined that payment of 17.0% out of a maximum of 20% for the personal element is appropriate.

#### Former Executive Directors

Keith Cochrane and Dean Jenkins stepped down from the Board on 30 September 2016. However they remained employed by the Company until 31 December 2016. This section sets out details on the whole of the bonus paid for 2016. Following their change in role, new objectives were approved for both individuals reflecting the shift in role and responsibilities. The table below provides information on the personal objectives for both periods.

#### Keith Cochrane

Objective	Performance achieved
Operational and organisational excellence	<ul style="list-style-type: none"> <li>• Business continued to perform well during the period given end market conditions.</li> <li>• Progress towards reaching target of £100m non-core asset disposals.</li> </ul>
Leadership and external ambassador	<ul style="list-style-type: none"> <li>• Maintained high-level relations with political and industrial stakeholders.</li> <li>• Strengthened links to universities and Research and Development organisations.</li> <li>• Effective stakeholder management of succession plan.</li> </ul>
Safety and welfare	<ul style="list-style-type: none"> <li>• Health and safety agenda continues to plan.</li> </ul>
Engagement and retention of employees	<ul style="list-style-type: none"> <li>• No high profile or key talent departures in the period.</li> <li>• Significant one-on-one engagement with the organisation took place post the announcement of Keith Cochrane stepping down.</li> </ul>
Succession planning	<ul style="list-style-type: none"> <li>• Available as required and participated actively with the Group Executive on long-term planning.</li> </ul>

On the basis of the above performance, the Committee determined that payment of 19.6% out of a maximum of 20% for the personal element is appropriate.

#### Dean Jenkins

Objective	Performance achieved
Cost analysis and simplification	<ul style="list-style-type: none"> <li>• Undertook various in-depth cost reviews during the period, identifying key focus areas.</li> <li>• Developed and actioned cost control measures.</li> </ul>
Innovation	<ul style="list-style-type: none"> <li>• Successful completion of innovation projects.</li> <li>• Implementation of Weir's innovation strategy.</li> </ul>
Engagement	<ul style="list-style-type: none"> <li>• Used his role to increase ongoing communication within the Weir management community to ensure that engagement continued to improve.</li> </ul>
China/India	<ul style="list-style-type: none"> <li>• Following the discovery of the un-provided liability in the China region, an adjustment was made to the personal element of Dean's bonus.</li> </ul>

On the basis of the above performance, the Committee determined that payment of 14.8% out of a maximum of 20% for the personal element is appropriate.



### Overview of Bonuses in Respect of 2016

As explained in the Remuneration Committee Chair's letter, in respect of un-provided liabilities of £17m in our China business due to poor product performance and inventory management, the Committee applied a discretionary downward adjustment of 10% of the bonus outcome. This reduction has been applied to those Executive Directors who were in role at the time. The table below sets out the bonus payouts in 2016 showing the amounts before and after the reduction has been applied.

Executive Director	Financial element (contribution as % of total maximum bonus)	Personal element (contribution as % of total maximum bonus)	Payout as percentage of maximum bonus	Subtotal £	Payout following application of discretionary 10% reduction <sup>1</sup>
Jon Stanton	24.7%	17.6%	42.4%	£284,264	£255,838
John Heasley <sup>2</sup>	24.7%	17.0%	41.7%	£52,157	£52,157
Keith Cochrane	24.7%	19.6%	44.3%	£498,104	£448,294
Dean Jenkins	24.7%	14.8%	39.5%	£224,519	£202,067

#### Notes

Bonus figures rounded for disclosure purposes.

- For Keith Cochrane and Dean Jenkins this relates to the bonus for the whole of the 2016 financial year. The numbers for these two individuals differ from those included in the Single Figure table as those numbers relate to the period of the year that both Keith and Dean were on the Board (1 January to 30 September 2016).
- John Heasley's bonus has been pro-rated for the period from which he became a Board Director. John Heasley joined the Board on 3 October 2016. No discretionary adjustment has been applied to his bonus payout.

In line with the existing remuneration policy, 30% of the total 2016 bonus award will be deferred into shares for three years for all Executive Directors.

### Long-Term Incentives Vesting in 2017 – Actual Performance

The 2014 performance share awards for the Executive Directors were due to vest on 29 May 2017. The table below sets out a summary of the performance conditions and performance against these conditions<sup>1</sup>.

	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Percentage vesting
Relative TSR <sup>2,3</sup>	33%	Median	Upper Quintile	Below median	0%
EPS growth p.a. <sup>4</sup>	33%	5%	11%	Below threshold	0%
Improvement in average ROCE p.a. <sup>5</sup>	33%	0.5%	4%	Below threshold	0%
Straight line vesting in between these points				<b>Total vesting:</b>	0%

#### Notes

- The Committee selected the performance conditions for the LTIP as these are central to the Company's overall strategy and are intended to link reward to long term sustainable growth.
- TSR is the increase in the net return index (the index that reflects movements in share price over a period and dividend reinvested net of any associated tax credit in shares on the ex-dividend date) for a company as calculated by Datastream (or such other financial information provider as selected by the Committee) over the performance period.
- The relative TSR performance was measured against the following companies: Amec Foster Wheeler, Atlas Copco, Hunting (replacing Cameron which was acquired by Schlumberger during the performance period), Crane, Dover Corporation, Fenner PLC, FLSmidth & CO A/S, Flowsolve, FMC, Forum Energy Technologies Inc, IMI PLC, ITT Corporation, Joy Global, Melrose, Metso, Outotec, Rotork, Sandvik AS, Smiths Group, Spirax Sarco, SPX FLOW, Sulzer, Vesuvius, John Wood Group PLC.
- EPS is adjusted earnings per fully paid ordinary share in the capital of the Company calculated on such basis as the Committee may specify. In addition, the EPS figure used to calculate the award may be adjusted for changes in accounting standards to ensure a consistent measurement basis across the performance period.
- ROCE is defined as earnings before interest and tax divided by capital employed. Earnings before interest and tax is taken as Group continuing operations after intangibles amortisation but before exceptional items for the relevant financial year. Capital employed is taken as the average of opening and closing Group net assets excluding net debt/cash and pension deficit (net of deferred tax asset) for the relevant financial year. To eliminate the impact of movements in foreign exchange rates over the period of the plan, the average foreign exchange rates for the base year are held constant throughout the plan period. With regard to acquisitions, those acquisitions made in the base year are included, based on a full year's ownership, for the purposes of target setting. Where acquisitions are made in subsequent years of the plan period, these are excluded from the assessment of performance relative to the target. Where there are disposals during the plan period, the base and target ROCE calculations will be restated to eliminate the contribution from the disposed business in the period of ownership.

## Remuneration Committee Report continued

### Annual Report on Remuneration continued

#### Scheme Interests Awarded during 2016 (Audited)

The following table sets out the interests of the Executive Directors in the Company's share schemes, comprising awards of performance, bonus and restricted shares under the LTIP, which were awarded during year ending 31 December 2016. The closing market price of the Company's ordinary shares at 30 December 2016 was £18.90 and the range during the year was £7.65 to £19.36.

	Share 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
Jon Stanton	Performance	Conditional	29 Apr 16	£11.65	200% salary	78,111	227,498	909,993	29 Apr 19	1 Jan 16 – 31 Dec 18
	Bonus	Deferred	18 Mar 16	£11.24	30% bonus	1,597		17,950	18 Mar 19	
John Heasley	Performance	Conditional	29 Apr 16	£11.65	180% salary	47,896	139,497	557,988	29 Apr 19	1 Jan 16 – 31 Dec 18
	Bonus	Deferred	18 Mar 16	£11.24	30% bonus	741		8,329	18 Mar 19	
	Restricted	Restricted	29 Apr 16	£12.00		20,000		240,000	29 Apr 19	
Keith Cochrane	Performance	Conditional	29 Apr 16	£11.65	250% salary	160,944	468,749	1,874,998	29 Apr 19	1 Jan 16 – 31 Dec 18
	Bonus	Deferred	18 Mar 16	£11.24	30% bonus	3,159		35,507	18 Mar 19	
Dean Jenkins	Performance	Conditional	29 Apr 16	£11.65	200% salary	78,111	227,498	909,993	29 Apr 19	1 Jan 16 – 31 Dec 18
	Bonus	Deferred	18 Mar 16	£11.24	30% bonus	1,065		11,971	18 Mar 19	

The face value of the Performance 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 face value of the Bonus Share Awards is calculated as the share price on date of grant.

Restricted Share Awards were made in respect of employment prior to John Heasley joining the Board on 3 October 2016. The Grant Share price for this is calculated as the share price on date of grant.

The performance shares are subject to the following performance conditions:

Relative TSR growth against comparator group	TSR (33%)		EPS (33%)		ROCE (33%)	
	Percentage of TSR proportion vesting	EPS growth per annum	Percentage of EPS proportion vesting	2018 ROCE	Percentage of ROCE proportion vesting	
Upper quintile	100%	7.5%	100%	12.5%	100%	
Median	25%	2%	25%	10.5%	25%	
Below median	0%	Less than 2%	0%	Less than 10.5%	0%	

Straight-line vesting will occur between threshold and maximum.

The TSR performance measure is calculated over calendar years. The EPS and ROCE measures are calculated over financial periods.

TSR comparator Group: Amec Foster Wheeler, Atlas Copco AB, Caterpillar, Dover Corporation, Fenner Plc, FLSmidth & Co A/S, Flowserve Corporation, Forum Energy Technologies Inc, Hunting, IMI Plc, ITT Corporation, John Wood Group Plc, Joy Global, Komatsu, Melrose, Metso Corporation, National Oilwell Varco, Outotec Oyj, Petrofac, Rotork Plc, Sandvik AB, Smiths Group, SPX FLOW, Sulzer, TechnipFMC.

The base 2016 EPS used for the purposes of the 2016 performance share award is 78.4 pence per share.

The base ROCE has been calculated at 9.5%.

**Single Total Figure of Remuneration for Chairman and Non-Executive Directors (Audited)**

The following table details the remuneration for the period ended 31 December 2016, received by the Chairman, Senior Independent Director (SID) and Non-Executive Directors.

	Basic fee		SID/Committee Chair fees		Taxable benefits <sup>1</sup>		Total fees	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Charles Berry	<b>290,000</b>	286,250	–	–	<b>1,258</b>	1,471	<b>291,258</b>	287,721
Alan Ferguson	<b>58,000</b>	57,250	<b>15,000</b>	13,750	<b>615</b>	1,257	<b>73,615</b>	72,257
Melanie Gee	<b>58,000</b>	57,250	<b>15,000</b>	13,750	<b>1,545</b>	1,584	<b>74,545</b>	72,584
Mary Jo Jacobi	<b>58,000</b>	57,250	–	–	<b>1,591</b>	36,639	<b>59,591</b>	93,889
Sir Jim McDonald	<b>58,000</b>	57,250	<b>15,000</b>	–	<b>763</b>	–	<b>73,763</b>	57,250
Rick Menell	<b>58,000</b>	57,250	<b>12,000</b>	10,667	<b>4,207</b>	12,392	<b>74,207</b>	80,309
John Mogford	<b>58,000</b>	57,250	–	–	<b>1,403</b>	661	<b>59,403</b>	57,911
Lord Robertson <sup>2</sup>	–	4,584	–	833	–	448	–	5,865

**Notes**

1. The taxable benefits includes the taxable benefit of travel (this does not include international travel from America and South Africa) to attend Board meetings in the UK.
2. Lord Robertson retired from the Board on 31 January 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	Company	Roles held	Fee £
John Heasley	Royal Scottish National Orchestra Society Limited	Non-Executive Director	–
Keith Cochrane	Carillion plc	Non-Executive Director and Senior Independent Non-Executive Director	£61,290
Keith Cochrane	The Scotland Office and the Office of the Advocate General	Lead Non-Executive Director	£2,700

**Note**

1. 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.

## Remuneration Committee Report

continued

### Annual Report on Remuneration continued

#### Statement of Directors' Shareholdings and Share Interests (Audited)

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 shareholding guideline for Jon Stanton and John Heasley are 200% and 150% of salary respectively. In line with market practice, there are no shareholding guidelines for Non-Executive Directors.

#### Summary of Total Number of Interests in Shares in the Company and Scheme Interests as at 31 December 2016

	Interests in shares in the Company as at 31 December 2016	Scheme interests as at 31 December 2016		Scheme interests vested and exercised in 2016 (2013 grant) <sup>3</sup>		Total shares contributing to shareholding guidelines (% of 2016 salary) <sup>4</sup>	Shareholding guidelines (% of 2016 salary)	Shareholding guidelines met
	Total shares <sup>1</sup>	Total shares (subject to performance conditions)	Total shares (not subject to performance conditions) <sup>2</sup>	Total performance shares and matching shares (options with performance conditions)	Total compulsory investment shares (options without performance conditions)			
Jon Stanton <sup>5</sup>	40,322	161,629	4,765	–	3,210	117%	200%	No
John Heasley <sup>6</sup>	6,521	91,743	21,877	–	–	31%	150%	No
Keith Cochrane <sup>7</sup>	218,179	333,003	9,555	–	8,026	550%	150%	Yes
Dean Jenkins <sup>8</sup>	21,235	143,572	3,046	–	2,100	87%	150%	No
Charles Berry	2,069	–	–	–	–	–	–	–
Alan Ferguson	2,730	–	–	–	–	–	–	–
Melanie Gee	2,586	–	–	–	–	–	–	–
Mary Jo Jacobi <sup>9</sup>	2,000	–	–	–	–	–	–	–
Sir Jim McDonald	–	–	–	–	–	–	–	–
Richard Menell	1,024	–	–	–	–	–	–	–
John Mogford	12,331	–	–	–	–	–	–	–

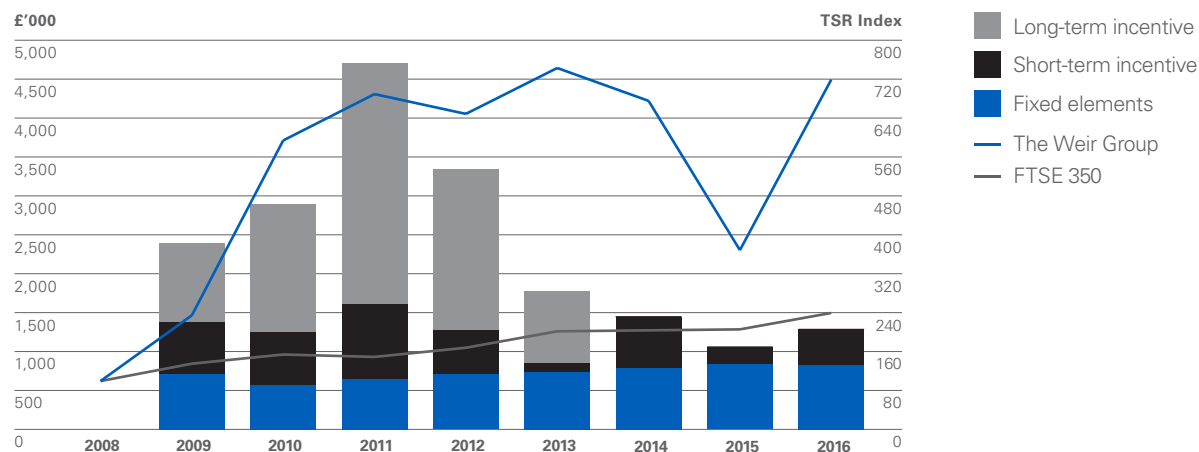
#### Notes

- This includes connected persons.
- This includes Bonus Share Awards and Restricted Share Awards under the LTIP. The Bonus Share Awards are included in the Total shares column.
- On 11 March 2016, the Compulsory Investment Shares under the LTIP 2014 vested for Keith Cochrane and Dean Jenkins, and on 24 March 2016 for Jon Stanton. The performance conditions were not met so the performance shares lapsed in full.
- Percentage is calculated using share price of £18.90 as at 31 December 2016.
- Jon Stanton was appointed to the Board on 1 October 2016 therefore his minimum shareholding requirement has increased from 150% to 200%. His target date has also changed to 1 October 2021.
- John Heasley was appointed to the Board on 3 October 2016 therefore his minimum shareholding requirement has increased from 100% to 150%. His target date has also changed to 3 October 2021.
- Keith Cochrane stepped down from the Board on 30 September 2016.
- Dean Jenkins stepped down from the Board on 30 September 2016.
- Mary Jo Jacobi's interest in 2,000 shares shown above is through her holding of 4,000 American Depositary Receipts (ADRs), one ADR being equivalent to 0.5 ordinary shares.

There have been no changes in the Directors' interests between 31 December 2016 and 13 February 2017.

### Performance Graph and Table for Chief Executive Officer

The graph below shows the total shareholder return (TSR) for The Weir Group PLC and the FTSE 350 Index over the eight-year period ending 31 December 2016. This is set out with the total vested and received remuneration for the Chief Executive Officer over the same period, which is set out numerically below the chart.



### Remuneration History for Chief Executive Officer Between 2009 and 2016

	2009 <sup>1</sup> Mr Selway	2009 <sup>2</sup> Mr Cochrane	2010	2011	2012	2013	2014	2015	2016 Mr Cochrane <sup>3</sup>	2016 Mr Stanton <sup>4</sup>
Short-term incentive (% of maximum)	83.7%	83.7%	100.0%	100.0%	54.0%	10.0%	61.2%	20.0%	39.8%	38.2%
Long-term incentive (% of maximum)	100.0%	100.0%	100.0%	100.0%	100.0%	42.8%	0.0%	0.0%	0.0%	0.0%
Total remuneration	£2,237,201	£217,746	£2,913,022	£4,728,338	£3,363,555	£1,787,327	£1,456,845	£1,065,369	£1,012,535	£281,188

#### Notes

- 2009 total remuneration relates to the period Mark Selway was Chief Executive Officer until his resignation in November 2009.
- 2009 total remuneration relates to the period Keith Cochrane was Chief Executive Officer from November 2009.
- 2016 total remuneration relates to the period Keith Cochrane was on the Board to 30 September 2016.
- 2016 total remuneration relates to the period Jon Stanton was Chief Executive Officer from 1 October 2016.

### Percentage Change in Chief Executive Officer Remuneration

The table below shows the percentage change in elements of remuneration for the Chief Executive Officer and UK employees between 2016 and 2017.

	Chief Executive percentage change	UK employees percentage change
Salary and fees	(13%)	(20%)
Taxable benefits	(5%)	(33%)
Bonus	19%	179%

Due to the change in Chief Executive Officer during the year, the movement in salary reflects the difference between Keith Cochrane's salary as at 31 December 2015 and Jon Stanton's salary as at 31 December 2016. The movement in bonus compares the sterling amounts received at each date.

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 Officer.

### Relative Importance of Spend on Pay

The table below shows the expenditure of the Company on employee remuneration costs in the 2016 financial year and 2015 financial year. In addition, it details the disbursements from profit made by way of dividend payments during the same periods.

	2016 £m	2015 £m	Percentage change
Profit distributed by way of dividend	94.5	94.0	0.5%
Overall spend on pay for employees	558.7	533.3	4.8%

Details of the dividends declared and paid during the periods are contained in note 10 to the Financial Statements on page 148. Details of the overall spend on pay for employees can be found in note 4 to the Financial Statements on page 141.

The Company has considered a number of possible pay ratios to disclose as part of the relativity of pay. Given the spread of our operations globally, we have decided to wait for further guidance on pay ratios.

## Remuneration Committee Report

continued

### Annual Report on Remuneration continued

#### 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 2016, the Committee reviewed and updated its Terms of Reference. The Remuneration Committee was evaluated as part of the 2016 Board evaluation process, and it was concluded that the Committee had functioned effectively in what had been a very busy year incorporating substantial shareholder consultation and changes in management.

More details of the Board evaluation can be found on page 68. 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.

Committee membership in 2016		Appointed to the Committee
Chair	Melanie Gee	9 May 2012
Committee	Alan Ferguson	1 February 2015
	Mary Jo Jacobi	21 January 2014
	Richard Menell	29 July 2011
<b>Other attendees (by invitation)</b>		
Chairman	Charles Berry	January – November 2016
Chief Executive Officer	Jon Stanton	
Chief People Officer	Pauline Lafferty	
Secretary	Gillian Kyle	
	Christopher Morgan	
Advisers to the Committee	PwC	January – April 2016
	Deloitte LLP	June – Dec 2016

Name	Committee meetings									Percentage of meetings attended
	13 January	19 January	9 February	23 February	28 April	22 July	6 September	11 October	13 December	
<b>Melanie Gee</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Alan Ferguson</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Mary Jo Jacobi</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>
<b>Rick Menell</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	<b>100%</b>

There were nine meetings held in 2016, and the attendance of the individual members of the Committee during that period is detailed in the table above. 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 Chair. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters decided by the Committee.

#### Committee Activities

During 2016, the Committee fulfilled its responsibilities as set out in the Terms of Reference, which can be found on our website [www.corporategovernance.weir](http://www.corporategovernance.weir).

In particular, its work included the following activities:

- Significant investor consultation;
- 2016 and 2017 policy approach;
- Reviewing and determining:
  - annual base salary adjustments for Executive Directors and Group Executive members;
  - outcomes against annual bonus and long term incentive plan metrics;
  - financial and personal objectives for annual bonus plan (including threshold, target and maximum amounts);
  - performance targets in respect of long term incentive plan;
  - terms of departure for departing CEO and COO; and
  - terms of recruitment for new CEO and CFO.
- Appointment of new independent adviser;
- Reviewing progress towards compliance with share ownership guidelines;
- Preparing the Remuneration Report; and
- Reviewing Terms of Reference.

### Advisers to the Committee

In discharging its responsibilities in 2016, the Committee was materially assisted by the Chief People Officer, the Company Secretary and the Deputy Company Secretary.

Deloitte was appointed as the independent adviser to the Remuneration Committee in July 2016 following a competitive tender process. Prior to their appointment as auditors on 28 April 2016, PwC was the appointed independent adviser to the Remuneration Committee. Fees paid to PwC in relation to remuneration services provided to the Committee in 2016 totalled £68,850. Fees paid to Deloitte in relation to remuneration services provided to the Committee in 2016 totalled £145,200. Both Deloitte and PwC are signatories to the Remuneration Consultants' Group Voluntary Code of Conduct.

PwC also provided other services to Weir Group in the year including 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, the majority of which were prior to their appointment as external auditor. Deloitte also provided other services to the Weir Group in the year including tax, compliance and other advisory services.

### Statement of Voting at Annual General Meeting

At the Company's last Annual General Meeting on 28 April 2016, the resolution to approve the Directors' Remuneration Report and the Directors' Remuneration Policy as contained in the Annual Report and Financial Statements 2015 was voted as follows:

Voting outcome	Votes for	Percentage	Votes against	Percentage	Votes total	Votes withheld
2015 Directors' Remuneration Report	148,724,820	95.30%	7,337,581	4.70%	156,062,401	66,654
2015 Directors' Remuneration Policy	41,332,951	27.64%	108,219,722	72.36%	149,552,673	6,576,461

The remuneration policy tabled for shareholder approval at the Company's 2016 AGM did not receive sufficient levels of support from our shareholders to be approved. The result highlighted a disconnect between the views of our shareholders and those of the Committee and management with regard to the best way to remunerate our executives going forward.

Following the result, the Committee commenced a period of review and undertook a shareholder consultation exercise to understand the views of our shareholders and proxy agencies. As mentioned earlier in this Report, the Policy that is being tabled for approval at our 2017 AGM is largely unchanged from that approved by shareholders in 2014. A more wide ranging review will be undertaken in 2017 once the CEO's strategic priorities have been announced to ensure close alignment of our strategy with our approach to pay.



**Melanie Gee**  
Chair of the Remuneration Committee

22 February 2017

## Directors' Report

The Directors present their report for the period ended 31 December 2016.

The Directors' Report includes the Corporate Governance Report from pages 58 to 109, 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 57:

- 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 47 and 48).
- Information on greenhouse gas emissions (Environment, pages 55 and 56).
- Principal risks and uncertainties (pages 36 to 46).

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
<b>Allotment of shares for cash (LR 9.8.4(7))</b>	111
<b>Waiver of dividends (LR 9.8.4(12))</b>	112

Paragraphs (1), (2), (4), (5), (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 221.

### Company Number

The Weir Group PLC is registered in Scotland under company number SC002934.

### 2017 Annual General Meeting

The Annual General Meeting (AGM) will be held on Thursday 27 April 2017. 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 period ended 31 December 2016. Payment of this dividend is subject to shareholder approval at the 2017 AGM.



## Substantial Shareholders

The Company has been notified in accordance with the Financial Conduct Authority's Disclosure Rules and Transparency Rules (DTR 5) that the following held, or were beneficially interested in, 3% or more of the voting rights of the Company's issued share capital as at 31 December 2016.

Shareholder	31 December 2016	
	Number of voting rights	Percentage of voting rights
<b>BlackRock, Inc.</b>	23,150,935	10.63%
<b>Aberdeen Asset Managers Ltd</b>	10,820,467	4.99%
<b>AXA</b>	10,637,959	4.99%
<b>Harbor International Fund</b>	8,748,683	4.04%
<b>Norges Bank</b>	6,577,939	3.04%

Between 31 December 2016 and 13 February 2017 the Company was notified of the following changes to the table above:

Shareholder	13 February 2017	
	Number of voting rights	Percentage of voting rights
<b>Blackrock, Inc.</b>	23,408,063	10.75%
<b>Norges Bank</b>	6,519,077	2.99%

## 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 141.

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 on pages 47 and 48.

## 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 180.

## 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 168. 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 3,762,270 ordinary shares with an aggregate nominal value of £470,283.75 were issued and allotted. 1,124 ordinary shares were issued on 30 August 2016, at a closing share price of £15.31, to Franck Degueure as part of a one-off conditional award.

The Weir Group has two employee benefit trusts: one with the trustees SG Kleinwort Hambros Trust Company (CI) Ltd (the 'Kleinwort EBT') and one with the trustees Estera Trust (Jersey) Limited (the 'Estera EBT').

During the period, the trustees of the Kleinwort EBT transferred 21,438 ordinary shares to employees to satisfy the 2013 LTIP Compulsory Investment Share awards and 823 ordinary shares to satisfy one off conditional awards under the LTIP. During the period, the 2013 Deferred Bonus Plan (DBP) vested and the trustees of the Estera EBT transferred 48,843 ordinary shares to employees to satisfy the DBP awards.

## Directors' Report continued

### Share Capital and Rights Attaching to the Company's Shares continued

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 168. The 28,871 shares held in the Estera EBT for the LTIP bonus share awards are the shares in respect of which dividends have not been waived. The Kleinwort EBT holds, through its nominee account K.B. (CI) Nominees Limited, 0.002% of the issued share capital of the Company, as at 31 December 2016, for the benefit of certain Executive Directors and senior executives of the Group. The Estera EBT holds, through nominee account CGWL Nominees Ltd, 0.03% of the issued share capital of the Company as at 31 December 2016. 0.001% of this is held in trust for the benefit of certain senior executives of the Group, and 0.02% is held in trust on behalf of the Company for satisfaction of any future vesting of the awards granted under the LTIP. 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 2016 Annual General Meeting, shareholders renewed the Company's authority to make market purchases of up to 21.4m ordinary shares (representing approximately 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the period ended 31 December 2016 and at the forthcoming AGM, 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.

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 closed 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 31 December 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 (the 'Facility') with a syndicate of 11 banks that matures between September 2020 and September 2021. Under the terms of the Facility, if there is a change of control of the Company, the Company has 30 days from the date of the change of control to agree terms for continuing the Facility. If at the end of the 30 days no agreement is reached, between the Company and the banks, then 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 180. Each of these items has been considered in relation to the Group's banking facilities described in note 20 on pages 159 and 160.

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



**Christopher Morgan**  
**Company Secretary and General Counsel**

22 February 2017

## 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 position and 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**  
22 February 2017



**Jon Stanton**  
**Chief Executive Officer**  
22 February 2017

## Independent Auditors' Report to the Members of The Weir Group PLC

### Report on the financial statements

#### Our opinion

In our opinion:

- The Weir Group PLC's (the 'Group') 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 31 December 2016 and of the Group's profit and cash flows for the period from 2 January 2016 to 31 December 2016 (the 'period') then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('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; 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 financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the Consolidated balance sheet as at 31 December 2016;
- the Parent company balance sheet as at 31 December 2016;
- the Consolidated income statement and Consolidated statement of comprehensive income for the period then ended;
- the Consolidated cash flow statement for the period then ended;
- the Consolidated statement of changes in equity for the period then ended;
- the Parent company statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law (United Kingdom Generally Accepted Accounting Practice).

## Independent Auditors' Report to the Members of The Weir Group PLC continued

### Our audit approach

#### Context

This was our first year as auditors of The Weir Group PLC. The Group operates via three divisions: Minerals, Oil & Gas and Flow Control, with each having operations in a number of locations around the world. Many of the businesses are of similar size, so we scoped our audit to ensure we had appropriate coverage of the Group covering all three divisions. We included components which accounted for the largest share of the Group's results or where we considered there to be areas of significant risk. We also considered the continued downturn in the markets in which the Group operates when we performed our assessment of scope and areas of significant risk.

#### Overview

#### Materiality

- Overall Group materiality: £8.5m which represents 5% of adjusted profit, being profit before exceptional items, intangibles amortisation and tax from continuing operations.

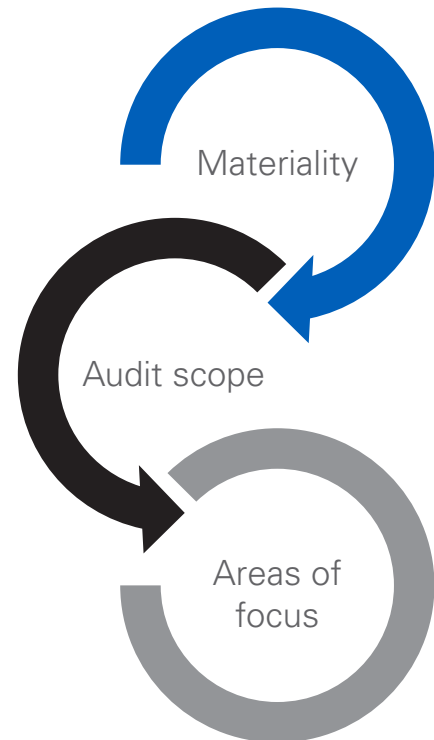
#### Audit scope

- We conducted audit work in 22 components in 11 countries, including seven components in the UK. We conducted full scope audits on 11 of these components and the audit of specified balances and classes of transactions for the remaining components. The group audit engagement team visited Australia, Chile and the United States, covering five components. In addition, members of the group engagement team performed the audit of the seven components based in the UK.
- The 22 components where we performed audit work accounted for approximately 83% of Group revenue, 65% of operating profit before exceptional items and intangibles amortisation ('operating profit') and 51% of adjusted profit.
- For the 18 trading components in scope (being those components that generate revenue), the coverage levels using absolute values (i.e. the sum of the numerical values without regard to whether they were profits or losses for the components) were 69% of Group operating profit for all trading components and 74% of Group adjusted profit for all trading components.

#### Areas of focus

The areas of focus for our audit to which we allocated the greatest amount of resources and effort were:

- Accounting for asbestos related claims.
- Valuation of inventory.
- Carrying value of Goodwill and Intangibles.
- Accounting for exceptional items.
- Accounting for disposals.
- Valuation of tax provisions.



**The scope of our audit and our areas of focus**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of fraud in revenue recognition, and the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

All of the areas of focus were discussed with the Audit Committee. Their report on the matters that they considered to be significant financial statement reporting issues is on pages 81 to 83.

Area of focus	How our audit addressed the area of focus
<p><b>Accounting for asbestos-related claims</b>                      Refer to page 82 (Audit Committee Report), page 130 Accounting Policies and page 162 (note 22).</p> <p>Total employee related provisions as at 31 December 2016 amount to £69m (2015: £50m). Included within this amount is a provision of £48m (2015: £28m) for the Group's liabilities arising from asbestos-related damages claims in the US and £5m in the UK (2015: £8m).</p> <p>The estimation of the liability involves significant judgement. In arriving at the estimate of the liability, management is required to make assumptions including the number and value of claims and the time period over which the liability exists can be reliably measured. As a result there is a high degree of uncertainty in this estimate. The Group has insurance cover in place to offset the liability arising from claims in the US (£48m included in other receivables between non-current and current assets – note 17, page 157). This was also considered in our work.</p>	<p>We have performed procedures on both the UK and US asbestos liabilities. The US provision is the more significant and uncertain and was the key area of judgement. We evaluated management's underlying assumptions supporting the provision. This included testing of:</p> <ul style="list-style-type: none"> <li>the mathematical accuracy of the underlying calculations in management's model;</li> <li>the input data to the model, such as the average cost per claim and the number of settled claims to source data which we verified directly with the Group's external lawyers; and</li> <li>the reasonableness of forecast settlements numbers and values to data provided by the Group's external actuaries.</li> </ul> <p>We evaluated management's assessment of the timescale over which a liability can be reliably measured, which has increased from 5 to 10 years as a result of more claims data now being available upon which to base a revised estimate.</p> <p>We involved our actuarial specialists as part of our assessment of the provision. We examined the insurance cover held by the Group and the likelihood of the cover in place being sufficient to cover the period and amount of estimated liabilities.</p> <p>Finally, we tested the disclosures in the financial statements and checked for compliance with IAS 37 'Provisions, Contingent Liabilities and Contingent Liabilities' and IAS 1 'Presentation of Financial Statements'.</p> <p>We consider the assumptions used by management to be appropriate in arriving at a reliable estimate for the provision.</p>
<p><b>Valuation of inventory</b>                      Refer to page 83 (Audit Committee Report), page 130 Accounting Policies and page 156 (note 16).</p> <p>As a result of the market downturn affecting all three divisions, we considered the impact of lower revenue on the value of inventory. Given the difficult trading conditions, we considered there to be a higher risk of the need for a write down to the carrying value of inventory.</p>	<p>To test the existence of inventory, we attended cycle counts or full inventory counts in 14 components where inventory was in scope for testing. The total inventory balance in these 14 components covered 78% of Group inventory.</p> <p>At each of the components we understood the costing methodology and verified that it had been accurately applied by testing a sample to source documentation. On a sample basis, we also tested the recoverability of inventory by comparing the cost to the net realisable value.</p> <p>To test the inventory provision, we performed an aged analysis of inventory in order to identify any unprovided exposures.</p> <p>We concluded that management has taken account of the above factors and the basis of inventory valuation was appropriate.</p>

## Independent Auditors' Report to the Members of The Weir Group PLC continued

### Carrying value of Goodwill and Intangibles

Refer to page 82 (Audit Committee Report), page 130 Accounting Policies and page 153 (note 14).

The Group has £876m of goodwill on the balance sheet. We focused on this area because the assessment of the value in use of each Cash Generating Unit ('CGU') involves judgement. Management has performed a reassessment of CGUs this year to reflect the restructured O&G and Flow Control businesses. The key assumptions in management's impairment model are the forecast results of the business, long term growth rates and discount rates applied to future cash flow forecasts.

The prolonged market downturn, particularly in the Oil & Gas division, results in a higher risk of impairment in the carrying value of goodwill.

We performed detailed testing over management's model which included:

- assessing the integrity and mathematical accuracy of the model;
- utilising PwC Valuations specialists to assess the key assumptions of growth rate and discount rate.

We also assessed the reorganisation of CGUs, ensuring that these accurately reflect the structure and operations of the business and that the new CGUs met the requirements of IAS 36 'Impairment of Assets'.

We assessed the headroom in each CGU, performing sensitivity analyses for each, focusing in particular on the Oil & Gas North America CGU where the headroom is lowest.

We tested the disclosures in the Financial Statements and checked compliance with IAS 36 and IAS 1.

From the procedures performed, we did not identify any material misstatements.

### Accounting for exceptional items

Refer to page 81 (Audit Committee Report), page 129 Accounting Policies and page 142 (note 5).

The Group incurred £77m of exceptional items from continuing operations in the period.

The accurate presentation of costs and income as exceptional items was considered an area of focus for all reporting units. This was to check the consistency and accuracy of the Group's underlying earnings as reported to shareholders.

The Group commenced a significant restructuring plan during 2015 and this has continued in 2016 as a result of the continued market downturn in the key industries in which the Group operates. Further, there were other non-recurring, material items which are both significant and judgemental in nature and therefore required a high level of focus and audit effort.

We obtained a listing of the exceptional costs and income incurred by both component and category and tested a sample to supporting documentation.

We checked the nature of the costs and income to assess whether they were treated appropriately and consistently as exceptional items within the income statement. We checked the disclosures in the annual report relating to exceptional items.

In the case of the exceptional item relating to Trio China, we also considered whether there was evidence of material items that required to be adjusted in prior years.

The calculation and disclosure of the property sale and leaseback transactions was also considered against IAS 17 'Leases' to check they met the criteria to be treated as operating leases.

We considered whether there were other significant costs or income which should have been included in exceptional items using our knowledge of the business.

We assessed the appropriateness of the classification of items as exceptional for compliance with both the Group's accounting policy and IAS 1.

Finally, we checked the disclosure in note 5 for consistency with our understanding and for compliance with IAS 1.

From the audit work performed, we did not identify any material misstatements.



### Accounting for disposals

Refer to page 81 (Audit Committee Report), page 128 Accounting Policies and page 145 (note 8).

This was included as an area of focus following the Group's £100m asset disposal programme which was announced in February 2016. Asset disposals can be a complex area of accounting due to the fact that they are non-routine and performed infrequently, thereby increasing the risk of error.

The accounting for disposals was performed centrally by the Group finance department and the disposals were audited by the Group engagement team.

The sale of American Hydro and YESS were agreed to Sale and Purchase Agreements. The accounting calculations for the disposals were agreed to supporting documentation including Sale and Purchase Agreements and reperformed by the group engagement team. We also considered the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations' to assess whether the business disposals had been correctly presented as discontinued operations on the basis that they constituted a separate business line and both transactions were completed by the period end.

From the audit work performed, we did not identify any material misstatements.

### Valuation of tax provisions

Refer to page 82 (Audit Committee Report), page 130 Accounting Policies and page 163 (note 23).

The Group operates in multiple tax jurisdictions and has a number of ongoing discussions and investigations with tax authorities where uncertain tax positions and treatments may be challenged at a later date. There is judgement in assessing the level of provisions required to cover the risk of successful challenge over certain of the Group's tax positions.

We read the Group's documentation of uncertain tax exposures and tested the more significant provisions for appropriateness by:

- confirming the basis of provision;
- understanding the movements on the provision during the year; and
- reading correspondence with relevant tax authorities and management's calculation.

This is an area which requires significant management judgement and has a range of possible outcomes. However, the evidence we obtained, including our testing of assumptions, was materially consistent with the overall level of provisioning in respect of tax.

In addition, we assessed the adequacy and appropriateness of the disclosure of tax provisions for compliance with IAS 12 'Income Taxes'.

### How we tailored the audit scope

As part of our first year audit of the Group we carried out procedures over opening balances including a review of the predecessor auditors' working papers, performing an assessment of the Group and Company accounting policies and prior year financial statements and discussion with management. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, business performance, the industries in which the Group operates and areas of audit risk.

The Group is organised into three divisions: Minerals, Oil & Gas and Flow Control with additional centralised Head Office functions. The Group financial statements are a consolidation of a large number of components which make up the Group's operating businesses within these divisions and centralised functions. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the components either by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction.

The Group's components vary significantly in size and we identified eleven components that, in our view, required an audit of their complete financial information due to their relative size or risk characteristics. Of these full scope component audits, seven were UK based and were performed by members of the Group engagement team. These covered trading components, central functions and head office managed balances including treasury, uncertain tax positions, post-retirement benefits, goodwill and intangibles. The remaining four full scope component audits were performed by other PwC network firms. Other PwC network firms also performed specific scope audits over a further eleven components which covered all line items on the income statement and specified line items on the balance sheet. The scope of work at each component was determined by its contribution to the Group's overall financial performance or balance sheet and its risk profile.

Where component audits were performed by teams from other PwC network firms, members of the Group engagement team were involved in their work throughout the audit. We maintained regular communication and conducted formal interim and year-end conference or video calls with all full and specific scope component teams. The year end discussions also included divisional management.

## Independent Auditors' Report to the Members of The Weir Group PLC continued

Of the 22 components in scope, we deemed three to be financially significant to the Group. Senior members of the Group engagement team, including the Group engagement leader, visited these components in Australia, Chile and the US. Together these full and specific scope components audits gave appropriate coverage of all material balances at a Group level. On a consolidated basis, these provided coverage of 83% of revenue, 65% of operating profit before exceptional items and intangibles amortisation and 51% of adjusted profit. For the 18 trading components in scope (being those components that generate revenue), the coverage levels using absolute values (i.e. the sum of the numerical values without regard to whether they were profits or losses for the components) were 69% of Group operating profit for all trading components and 74% of Group adjusted profit for all trading components.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall group materiality</b>	£8.5m
<b>How we determined it</b>	5% of profit before exceptional items, intangibles amortisation and tax from continuing operations.
<b>Rationale for benchmark applied</b>	It is clear from the Annual Report that this adjusted profit measure is used by shareholders in evaluating the underlying business performance. This will give us a consistent basis for our audit going forward.
<b>Component materiality</b>	For each component in our audit scope, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.3m and £7.5m. We applied a specific lower materiality to the audit of exceptional items and amortisation of intangibles.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.4m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 113, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Parent company's ability to continue as a going concern.

**Other required reporting**

**Consistency of other information and compliance with applicable requirements**

**Companies Act 2006 reporting**

In our opinion, 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors’ Report. We have nothing to report in this respect.

**ISAs (UK & Ireland) reporting**

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> <li>• information in the Annual Report is:                             <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 and Parent company acquired in the course of performing our audit; or</li> <li>– otherwise misleading.</li> </ul> </li> </ul>	We have no exceptions to report.
<ul style="list-style-type: none"> <li>• the statement given by the directors on page 114, in accordance with provision C.1.1 of the UK Corporate Governance Code (the ‘Code’), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group’s and Parent company’s position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent company acquired in the course of performing our audit.</li> </ul>	We have no exceptions to report.
<ul style="list-style-type: none"> <li>• the section of the Annual Report on pages 79 to 85, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</li> </ul>	We have no exceptions to report.

**The directors’ assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group**

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

<ul style="list-style-type: none"> <li>• the directors’ confirmation on page 113 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have 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.</li> </ul>	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> <li>• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.</li> </ul>	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> <li>• the directors’ explanation on page 113 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, 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 Group 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.

Under the Listing Rules we are required to review the directors’ statement that they have carried out a robust assessment of the principal risks facing the Group and the directors’ statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors’ process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

## Independent Auditors' Report to the Members of The Weir Group PLC continued

### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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
- 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.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

#### Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 114, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



#### Lindsay Gardiner (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
22 February 2017

## Consolidated Income Statement for the period ended 31 December 2016

	Period ended 31 December 2016			Period ended 1 January 2016 Restated (note 2)			
	Notes	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m
<b>Continuing operations</b>							
<b>Revenue</b>	3	<b>1,844.9</b>	–	<b>1,844.9</b>	1,879.8	–	1,879.8
<b>Continuing operations</b>							
Operating profit (loss) before share of results of joint ventures		<b>206.8</b>	<b>(123.7)</b>	<b>83.1</b>	249.2	(390.6)	(141.4)
Share of results of joint ventures	15	<b>7.2</b>	–	<b>7.2</b>	8.3	–	8.3
<b>Operating profit (loss)</b>		<b>214.0</b>	<b>(123.7)</b>	<b>90.3</b>	257.5	(390.6)	(133.1)
Finance costs	6	<b>(45.1)</b>	<b>(3.8)</b>	<b>(48.9)</b>	(40.2)	(2.4)	(42.6)
Finance income	6	<b>4.4</b>	–	<b>4.4</b>	4.7	–	4.7
Other finance costs – retirement benefits	24	<b>(3.0)</b>	–	<b>(3.0)</b>	(3.3)	–	(3.3)
<b>Profit (loss) before tax from continuing operations</b>		<b>170.3</b>	<b>(127.5)</b>	<b>42.8</b>	218.7	(393.0)	(174.3)
Tax (expense) credit	7	<b>(38.4)</b>	<b>38.8</b>	<b>0.4</b>	(52.3)	70.0	17.7
<b>Profit (loss) for the period from continuing operations</b>		<b>131.9</b>	<b>(88.7)</b>	<b>43.2</b>	166.4	(323.0)	(156.6)
Profit (loss) for the period from discontinued operations	8	<b>1.1</b>	<b>(6.1)</b>	<b>(5.0)</b>	0.9	(23.3)	(22.4)
<b>Profit (loss) for the period</b>		<b>133.0</b>	<b>(94.8)</b>	<b>38.2</b>	167.3	(346.3)	(179.0)
Attributable to:							
Equity holders of the Company		<b>133.1</b>	<b>(94.8)</b>	<b>38.3</b>	167.6	(346.3)	(178.7)
Non-controlling interests		<b>(0.1)</b>	–	<b>(0.1)</b>	(0.3)	–	(0.3)
		<b>133.0</b>	<b>(94.8)</b>	<b>38.2</b>	167.3	(346.3)	(179.0)
<b>Earnings (loss) per share</b>							
Basic – total operations	9			<b>17.8p</b>			(83.6p)
Basic – continuing operations		<b>61.2p</b>		<b>20.1p</b>	78.0p		(73.1p)
Diluted – total operations				<b>17.7p</b>			(83.6p)
Diluted – continuing operations		<b>60.8p</b>		<b>20.0p</b>	78.0p		(73.1p)

## Consolidated Statement of Comprehensive Income for the period ended 31 December 2016

	Notes	Period ended 31 December 2016 £m	Period ended 1 January 2016 £m
<b>Profit (loss) for the period</b>		<b>38.2</b>	(179.0)
<b>Other comprehensive income (expense)</b>			
Losses taken to equity on cash flow hedges		<b>(0.7)</b>	(2.8)
Exchange gains (losses) on translation of foreign operations		<b>377.4</b>	(13.0)
Reclassification of foreign currency translation reserve on discontinued operations		<b>0.8</b>	–
Exchange losses on net investment hedges		<b>(142.0)</b>	(16.5)
Reclassification adjustments on cash flow hedges		<b>1.9</b>	1.6
Tax relating to other comprehensive income (expense) to be reclassified in subsequent periods	7	<b>0.2</b>	1.2
<b>Items that are or may be reclassified to profit or loss in subsequent periods</b>		<b>237.6</b>	(29.5)
Remeasurements on defined benefit plans	24	<b>(53.0)</b>	13.5
Tax relating to other comprehensive (expense) income that will not be reclassified in subsequent periods	7	<b>8.6</b>	(2.1)
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>		<b>(44.4)</b>	11.4
<b>Net other comprehensive income (expense)</b>		<b>193.2</b>	(18.1)
<b>Total net comprehensive income (expense) for the period</b>		<b>231.4</b>	(197.1)
Attributable to:			
Equity holders of the Company		<b>228.9</b>	(196.5)
Non-controlling interests		<b>2.5</b>	(0.6)
		<b>231.4</b>	(197.1)
Total net comprehensive income (expense) for the period attributable to equity holders of the Company			
Continuing operations		<b>233.0</b>	(173.4)
Discontinued operations		<b>(4.1)</b>	(23.1)
		<b>228.9</b>	(196.5)

## Consolidated Balance Sheet at 31 December 2016

	Notes	31 December 2016 £m	Restated (note 2) 1 January 2016 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	11	402.0	388.3
Intangible assets	12	1,628.8	1,411.8
Investments in joint ventures	15	40.5	33.4
Deferred tax assets	23	42.1	20.2
Other receivables	17	39.2	22.3
Retirement benefit plan assets	24	9.8	8.2
Derivative financial instruments	30	–	8.5
<b>Total non-current assets</b>		<b>2,162.4</b>	<b>1,892.7</b>
<b>Current assets</b>			
Inventories	16	551.6	478.7
Trade & other receivables	17	481.8	444.7
Construction contracts	18	23.8	28.5
Derivative financial instruments	30	24.0	14.2
Income tax receivable		21.5	29.1
Cash & short-term deposits	19	258.6	184.0
<b>Total current assets</b>		<b>1,361.3</b>	<b>1,179.2</b>
<b>Total assets</b>		<b>3,523.7</b>	<b>3,071.9</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest-bearing loans & borrowings	20	144.0	195.6
Trade & other payables	21	548.1	459.8
Construction contracts	18	4.2	8.9
Derivative financial instruments	30	30.2	14.1
Income tax payable		43.8	31.6
Provisions	22	83.2	70.3
<b>Total current liabilities</b>		<b>853.5</b>	<b>780.3</b>
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings	20	949.1	813.4
Other payables	21	14.9	22.6
Derivative financial instruments	30	14.9	5.8
Provisions	22	60.2	46.7
Deferred tax liabilities	23	100.5	115.3
Retirement benefit plan deficits	24	147.0	90.0
<b>Total non-current liabilities</b>		<b>1,286.6</b>	<b>1,093.8</b>
<b>Total liabilities</b>		<b>2,140.1</b>	<b>1,874.1</b>
<b>NET ASSETS</b>		<b>1,383.6</b>	<b>1,197.8</b>
<b>CAPITAL &amp; RESERVES</b>			
Share capital	25	27.3	26.8
Share premium		86.2	38.0
Merger reserve		9.4	9.4
Treasury shares		(5.9)	(5.8)
Capital redemption reserve		0.5	0.5
Foreign currency translation reserve		191.8	(41.8)
Hedge accounting reserve		(0.6)	(2.0)
Retained earnings		1,066.4	1,166.5
<b>Shareholders' equity</b>		<b>1,375.1</b>	<b>1,191.6</b>
Non-controlling interests		8.5	6.2
<b>TOTAL EQUITY</b>		<b>1,383.6</b>	<b>1,197.8</b>

The financial statements were approved by the Board of Directors and authorised for issue on 22 February 2017. The financial statements also comprise the notes on pages 128 to 181.

**Jon Stanton**  
Director

**John Heasley**  
Director

## Consolidated Cash Flow Statement for the period ended 31 December 2016

	Notes	Period ended 31 December 2016 £m	Period ended 1 January 2016 £m
<b>Cash flows from operating activities</b>	26		
Cash generated from operations		<b>292.6</b>	396.5
Additional pension contributions paid		<b>(2.8)</b>	(2.6)
Exceptional cash items	5	<b>(58.1)</b>	(33.4)
Income tax paid		<b>(15.7)</b>	(50.4)
Net cash generated from operating activities		<b>216.0</b>	310.1
<b>Cash flows from investing activities</b>			
Acquisitions of subsidiaries, net of cash acquired	26	<b>(10.6)</b>	(14.1)
Purchases of property, plant & equipment		<b>(50.5)</b>	(69.1)
Purchases of intangible assets		<b>(15.4)</b>	(23.0)
Other proceeds from sale of property, plant & equipment and intangible assets		<b>3.5</b>	4.4
Disposals of discontinued operations, net of cash disposed	26	<b>31.4</b>	–
Exceptional items included in asset disposal programme		<b>35.7</b>	–
Interest received		<b>6.5</b>	3.9
Dividends received from joint ventures	15	<b>7.3</b>	10.0
Net cash generated from (used in) investing activities		<b>7.9</b>	(87.9)
<b>Cash flows from financing activities</b>			
Purchase of non-controlling interest	13	<b>(3.4)</b>	–
Proceeds from borrowings		<b>1,328.1</b>	541.9
Repayments of borrowings		<b>(1,420.5)</b>	(591.2)
Settlement of external debt of subsidiary on acquisition	26	–	(1.2)
Settlement of derivative financial instruments		<b>(3.7)</b>	(1.7)
Interest paid		<b>(46.3)</b>	(41.8)
Dividends paid to equity holders of the Company	10	<b>(45.8)</b>	(94.0)
Purchase of shares for LTIP & other awards		<b>(0.1)</b>	–
Net cash used in financing activities		<b>(191.7)</b>	(188.0)
<b>Net increase in cash &amp; cash equivalents</b>		<b>32.2</b>	34.2
Cash & cash equivalents at the beginning of the period		<b>179.3</b>	166.6
Foreign currency translation differences		<b>45.5</b>	(21.5)
<b>Cash &amp; cash equivalents at the end of the period</b>	19	<b>257.0</b>	179.3

The cash flows from discontinued operations included above are disclosed separately in note 8.



## Consolidated Statement of Changes in Equity for the period ended 31 December 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 2 January 2015	26.8	38.0	–	(5.8)	0.5	(12.6)	(2.0)	1,430.5	1,475.4	6.8	1,482.2
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 (expense)	–	–	–	–	–	–	1.2	(2.1)	(0.9)	–	(0.9)
Total net comprehensive expense for the period	–	–	–	–	–	(29.2)	–	(167.3)	(196.5)	(0.6)	(197.1)
Issue of shares	–	–	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>
Profit for the period	–	–	–	–	–	–	–	38.3	38.3	(0.1)	38.2
Losses taken to equity on cash flow hedges	–	–	–	–	–	–	(0.7)	–	(0.7)	–	(0.7)
Exchange gains on translation of foreign operations	–	–	–	–	–	374.8	–	–	374.8	2.6	377.4
Reclassification of exchange losses on discontinued operations	–	–	–	–	–	0.8	–	–	0.8	–	0.8
Exchange losses on net investment hedges	–	–	–	–	–	(142.0)	–	–	(142.0)	–	(142.0)
Remeasurements on defined benefit plans	–	–	–	–	–	–	–	(53.0)	(53.0)	–	(53.0)
Reclassification adjustments on cash flow hedges	–	–	–	–	–	–	1.9	–	1.9	–	1.9
Tax relating to other comprehensive income (expense)	–	–	–	–	–	–	0.2	8.6	8.8	–	8.8
<b>Total net comprehensive income (expense) for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>233.6</b>	<b>1.4</b>	<b>(6.1)</b>	<b>228.9</b>	<b>2.5</b>	<b>231.4</b>
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(3.8)	(3.8)	(0.2)	(4.0)
Issue of shares	0.5	48.2	–	–	–	–	–	–	48.7	–	48.7
Cost of share-based payments inclusive of tax charge	–	–	–	–	–	–	–	4.3	4.3	–	4.3
Dividends	–	–	–	–	–	–	–	(94.5)	(94.5)	–	(94.5)
Purchase of shares*	–	–	–	(0.1)	–	–	–	–	(0.1)	–	(0.1)
<b>At 31 December 2016</b>	<b>27.3</b>	<b>86.2</b>	<b>9.4</b>	<b>(5.9)</b>	<b>0.5</b>	<b>191.8</b>	<b>(0.6)</b>	<b>1,066.4</b>	<b>1,375.1</b>	<b>8.5</b>	<b>1,383.6</b>

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

## Notes to the Group Financial Statements

### 1. Authorisation of financial statements and statement of compliance

The consolidated financial statements of The Weir Group PLC (the 'Company') and its subsidiaries (together, the 'Group') for the period ended 31 December 2016 ('2016') were approved and authorised for issue in accordance with a resolution of the Directors on 22 February 2017. The comparative information is presented for the period ended 1 January 2016 ('2015'). 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 was made to alter the reporting basis to reflect a calendar year, with the current period being to the annual report date of 31 December 2016. This has not significantly impacted 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. Several new amendments apply for the first time in 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11;
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38;
- Annual improvements to IFRSs 2012 – 2014 cycle; and
- Disclosure initiative – Amendments to IAS 1.

In addition to the above there are no other new standards or interpretations which are considered to have a material impact on the annual consolidated financial statements of the Group. The European Markets and Securities Authority has issued 'Guidelines on Alternative Performance Measures' which are effective from 3 July 2016 and which have been followed in explaining the Group's use of non-GAAP measures in the annual report. Further details are provided below.

#### 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 related undertakings can be found on page 197.

#### Comparative period – restatements

##### i) Discontinued operations

During the current period, the Group has disposed of its non-core renewable assets which formed part of the Flow Control division. These businesses are therefore treated as discontinued operations. As a result of this, these financial statements have been re-presented and restated where required as if operations discontinued during the current year had been discontinued from the start of the comparative period (note 8).

## ii) Business combinations – update to provisional fair values

During the year, the provisional fair values attributed to the 2015 Delta Industrial Valves, Inc. (Delta Valves) acquisition 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 combination had been completed at the relevant acquisition date. As such, all affected balances and amounts have been restated in the financial statements. The Consolidated Balance Sheet and affected notes present restated comparative information as at 1 January 2016. 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.

The table below reflects the adjustments made to finalise the Delta Valves fair values.

	Provisional fair values 1 January 2016 £m	Final fair values 1 January 2016 £m	Adjustments to fair values £m
Trade & other payables	(3.1)	(3.3)	(0.2)
Goodwill arising on acquisition	14.8	15.0	0.2
Impact on net assets			–

## Exceptional items & intangibles amortisation

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

- i) profit before exceptional items and intangibles amortisation; and
- ii) 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. These specific items are presented on the face of the income statement to provide greater clarity and a better understanding of the impact of these items on the Group's financial performance. In doing so, it also facilitates greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

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.

Intangibles amortisation has been shown separately to provide visibility over the ongoing impact on the Group's income statement of prior and current year period investment activities.

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.

Areas requiring significant judgement and estimate in the current period and on a recurring basis are discussed with the Audit Committee, as summarised on page 81.

The areas where management consider the more complex estimates, judgements and assumptions are required are those in respect of:

### i) Exceptional items

Certain exceptional items require the application of judgement and estimate due to their nature and the events which give rise to them. Examples of exceptional items are noted above, and may include acquisition accounting, impairment and provisions as described below. Management approach each exceptional item on an individual basis and details of those recorded in the period are reflected in note 5.

## Notes to the Group Financial Statements continued

### 2. Accounting policies continued

#### Use of estimates & judgements continued

##### ii) 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) the fair value of contingent consideration.

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. The fair value of contingent consideration is based on a variety of factors, often including estimates of future revenues, margins and cash flows as well as appropriate discount rates. 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 Business Combinations, including both current year acquisitions and contingent consideration associated with previous acquisitions, is provided in note 13.

##### iii) 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 in estimating future revenues, margins, cash flows, discount rates, growth rates and other events which are, by their nature, uncertain. During 2016 impairment testing over the Group's cash generating units (CGUs) was performed and the details and results of this exercise are reported in note 14.

##### iv) Retirement benefits

The assumptions underlying the valuation of retirement benefit assets and liabilities include discount rates, inflation rates and mortality assumptions which are 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.

##### v) Provisions

Management judgement is used to determine the amount of provisions taking into account the commercial drivers which gave rise to them, associated cash flows and discount rates, the Group's previous experience of similar obligations and the progress of any associated legal proceedings. The key provisions which currently require management judgement are included in note 22.

##### vi) Valuation of inventory

Provision for inventory is assessed by management on a regular basis. 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.

##### vii) Taxation

The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the interpretation of complex international tax regulations and, in some cases, the outcome of decisions by tax authorities in various jurisdictions around the world, together with the ability of the Group to utilise tax attributes within the limits imposed by the relevant tax legislation.

In all cases, provisions for open tax issues are based on management's interpretation of tax law as supported where appropriate by the Group's external advisors, and reflect the single best estimate of likely outcome for each liability. The Group believes it has made adequate provision for such matters.

Detailed tax disclosures are provided in notes 7 and 23.

##### viii) Legal claims

The Company and certain subsidiaries are, from time to time, party to legal proceedings and claims which arise in the normal course of business. Management apply judgement in the accounting for these items based on the specific circumstances and where relevant, guidance from third party advisors. This includes whether a provision is required or where appropriate details are reflected as Commitments in note 27.

### 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 and in other comprehensive income.

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.

## Notes to the Group Financial Statements continued

### 2. Accounting policies continued

#### Revenue recognition continued

##### 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

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. 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 businesses 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 business is recognised as an intangible asset. Goodwill is tested at least annually or where there are indicators of impairment and is carried at cost less any recognised impairment losses.

During the acquisition period or subsequent measurement period, 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.

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.

Any contingent consideration is recognised at the date of acquisition or disposal. Subsequent changes to the fair value of the contingent consideration are either adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below) or are reflected in the income statement or proceeds from disposal.

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.

## Notes to the Group Financial Statements continued

### 2. Accounting policies continued

#### 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.

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 employees.

The fair value of the LTIP or other conditional awards 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 last equity settled grant under the Executive Bonus Scheme (EBS) was during 2013. 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 retained earnings. 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, USA and Canada and post-retirement healthcare benefits provided to certain employees in the USA.

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 asset 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, along with any associated administration costs.

### 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.

The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the interpretation of complex international tax regulations and, in some cases, the outcome of decisions by tax authorities in various jurisdictions around the world, together with the ability of the Group to utilise tax attributes within the limits imposed by the relevant tax legislation.

## Notes to the Group Financial Statements continued

### 2. Accounting policies continued

#### Taxation continued

The Group faces a variety of tax risks which result from operating in a complex global environment.

These risks include:

- i) uncertainty created by the rapidly evolving international tax landscape and anticipated reform of both international and domestic tax rules in some of the Group's larger markets means the benefits from existing intra-group financing arrangements may be reduced in future periods; and
- ii) the challenge to fulfil ongoing tax compliance filing and transfer pricing obligations given the scale and diversity of the Group's global operations.

The Group makes provision for open tax issues including, in a number of jurisdictions, ongoing tax audits which are by nature complex and can take a number of years to resolve. In all cases, provisions are based on management's interpretation of tax law in each country, as supported where appropriate by discussion and analysis undertaken by the Group's external advisors, and reflect the single best estimate of likely outcome for each liability.

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 this risk include the following:

- i) local reporting entities prepare tax provisions and balances in accordance with Group Accounting Policy;
- ii) 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;
- iii) 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 effective tax rate are explained;
- iv) external tax advisers either prepare or review the annual tax provisions and balances and are involved with the identification and management of transfer pricing policies and related documentation and filing requirements;
- v) tax is a significant financial reporting matter regularly reviewed by the Audit Committee; and
- vi) the external auditor reviews the tax figures in the interim statement and audits the tax figures and disclosures in the annual report and financial statements.

The Group believes it has made adequate provision for such matters.

Detailed tax disclosures are provided in notes 7 and 23.

#### New standards & interpretations

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

International Accounting Standards (IAS/IFRS)	Effective date for periods commencing
Amendments to IAS 7: Disclosure Initiative	1 January 2017*
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
Amendments to IFRS 2: Share-based Payments	1 January 2018*
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2018
IFRS 16: Leases	1 January 2019*

\* Not yet endorsed 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 2017 financial statements as a result of the standards effective from 1 January 2017. Impact assessments for both IFRS 9 and IFRS 15 are currently underway.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. As the Group does not hold significant assets or liabilities, the impact of implementing IFRS 9 is expected to be minimal.

IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Based on the preliminary assessment, there are certain areas expected to impact the Group and in particular our 'Engineer to Order' business, but at present management do not believe that the adoption of IFRS 15 will have a material impact on the Group's financial results.

Initial planning has commenced for an assessment of the impact of the other standards applicable from 2018 and 2019.

### Non-GAAP measures

The financial statements are 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. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures. We believe this information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our performance and value creation. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Non-GAAP financial measures as reported by the Group may not be comparable with similarly titled amounts reported by other companies.

Below we set out our definitions of non-GAAP measures and provide reconciliations to relevant GAAP measures.

#### Free cash flow

Free cash flow (FCF) is defined as cash flow from operating activities adjusted for income taxes, net capital expenditures, net interest payments, dividends paid, settlement of derivatives and pension contributions. FCF reflects an additional way of viewing our liquidity that we believe is useful to investors as it represents cash flows that could be used for repayment of debt or to fund our strategic initiatives, including acquisitions, if any.

The reconciliation of cash flow from operating activities to FCF is as follows.

	2016 £m	2015 £m
Cash flow from operating activities	<b>292.6</b>	396.5
Income tax paid	<b>(15.7)</b>	(50.4)
Net capital expenditure from purchase & disposal of property, plant & equipment and intangibles	<b>(62.4)</b>	(87.7)
Net interest paid	<b>(39.8)</b>	(37.9)
Dividends paid to equity holders of the Company	<b>(45.8)</b>	(94.0)
Dividends received from joint ventures	<b>7.3</b>	10.0
Settlement of derivative financial instruments	<b>(3.7)</b>	(1.7)
Additional pension contributions paid	<b>(2.8)</b>	(2.6)
	<b>129.7</b>	132.2

#### EBITDA

EBITDA is operating profit from continuing operations, before exceptional items and intangibles amortisation, excluding depreciation. EBITDA is used in conjunction with other GAAP and non-GAAP financial measures to assess our operating performance. A reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided.

	2016 £m	Restated (note 2) 2015 £m
<b>Continuing operations</b>		
Operating profit (loss)	<b>90.3</b>	(133.1)
Adjusted for:		
Intangibles amortisation (note 5)	<b>50.2</b>	51.8
Exceptional items (note 5)	<b>73.5</b>	338.8
Depreciation of property, plant & equipment	<b>55.9</b>	62.0
	<b>269.9</b>	319.5

#### Net debt

A reconciliation of net debt to cash & short-term deposits, interest bearing loans and borrowings is provided in note 26.

### 3. Segment information

For strategic reasons, the Group has re-organised its three operating divisions: Minerals, Oil & Gas and Flow Control (previously Minerals, Oil & Gas and Power & Industrial). The strategic restructuring of the Power & Industrial division led to it being renamed Weir Flow Control and it now incorporates the downstream-orientated pump businesses Flowway and Gabbioneta, which were previously in the Minerals and Oil & Gas divisions respectively. This created a division clearly focused on flow control opportunities in power, oil and gas and other process industries. Comparative information has been restated to reflect the change in management structure.

## Notes to the Group Financial Statements continued

**3. Segment information** continued

These three divisions are organised and managed separately based on the key markets served and each is treated as an operating segment and a reportable segment under IFRS 8. The operating and reportable segments were determined based on the reports reviewed by the Chief Executive Officer 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 Flow Control segment designs and manufactures valves and pumps as well as providing specialist support services to the global power generation, industrial and oil and gas sectors.

The Chief Executive Officer 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 Officer 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 2016 and 2015 is disclosed below.

	Minerals		Oil & Gas		Flow Control		Total continuing operations	
	2016 £m	Restated (note 2) 2015 £m	2016 £m	Restated (note 2) 2015 £m	2016 £m	Restated (note 2) 2015 £m	2016 £m	Restated (note 2) 2015 £m
<b>Revenue</b>								
Sales to external customers	<b>1,112.0</b>	1,000.8	<b>401.4</b>	541.4	<b>331.5</b>	337.6	<b>1,844.9</b>	1,879.8
Inter-segment sales	<b>6.1</b>	4.4	<b>12.8</b>	13.5	<b>14.7</b>	15.5	<b>33.6</b>	33.4
Segment revenue	<b>1,118.1</b>	1,005.2	<b>414.2</b>	554.9	<b>346.2</b>	353.1	<b>1,878.5</b>	1,913.2
Eliminations							<b>(33.6)</b>	(33.4)
							<b>1,844.9</b>	1,879.8
<b>Sales to external customers – 2015 at 2016 average exchange rates</b>								
Sales to external customers	<b>1,112.0</b>	1,091.0	<b>401.4</b>	603.7	<b>331.5</b>	368.5	<b>1,844.9</b>	2,063.2
<b>Segment result</b>								
Segment result before share of results of joint ventures	<b>217.0</b>	192.4	<b>(16.2)</b>	43.5	<b>30.1</b>	32.2	<b>230.9</b>	268.1
Share of results of joint ventures	–	–	<b>7.2</b>	8.3	–	–	<b>7.2</b>	8.3
Segment result	<b>217.0</b>	192.4	<b>(9.0)</b>	51.8	<b>30.1</b>	32.2	<b>238.1</b>	276.4
Unallocated expenses							<b>(24.1)</b>	(18.9)
Operating profit before exceptional items & intangibles amortisation							<b>214.0</b>	257.5
Total exceptional items & intangibles amortisation							<b>(127.5)</b>	(393.0)
Net finance costs before exceptional items							<b>(40.7)</b>	(35.5)
Other finance costs – retirement benefits							<b>(3.0)</b>	(3.3)
Profit (loss) before tax from continuing operations							<b>42.8</b>	(174.3)
<b>Segment result – 2015 at 2016 average exchange rates</b>								
Segment result before share of results of joint ventures	<b>217.0</b>	212.7	<b>(16.2)</b>	49.1	<b>30.1</b>	36.0	<b>230.9</b>	297.8
Share of results of joint ventures	–	–	<b>7.2</b>	9.3	–	–	<b>7.2</b>	9.3
Segment result	<b>217.0</b>	212.7	<b>(9.0)</b>	58.4	<b>30.1</b>	36.0	<b>238.1</b>	307.1
Unallocated expenses							<b>(24.1)</b>	(19.0)
Operating profit before exceptional items & intangibles amortisation							<b>214.0</b>	288.1

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

	Minerals		Oil & Gas		Flow Control		Total Group	
	2016 £m	Restated (note 2) 2015 £m	2016 £m	Restated (note 2) 2015 £m	2016 £m	Restated (note 2) 2015 £m	2016 £m	Restated (note 2) 2015 £m
<b>Assets &amp; liabilities</b>								
Intangible assets	<b>652.4</b>	562.0	<b>815.2</b>	703.9	<b>137.5</b>	130.0	<b>1,605.1</b>	1,395.9
Property, plant & equipment	<b>226.1</b>	191.6	<b>90.9</b>	115.6	<b>75.4</b>	61.5	<b>392.4</b>	368.7
Working capital assets	<b>523.0</b>	422.9	<b>290.2</b>	277.4	<b>248.0</b>	245.8	<b>1,061.2</b>	946.1
	<b>1,401.5</b>	1,176.5	<b>1,196.3</b>	1,096.9	<b>460.9</b>	437.3	<b>3,058.7</b>	2,710.7
Investments in joint ventures	–	–	<b>40.5</b>	33.4	–	–	<b>40.5</b>	33.4
Segment assets	<b>1,401.5</b>	1,176.5	<b>1,236.8</b>	1,130.3	<b>460.9</b>	437.3	<b>3,099.2</b>	2,744.1
Discontinued operations							–	37.3
Unallocated assets							<b>424.5</b>	290.5
Total assets							<b>3,523.7</b>	3,071.9
Working capital liabilities	<b>311.6</b>	254.8	<b>150.6</b>	124.3	<b>169.4</b>	181.5	<b>631.6</b>	560.6
Discontinued operations							–	7.9
Unallocated liabilities							<b>1,508.5</b>	1,305.6
Total liabilities							<b>2,140.1</b>	1,874.1
<b>Other segment information – total Group</b>								
Segment additions to non-current assets	<b>33.0</b>	36.2	<b>10.3</b>	23.7	<b>15.6</b>	18.7	<b>58.9</b>	78.6
Discontinued operations							–	1.1
Unallocated additions to non-current assets							<b>18.9</b>	10.2
Total additions to non-current assets							<b>77.8</b>	89.9
<b>Other segment information – total Group</b>								
Segment depreciation & amortisation	<b>42.2</b>	42.9	<b>49.1</b>	55.7	<b>12.1</b>	12.2	<b>103.4</b>	110.8
Impairment of property, plant & equipment	<b>2.3</b>	2.9	<b>4.1</b>	32.6	<b>2.0</b>	0.7	<b>8.4</b>	36.2
Impairment of intangible assets	<b>0.4</b>	–	–	225.5	–	–	<b>0.4</b>	225.5
Discontinued operations							<b>0.4</b>	28.0
Unallocated depreciation & amortisation							<b>2.7</b>	3.0
Total depreciation, amortisation & impairment							<b>115.3</b>	403.5

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).

## Notes to the Group Financial Statements continued

## 3. Segment information continued

## Geographical information

Geographical information in respect of revenue and non-current assets for 2016 and 2015 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.

Period ended 31 December 2016	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	<b>74.9</b>	<b>474.5</b>	<b>180.8</b>	<b>153.9</b>	<b>257.7</b>	<b>178.3</b>	<b>261.2</b>	<b>263.6</b>	<b>1,844.9</b>
Non-current assets	<b>366.5</b>	<b>847.7</b>	<b>44.1</b>	<b>168.1</b>	<b>290.1</b>	<b>157.4</b>	<b>63.8</b>	<b>133.6</b>	<b>2,071.3</b>
Period ended 1 January 2016 (Restated note 2)	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	93.5	541.4	181.6	137.6	247.2	146.6	244.1	287.8	1,879.8
Non-current assets	178.8	895.8	48.5	135.0	269.9	155.2	44.6	105.7	1,833.5

The following disclosures are given in relation to continuing operations.

	2016 £m	Restated (note 2) 2015 £m
An analysis of the Group's revenue is as follows		
Original equipment	<b>523.2</b>	526.6
Aftermarket parts	<b>982.8</b>	939.5
Sales of goods	<b>1,506.0</b>	1,466.1
Aftermarket services	<b>282.1</b>	366.4
Revenue from construction contracts	<b>56.8</b>	47.3
Revenue	<b>1,844.9</b>	1,879.8

## 4. Revenues &amp; expenses

The following disclosures are given in relation to continuing operations and exclude exceptional items & intangibles amortisation.

	2016 £m	Restated (note 2) 2015 £m
A reconciliation of revenue to operating profit is as follows		
Revenue	<b>1,844.9</b>	1,879.8
Cost of sales	<b>(1,241.7)</b>	(1,248.3)
Gross profit	<b>603.2</b>	631.5
Other operating income	<b>5.6</b>	9.2
Selling & distribution costs	<b>(221.1)</b>	(206.6)
Administrative expenses	<b>(180.9)</b>	(184.9)
Share of results of joint ventures	<b>7.2</b>	8.3
Operating profit	<b>214.0</b>	257.5

Details of exceptional items and intangibles amortisation are provided in note 5.

	2016 £m	Restated (note 2) 2015 £m
Operating profit (loss) from continuing operations is stated after charging		
Cost of inventories recognised as an expense	<b>1,241.7</b>	1,248.3
Depreciation of property, plant & equipment (note 11)	<b>55.9</b>	62.0
Amortisation of intangible assets (note 12)	<b>50.2</b>	51.8
Acquisition transaction costs	–	0.3
Acquisition integration costs	<b>0.4</b>	4.5
Exceptional items (note 5)	<b>73.5</b>	338.8
Net foreign exchange losses	<b>6.6</b>	3.8
Net impairment of trade receivables excluding additional restructuring action amounts (note 17)	<b>(1.0)</b>	4.9

Depreciation of property, plant & equipment (note 11) for discontinued operations was £0.3m (2015: £1.4m).

Amortisation of intangible assets (note 12) for discontinued operations was £0.1m (2015: £0.7m).

#### Research & development costs

Research & development costs amount to £27.4m (2015: £29.0m) of which £25.9m (2015: £27.0m) was charged directly to cost of sales in the income statement and £1.5m (2015: £2.0m) was capitalised (note 12).

#### Operating leases

Minimum lease payments under operating leases recognised as an expense in the period were £45.3m (2015: £43.9m).

	2016 £m	Restated (note 2) 2015 £m
<b>Employee benefits expense</b>		
Wages & salaries	<b>487.0</b>	470.9
Social security costs	<b>46.8</b>	45.2
Pension costs		
Defined benefit plans (note 24)	<b>0.5</b>	1.7
Defined contribution plans	<b>20.3</b>	17.8
Share-based payments – equity settled transactions	<b>4.1</b>	(2.3)
	<b>558.7</b>	533.3

Details of Directors' remuneration is disclosed in note 29.

	2016 Number	Restated (note 2) 2015 Number
The average monthly number of people employed by the Company and its subsidiaries is as follows		
Minerals	<b>7,999</b>	8,441
Oil & Gas	<b>2,393</b>	2,943
Flow Control	<b>2,725</b>	2,892
Group companies	<b>89</b>	97
	<b>13,206</b>	14,373

The following disclosures are given in relation to total operations.

At 31 December 2016, the number of people employed by the Group and including those under temporary contracts was 13,687 (2015: 14,720).

## Notes to the Group Financial Statements continued

## 4. Revenues &amp; expenses continued

	2016 £m	2015 £m
<b>Auditors remuneration</b>		
The total fees payable by the Group to our auditors 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	<b>0.6</b>	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	<b>1.6</b>	1.3
Other assurance services	<b>0.1</b>	0.1
Non-audit services	<b>0.3</b>	–
Fees payable in respect of the Group's pension schemes		
Audit	<b>0.1</b>	0.1

Our current auditors, PricewaterhouseCoopers LLP and their associates were appointed at the Annual General Meeting on 28 April 2016 replacing Ernst & Young LLP and their associates. Fees payable in respect of the audit of the Group's pension schemes were payable to Ernst & Young LLP in both 2015 and 2016. The remaining 2016 fees incorporate only PricewaterhouseCoopers LLP from the date of appointment (28 April 2016) and 2015 fees are all in respect of Ernst & Young LLP.

## 5. Exceptional items &amp; intangibles amortisation

	2016 £m	Restated (note 2) 2015 £m
Recognised in arriving at operating profit (loss) from continuing operations		
Intangibles amortisation (note 12)	<b>(50.2)</b>	(51.8)
Exceptional item – intangibles impairment (note 12)	<b>(0.4)</b>	(225.5)
Exceptional item – restructuring and rationalisation charges	<b>(63.8)</b>	(116.4)
Exceptional item – China operations	<b>(17.0)</b>	–
Exceptional item – gain on sale and leaseback of properties	<b>5.1</b>	–
Exceptional item – legal claims	<b>(1.1)</b>	–
Exceptional item – charging of fair value inventory uplift	–	(2.4)
Exceptional item – release of expired indemnity provisions for LGE Process disposal	–	3.8
Exceptional item – fair value adjustment to contingent consideration liability	<b>3.7</b>	1.7
	<b>(123.7)</b>	(390.6)
Recognised in finance costs		
Exceptional item – unwind in respect of contingent consideration liability	<b>(3.8)</b>	(2.4)

Restructuring and rationalisation charges represent the committed cost of 2016 programmes to right size operations and realign certain activities in light of the prolonged downturn across the Group's major end markets. Actions included headcount reductions, rationalisation of product lines and service centre closures, with the main impact being on Minerals and Oil & Gas. The total continuing operations exceptional cost of £63.8m comprises £48.7m of cash restructuring costs, an impairment charge of £4.3m relating to inventory, £3.1m relating to receivables and £7.7m in relation to plant & equipment. The cash outflow in respect of restructuring programmes in the period totals £56.7m with £38.6m relating to 2016 and the remainder to costs incurred in prior years.

A number of warranty, associated inventory and contract liabilities and other unprovided liabilities were identified in our China business during the period primarily relating to Trio which was acquired for \$220m in 2014. The liabilities which primarily result from poor product performance and inventory management over the periods before and after acquisition total £17.0m. Of this total £9.1m is likely to result in a cash outflow, of which £0.3m was settled in the period, with the balance relating to asset write downs. Consideration has been given to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' with no prior year restatement required as a consequence of the identified liabilities. Local management changes and engineering enhancements to legacy products have been completed and the business remains an important part of the Minerals strategy going forward. Further details of these liabilities are included on page 72.

An exceptional gain of £5.1m has been recognised on the sale of three North American properties disposed and leased back under the 2016 asset disposal programme.



The other exceptional items in the period relate to a fair value adjustment of £3.7m, mainly for Delta Valves and Weir International, £3.8m unwind to contingent consideration liability, being Weir International, £0.4m impairment of intangible assets related to product development and £1.1m of costs associated with the finalisation of prior period legal claims, with the cost being a cash outflow in the year.

Exceptional costs arising on discontinued operations are summarised in note 8.

## 6. Finance (costs) income

### Finance costs

	2016 £m	Restated (note 2) 2015 £m
Interest payable on bank loans, fixed rate notes & overdrafts	(41.7)	(35.5)
Losses on financial assets & liabilities at fair value through profit & loss	(0.9)	(2.8)
Finance charges related to committed loan facilities	(2.5)	(1.9)
	<b>(45.1)</b>	(40.2)
Unwind of discount in respect of contingent consideration – exceptional item (note 5)	(3.8)	(2.4)
	<b>(48.9)</b>	(42.6)

### Finance income

	2016 £m	2015 £m
Interest receivable on financial assets	4.4	3.4
Gains on financial assets & liabilities at fair value through profit & loss	–	1.3
	<b>4.4</b>	4.7

## 7. Tax expense

### Income tax expense

	2016 £m	Restated (note 2) 2015 £m
<b>Consolidated Income Statement</b>		
Current income tax		
UK corporation tax – continuing operations	(0.1)	(2.3)
Adjustments in respect of previous years	(1.4)	0.5
UK corporation tax	(1.5)	(1.8)
Foreign tax – continuing operations	(43.4)	(35.2)
Adjustments in respect of previous years	0.9	5.1
Total current income tax	<b>(44.0)</b>	(31.9)
Deferred income tax		
Origination & reversal of temporary differences – continuing operations	47.1	52.3
Adjustment to estimated recoverable deferred tax assets	0.4	2.0
Effect of changes in tax rates	(1.0)	0.2
Adjustments in respect of previous years	(2.1)	(4.9)
Total deferred tax*	<b>44.4</b>	49.6
Total income tax credit in the Consolidated Income Statement	<b>0.4</b>	17.7

\* Includes £44.5m of deferred tax credit relating to foreign tax (2015: £54.3m credit).

## Notes to the Group Financial Statements continued

## 7. Tax expense continued

## Income tax expense continued

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

	2016 £m	Restated (note 2) 2015 £m
Tax (expense) credit – continuing operations before exceptional items & intangibles amortisation	<b>(38.4)</b>	(52.3)
– exceptional items	<b>21.0</b>	32.2
– intangibles amortisation and impairment	<b>17.8</b>	37.8
Total income tax credit in the Consolidated Income Statement	<b>0.4</b>	17.7

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

## Tax relating to items charged or credited to equity

	2016 £m	2015 £m
<b>Consolidated Statement of Comprehensive Income</b>		
Current tax on pension contributions	<b>0.2</b>	0.2
Deferred tax – origination & reversal of temporary differences	<b>10.0</b>	(2.5)
Deferred tax – effect of change in tax rates	<b>(1.6)</b>	0.2
Tax credit (charge) on actuarial losses (gains) on retirement benefits	<b>8.6</b>	(2.1)
Current tax credit on hedge losses	<b>0.2</b>	1.2
Tax credit (charge) in the Consolidated Statement of Comprehensive Income	<b>8.8</b>	(0.9)
<b>Consolidated Statement of Changes in Equity</b>		
Deferred tax on share-based payments	<b>0.2</b>	(0.3)
Tax credit (charge) in the Consolidated Statement of Changes in Equity	<b>0.2</b>	(0.3)

## Reconciliation of the total tax charge

The tax credit (2015: credit) in the Consolidated Income Statement for the period is lower (2015: lower) than the weighted average of standard rates of corporation tax across the Group of 7.6% (2015: 42.0%). The differences are reconciled below.

	2016 £m	Restated (note 2) 2015 £m
Profit (loss) before tax from continuing operations	<b>42.8</b>	(174.3)
Loss before tax from discontinued operations	<b>(12.7)</b>	(25.5)
Accounting profit (loss) before tax	<b>30.1</b>	(199.8)
At the weighted average of standard rates of corporation tax across the Group of 7.6% (2015: 42.0%)	<b>2.3</b>	(84.0)
Adjustments in respect of previous years – current tax	<b>(2.6)</b>	(5.6)
– deferred tax	<b>4.4</b>	4.9
Joint ventures	<b>(1.6)</b>	(1.6)
Unrecognised deferred tax assets	<b>1.9</b>	2.0
Overseas tax on unremitted earnings	<b>2.2</b>	4.1
Permanent differences	<b>9.5</b>	7.5
Tax effect of funding overseas operations	<b>(22.3)</b>	(20.8)
Effect of changes in tax rates	<b>0.1</b>	0.2
Exceptional items ineligible for tax	<b>(2.0)</b>	72.5
At effective tax rate of (26.9)% (2015: 10.4%)	<b>(8.1)</b>	(20.8)

The tax credit of £8.1m consists of a £0.4m credit from continuing operations and a £7.7m credit from discontinued operations.

The increase in permanent differences from a £7.5m addition in 2015 to £9.5m in 2016 arises due to an increase in disallowable expenditure including a £2.0m reduction in manufacturing tax incentives as a result of downturn in US activity and a £3.7m disallowable attributable to movements in non-taxable exchange gain/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

On 24 February 2016, the Group announced its intention to sell its non-core renewable assets within the Flow Control division: principally Ynfinity Engineering Services SL and American Hydro Corporation. The Group initiated an active programme to sell these businesses and the associated assets and liabilities were consequently accounted for as held for sale.

The Group disposed of Ynfinity Engineering Services SL (31 May 2016), American Hydro Corporation and the trade and assets of the Montreal business of Weir Canada Inc. (30 June 2016) for a combined consideration of £38.4m of which £3.6m will be held in escrow for one year. In addition, there is a maximum contingent consideration of £1.9m and based on expectations at the date of disposal £0.8m was recognised, of which £0.6m was subsequently received during the year, with the remainder being written off. The results of these businesses are presented in the financial statements as discontinued operations.

Financial information relating to the discontinued operations for the period to the date of disposal is set out in the table below. Comparative figures have been restated accordingly. The exceptional items and intangibles amortisation recognised in the period ended 1 January 2016 relate to impairment of goodwill of £25.9m and intangibles amortisation of £0.7m.

Exceptional items and intangibles amortisation in the current period relate to intangibles amortisation of £0.1m and a charge of £4.0m for reassessment of liabilities related to previous disposals.

There were no disposals of core businesses during the prior period.

### Financial performance and cash flow information for discontinued operations

	Period ended 31 December 2016			Period ended 1 January 2016		
	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation £m	Total £m	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation £m	Total £m
<b>Discontinued operations</b>						
<b>Revenue</b>	<b>19.3</b>	<b>–</b>	<b>19.3</b>	37.9	–	37.9
<b>Discontinued operations</b>						
<b>Operating profit (loss)</b>	<b>0.3</b>	<b>(4.1)</b>	<b>(3.8)</b>	1.4	(26.6)	(25.2)
Finance costs	–	–	–	(0.3)	–	(0.3)
<b>Profit (loss) before tax from discontinued operations</b>	<b>0.3</b>	<b>(4.1)</b>	<b>(3.8)</b>	1.1	(26.6)	(25.5)
Tax credit (expense)	<b>0.8</b>	<b>0.8</b>	<b>1.6</b>	(0.2)	3.3	3.1
<b>Profit (loss) after tax from discontinued operations</b>	<b>1.1</b>	<b>(3.3)</b>	<b>(2.2)</b>	0.9	(23.3)	(22.4)
Loss on sale of the subsidiaries after income tax (see below)	–	<b>(2.8)</b>	<b>(2.8)</b>	–	–	–
<b>Profit (loss) for the period from discontinued operations</b>	<b>1.1</b>	<b>(6.1)</b>	<b>(5.0)</b>	0.9	(23.3)	(22.4)
Reclassification of foreign currency translation reserve	<b>0.8</b>	–	<b>0.8</b>	–	–	–
<b>Other comprehensive income from discontinued operations</b>	<b>0.8</b>	–	<b>0.8</b>	–	–	–
				<b>Period ended 31 December 2016 £m</b>	<b>Period ended 1 January 2016 £m</b>	
Cash flows from operating activities				<b>(4.4)</b>	2.4	
Cash flows from investing activities				<b>(0.4)</b>	(0.4)	
<b>Net (decrease) increase in cash &amp; cash equivalents from discontinued operations</b>				<b>(4.8)</b>	2.0	

## Notes to the Group Financial Statements continued

**8. Discontinued operations** continued  
**Details of the sale of the subsidiaries**

	Period ended 31 December 2016 £m
<b>Consideration received</b>	
Cash received	<b>34.8</b>
Cash in escrow	<b>3.6</b>
Contingent consideration	<b>0.6</b>
<b>Total disposal consideration</b>	<b>39.0</b>
Carrying amount of net assets sold	<b>(46.6)</b>
Costs of disposal	<b>(0.5)</b>
<b>Loss on sale before income tax and reclassification of foreign currency translation reserve</b>	<b>(8.1)</b>
Reclassification of foreign currency translation reserve	<b>(0.8)</b>
Income tax credit on loss	<b>6.1</b>
<b>Loss on sale after income tax</b>	<b>(2.8)</b>

The carrying amount of assets and liabilities as at the date of sale were as follows.

	£m
Property, plant & equipment	<b>17.2</b>
Intangible assets	<b>21.1</b>
Inventories	<b>0.9</b>
Trade & other receivables	<b>10.9</b>
Cash & short-term deposits	<b>4.0</b>
Trade & other payables	<b>(7.1)</b>
Provisions	<b>(0.4)</b>
<b>Net assets</b>	<b>46.6</b>

**Loss per share**

Loss per share from discontinued operations were as follows.

	2016 pence	2015 pence
Basic	<b>(2.3)</b>	(10.5)
Diluted	<b>(2.3)</b>	(10.5)

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.

	2016	2015
Profit (loss) attributable to equity holders of the Company		
Total operations* (£m)	<b>38.3</b>	(178.7)
Continuing operations* (£m)	<b>43.3</b>	(156.3)
Continuing operations before exceptional items & intangibles amortisation* (£m)	<b>132.0</b>	166.7
Weighted average share capital		
Basic earnings per share (number of shares, million)	<b>215.6</b>	213.7
Diluted earnings per share (number of shares, million)	<b>216.9</b>	213.7

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.

	2016 Shares Million	2015 Shares Million
Weighted average number of ordinary shares for basic earnings per share	<b>215.6</b>	213.7
Effect of dilution: LTIP and deferred bonus awards	<b>1.3</b>	–
Adjusted weighted average number of ordinary shares for diluted earnings per share	<b>216.9</b>	213.7

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.

	2016 £m	2015 £m
Net profit (loss) attributable to equity holders from continuing operations*	<b>43.3</b>	(156.3)
Exceptional items & intangibles amortisation net of tax	<b>88.7</b>	323.0
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation	<b>132.0</b>	166.7

	2016 pence	2015 pence
<b>Basic earnings (loss) per share:</b>		
Total operations*	<b>17.8</b>	(83.6)
Continuing operations*	<b>20.1</b>	(73.1)
Continuing operations before exceptional items & intangibles amortisation*	<b>61.2</b>	78.0
<b>Diluted earnings (loss) per share:</b>		
Total operations*	<b>17.7</b>	(83.6)
Continuing operations*	<b>20.0</b>	(73.1)
Continuing operations before exceptional items & intangibles amortisation*	<b>60.8</b>	78.0

\* Adjusted for a loss of £0.1m (2015: £0.3m) in respect of non-controlling interests.

There have been no share options (2015: nil) exercised between the reporting date and the date of signing of these financial statements.

Earnings per share from discontinued operations are disclosed in note 8.

## Notes to the Group Financial Statements continued

## 10. Dividends paid &amp; proposed

	2016 £m	2015 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2015: 29.0p (2014: 29.0p)	<b>62.0</b>	61.9
Interim dividend for 2016: 15.0p (2015: 15.0p)	<b>32.5</b>	32.1
	<b>94.5</b>	94.0
Proposed for approval by shareholders at the Annual General Meeting		
Final dividend for 2016: 29.0p (2015: 29.0p)	<b>63.1</b>	62.1

For the 2015 final and 2016 interim dividends, shareholders on record were provided the opportunity to receive dividends in the form of new fully paid ordinary shares through The Weir Group PLC Scrip Dividend Scheme. Participation in the Scheme resulted in shares with a value of £29.6m being issued and a cash dividend of £32.4m for the 2015 final settlement, and shares with a value of £19.1m being issued and a cash dividend of £13.4m for the 2016 interim settlement.

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 &amp; equipment

	Land & buildings £m	Plant & equipment £m	Total property, plant & equipment £m
<b>Cost</b>			
At 2 January 2015	190.1	540.6	730.7
Additions	13.1	58.6	71.7
Acquisitions	0.2	0.3	0.5
Disposals	(2.5)	(21.3)	(23.8)
Reclassifications to intangible assets (note 12)	–	(0.7)	(0.7)
Reclassifications to inventory	–	(0.5)	(0.5)
Reclassifications	4.2	(4.2)	–
Exchange adjustment	(8.8)	(20.1)	(28.9)
At 1 January 2016	<b>196.3</b>	<b>552.7</b>	<b>749.0</b>
Additions	<b>19.2</b>	<b>35.1</b>	<b>54.3</b>
Disposals	<b>(41.5)</b>	<b>(33.1)</b>	<b>(74.6)</b>
Disposal of businesses	<b>(10.5)</b>	<b>(16.7)</b>	<b>(27.2)</b>
Reclassifications from (to) intangible assets (note 12)	<b>1.4</b>	<b>(1.6)</b>	<b>(0.2)</b>
Reclassifications	<b>(1.3)</b>	<b>1.3</b>	–
Exchange adjustment	<b>36.0</b>	<b>129.9</b>	<b>165.9</b>
At 31 December 2016	<b>199.6</b>	<b>667.6</b>	<b>867.2</b>

	Land & buildings £m	Plant & equipment £m	Total property, plant & equipment £m
<b>Accumulated depreciation &amp; impairment</b>			
At 2 January 2015	44.0	251.7	295.7
Depreciation charge for the period	6.4	57.0	63.4
Impairment during the period	2.7	33.5	36.2
Disposals	(2.6)	(19.2)	(21.8)
Reclassifications to intangible assets (note 12)	–	(0.4)	(0.4)
Reclassifications to inventory	–	(0.5)	(0.5)
Reclassifications	0.6	(0.6)	–
Exchange adjustment	(1.3)	(10.6)	(11.9)
At 1 January 2016	<b>49.8</b>	<b>310.9</b>	<b>360.7</b>
Depreciation charge for the period	<b>6.4</b>	<b>49.8</b>	<b>56.2</b>
Impairment during the period	<b>2.2</b>	<b>6.2</b>	<b>8.4</b>
Disposals	<b>(15.6)</b>	<b>(27.0)</b>	<b>(42.6)</b>
Disposals of businesses	<b>(1.5)</b>	<b>(8.5)</b>	<b>(10.0)</b>
Reclassifications from (to) intangible assets (note 12)	<b>0.1</b>	<b>(2.2)</b>	<b>(2.1)</b>
Reclassifications	<b>(1.0)</b>	<b>1.0</b>	<b>–</b>
Exchange adjustment	<b>10.3</b>	<b>84.3</b>	<b>94.6</b>
At 31 December 2016	<b>50.7</b>	<b>414.5</b>	<b>465.2</b>
Net book value at 2 January 2015	146.1	288.9	435.0
Net book value at 1 January 2016	146.5	241.8	388.3
<b>Net book value at 31 December 2016</b>	<b>148.9</b>	<b>253.1</b>	<b>402.0</b>

The carrying value of buildings held under finance leases is £0.9m (2015: £0.8m). The carrying value of plant & equipment held under finance leases is £1.0m (2015: £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 £22.7m (2015: £47.3m).

The impairment charges in the year are primarily related to actions undertaken as a result of the restructuring and rationalisation actions as outlined in note 5.

Depreciation charge from discontinued operations for the year amounted to £0.3m (2015: £1.4m).

During the year, the Group disposed of land and buildings under sale and leaseback agreements in North America for £33.2m. The gain on sale in relation to these disposals amounted to £5.1m. The Group restructuring and rationalisation charge includes the proceeds from a further property in North America, which was disposed of outright for a consideration of £2.5m, resulting in an exceptional gain on sale of £1.3m. The disposals were part of the Group's 2016 asset disposal programme.

## 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 2 January 2015	1,093.8	201.4	553.4	55.6	78.3	10.6	22.9	2,016.0
Additions	–	–	–	14.0	0.6	2.0	1.6	18.2
Acquisitions (restated note 2)	15.4	2.7	4.7	–	–	–	1.0	23.8
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 (restated note 2)	<b>1,131.2</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>2,102.3</b>
Additions	–	–	–	<b>20.8</b>	<b>0.6</b>	<b>1.5</b>	<b>0.6</b>	<b>23.5</b>
Disposals	–	–	–	<b>(1.8)</b>	–	–	–	<b>(1.8)</b>
Disposals of business	<b>(37.7)</b>	<b>(4.4)</b>	<b>(8.3)</b>	<b>(0.7)</b>	<b>(6.9)</b>	<b>(0.2)</b>	<b>(3.0)</b>	<b>(61.2)</b>
Reclassifications from (to) property, plant & equipment (note 11)	–	–	–	<b>2.4</b>	<b>(0.9)</b>	–	<b>(1.3)</b>	<b>0.2</b>
Exchange adjustment	<b>217.3</b>	<b>42.6</b>	<b>114.0</b>	<b>10.1</b>	<b>15.6</b>	<b>1.3</b>	<b>4.9</b>	<b>405.8</b>
At 31 December 2016	<b>1,310.8</b>	<b>249.7</b>	<b>679.5</b>	<b>97.9</b>	<b>89.7</b>	<b>14.4</b>	<b>26.8</b>	<b>2,468.8</b>
<b>Accumulated amortisation &amp; impairment</b>								
At 2 January 2015	160.0	–	139.3	25.8	31.2	1.6	17.3	375.2
Amortisation charge for the period	–	–	34.8	6.8	5.1	1.1	4.7	52.5
Impairment during the period	219.3	6.7	25.1	0.3	–	–	–	251.4
Disposals	–	–	–	(0.8)	–	–	–	(0.8)
Reclassifications from (to) 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>
Amortisation charge for the period	–	–	<b>36.8</b>	<b>7.0</b>	<b>4.3</b>	<b>1.2</b>	<b>1.0</b>	<b>50.3</b>
Impairment during the period	–	–	–	–	–	<b>0.4</b>	–	<b>0.4</b>
Disposals	–	–	–	<b>(1.8)</b>	–	–	–	<b>(1.8)</b>
Disposals of business	<b>(27.8)</b>	–	<b>(6.8)</b>	<b>(0.5)</b>	<b>(1.8)</b>	<b>(0.2)</b>	<b>(3.0)</b>	<b>(40.1)</b>
Reclassifications from (to) property, plant & equipment (note 11)	–	–	–	<b>2.2</b>	–	–	<b>(0.1)</b>	<b>2.1</b>
Exchange adjustment	<b>76.5</b>	<b>1.4</b>	<b>42.9</b>	<b>5.1</b>	<b>7.9</b>	<b>0.4</b>	<b>4.4</b>	<b>138.6</b>
At 31 December 2016	<b>434.8</b>	<b>8.4</b>	<b>276.6</b>	<b>43.8</b>	<b>47.7</b>	<b>4.3</b>	<b>24.4</b>	<b>840.0</b>
Net book value at 2 January 2015	933.8	201.4	414.1	29.8	47.1	9.0	5.6	1,640.8
Net book value at 1 January 2016 (restated note 2)	745.1	204.5	370.1	35.3	44.0	9.3	3.5	1,411.8
<b>Net book value at 31 December 2016</b>	<b>876.0</b>	<b>241.3</b>	<b>402.9</b>	<b>54.1</b>	<b>42.0</b>	<b>10.1</b>	<b>2.4</b>	<b>1,628.8</b>

The impairment charge recorded in the period of £0.4m relates to the write down of development costs in Minerals. The prior year balance relates to the Oil & Gas North America and Flow Control CGUs (note 14).



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). There is no impairment charge in the current year, while the 2015 charge relates to the brand names in the Oil & Gas North America CGU. The carrying value at the period end was £241.3m (2015: £204.5m).

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	
	2016 £m	2015 £m
Warman	67.9	56.3
Linatex	46.6	38.7
Seaboard	31.7	26.3
SPM	38.8	32.2
Trio	19.5	16.2
Gabbioneta	5.8	5.0
Mathena	9.7	8.1
Other	21.3	21.7
	<b>241.3</b>	<b>204.5</b>

An impairment charge of £25.1m was recognised in 2015 in relation to customer and distributor relationships in the Oil & Gas North America CGU. No impairment charge was required in the current year. 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	
	2016 Years	2015 Years	2016 £m	2015 £m
SPM	15	16	88.1	78.2
Seaboard	11	12	106.9	98.3
Mathena	9	10	104.0	93.4
Novatech	9	10	43.4	40.4
Trio	8	9	20.9	20.4
Other	<b>Up to 14</b>	Up to 15	<b>39.6</b>	39.4
			<b>402.9</b>	<b>370.1</b>

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

	2016 £m	2015 £m
Cost of sales	4.2	5.5
Selling & distribution costs	9.8	5.4
Administrative expenses	36.3	41.6
Amortisation charge for the period	<b>50.3</b>	<b>52.5</b>

Amortisation from discontinued operations for the year amounted to £0.1m (2015: £0.7m).

### 13. Business combinations

On 22 July 2016, the Group acquired the outstanding 40% shareholding of Shengli Oilfield Weir Highland Pump Company Limited (Shengli) for a consideration of up to £4.0m (RMB 34.5m). The Group previously held 60% of the equity of Shengli and fully consolidated the results of the entity. Initial consideration of £3.4m (RMB 29.3m) was paid on completion and a further £0.6m (RMB 5.2m) deferred consideration, due in May 2017, was recognised as a liability.

The fair values for Delta Valves were finalised during the year and the adjustments to the provisional fair values are disclosed in note 2.

The cash flows in relation to these acquisitions are disclosed in note 26.

## Notes to the Group Financial Statements continued

### 13. Business combinations continued

#### Contingent consideration

Any contingent consideration is recognised at the date of acquisition or disposal of a subsidiary. Contingent consideration at 31 December 2016 relates to assets associated with the current year disposal of the Group's non-core renewable assets and liabilities relating to acquisitions made in prior years.

#### i) Contingent consideration receivable

On 30 June 2016 the Group disposed of American Hydro Corporation and the trade and assets of the Montreal business of Weir Canada Inc. resulting in a contingent consideration receivable of £4.6m being recognised at that time reflecting our best estimate at the time of disposal. This included an amount in escrow of £3.8m which is contingent on final working capital and bonus adjustments due to be finalised in 2017 and £0.8m dependent on certain performance criteria during the second half of 2016. Based on performance during 2016 and subsequent negotiations with the purchaser the escrow was reduced by £0.2m and the other contingent consideration receivable by a further £0.2m, resulting in a total of £0.4m being written off as an exceptional item in discontinued operations in the period.

#### ii) Contingent consideration payable

The acquisition of Delta Valves in 2015 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. The 2015 target was met and resulted in a subsequent payment of US\$5m (£3.6m) during 2016. As a result of trading performance the fair value of the remaining contingent consideration payable was reassessed and increased by £1.2m, resulting in a closing liability of £1.3m. 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 in 2014 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 two 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. During the period the contract terms were met, which resulted in a US\$10m (£7.0m) settlement in line with expectations. The discount rate applied in the fair value calculation for Weir Trio was 13.2%. The contingent consideration payable remaining (£3.7m) relates to working capital balances and is now expected to be finalised in 2017. 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, including 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. Following further assessment during 2016 the fair value of the contingent consideration payable was reduced by £4.8m and now stands at £25.4m, with final instalments now expected in 2017 and 2018. 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 payable, 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 12.8%.

The purchase of the remaining shareholding of Shengli Oilfield Weir Highland Pump Company Ltd (Shengli) resulted in deferred consideration of £0.6m being recognised in the period. The balance is contingent on certain indemnities and finalisation costs and is payable in May 2017.

The contingent consideration in relation to other acquisitions is considered to be immaterial for further disclosure.

A reconciliation of fair value measurement of the contingent consideration asset and liability is provided below.

	Asset		Liability	
	2016 £m	2015 £m	2016 £m	2015 £m
Opening balance	–	–	(35.9)	(34.6)
Liability arising on business combinations	–	–	(0.6)	(3.2)
Asset arising on business disposal	4.6	–	–	–
Fair value changes in profit or (loss) (note 8 and note 5)	(0.4)	–	3.7	1.7
Contingent consideration (received) paid (note 8 and note 26)	(0.6)	–	10.6	2.8
Unwind of discount (note 5)	–	–	(3.8)	(2.4)
Exchange movements in the period	0.3	–	(5.0)	(0.2)
Closing balance	3.9	–	(31.0)	(35.9)

#### 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 Group tests goodwill and intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that these might be impaired.

During the period, following the restructuring of the Power and Industrial division to form Flow Control and various business restructuring in the Oil & Gas division, the Group completed a review of its CGUs to reflect the future operational strategy of the Group.

The review resulted in four primary CGU's; Flow Control, Minerals, Oil & Gas EMEA and Oil & Gas North America. This replaces the previous structure which comprised Pressure Pumping, Pressure Control, Gabbioneta, Minerals and a further seven individually immaterial CGUs within 'Other'.

Oil & Gas North America represents the effect of further rationalisation activities during Q4 2016, effectively combining Pressure Pumping and Pressure Control under one regionalised management structure which facilitates the use of common sales channels across a consistent customer base. Oil & Gas EMEA remains fundamentally distinct from the North American operation, being primarily based in the Middle East and focused on the provision of services.

Flow Control combines, under a joint operational management structure, downstream-orientated pump businesses alongside existing Power and Industrial valves businesses. This created a division with the ability to utilise sales channels across the newly formed division, clearly focused on flow control opportunities in power, oil and gas and other process industries. This change resulted in the Gabbioneta CGU and four of the 'other' CGUs being combined.

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

	Goodwill 2016 £m	Intangibles* 2016 £m	Goodwill 2015 Restated (note 2) £m	Intangibles* 2015 £m
Flow Control	98.7	12.1	93.7	14.2
Minerals	396.0	143.2	334.4	118.9
Oil & Gas EMEA	6.6	–	6.1	–
Oil & Gas North America	374.7	86.0	310.9	71.4
	<b>876.0</b>	<b>241.3</b>	745.1	204.5

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

	Goodwill 2015 £m	Intangibles* 2015 £m
Pressure Pumping	310.9	37.0
Pressure Control	–	34.4
Gabbioneta	53.1	5.0
Minerals	334.4	118.9
Other	46.7	9.2
	745.1	204.5

\* Intangible assets with indefinite lives (brand names).

#### 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.

##### Flow Control

Flow control includes the Gabbioneta brand. Flow control is a supplier of highly engineered pumps, valves and associated aftermarket services to oil and gas refinery, petro-chemical and power generation industries. The key drivers for revenues are capital expenditure within oil refinery, petro-chemical industries and power generation. 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 2016.

##### Minerals

Minerals includes the Weir Warman, Weir Linatex and Weir Trio brands. Weir 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 2016.

## Notes to the Group Financial Statements continued

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

#### Oil & Gas EMEA

Oil & Gas EMEA comprises multiple service centre locations within the Middle East and Europe. These locations supply services including repair, manufacture and certification of oilfield equipment to a diverse portfolio of customers. The key drivers for revenues are oil and natural gas prices. Independent forecasts of these commodity prices have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2016.

#### Oil & Gas North America

Oil & Gas North America includes the Weir SPM, Weir Seaboard and Weir Mathena brands. This CGU is a supplier of oil and gas well service pumps, wellhead solutions, associated flow control equipment and services to the oil and gas production industry. Demand in Oil & Gas North America is closely related to the number of conventional and unconventional 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, during the final quarter of 2016.

#### Impairment testing assumptions

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
Flow Control	Value in use	5 years	13.5%	1.2% (2015: 1.2%)	Revenue growth EBIT margins	External forecast Historic experience
Minerals	Value in use	5 years	16.3% (2015: 15.4%)	1.2% (2015: 1.2%)	Revenue growth EBIT margins	External forecast Historic experience
Oil & Gas EMEA	Value in use	5 years	13.7%	1.2% (2015: 1.2%)	Revenue growth EBIT margins	External forecast Historic experience
Oil & Gas North America	Value in use	5 years	15.3% (2015: 13.2%)	1.2% (2015: 1.2%)	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 bond yields, equity market risk premium 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 held consistent with the prior year at 1.2% (2015: 1.2%), reflecting the increasingly global nature of these businesses and the fact that they sell a significant proportion of their products to emerging markets which have long-term stronger growth prospects than their home markets.

#### 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.

### Impairment testing and sensitivity analysis

For Flow Control, Minerals and Oil & Gas EMEA base case forecasts show significant headroom above carrying value. No sensitivity analysis has been undertaken for these CGUs as there is no reasonable possible change in key assumptions that would cause the carrying values to exceed recoverable amounts.

Following the prolonged downturn in the oil & gas market, the end of 2016 marked the beginning of a more positive outlook on volumes and cash flows. Despite this, available headroom in Oil & Gas North America CGU is £109.0m (11%). This is a marginal improvement from prior year reflecting greater visibility and certainty of market recovery as well as further restructuring. It was determined that no impairment charge is required to be recognised at the year end in relation to Oil & Gas North America (2015: £225.5m). Given the modest headroom available in the Oil & Gas North America CGU, sensitivity analysis was performed with revised metrics.

The following table shows the impact on the available headroom of the changes to assumptions used in the Oil & Gas North America impairment model.

	Increase by 50bps £m	Decrease by 50 bps £m	Increase by 5% £m	Decrease by 5% £m
Discount rate	(95)	89	n/a	n/a
Real growth rate	71	(80)	n/a	n/a
Forecast revenue growth*	n/a	n/a	168	(168)
EBIT margin	65	(65)	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 relative to the impairment testing assumptions.

Continued market depression over subsequent years could give rise to an impairment due to the current level of headroom. This scenario is reflected in the decrease in forecast revenue growth sensitivity or a combination of adverse movements in the other sensitivity assumptions albeit no mitigating cost actions have been included in the sensitivity analysis. Sensitivity applied to discount rates, growth rates and EBIT margins individually would not lead to an impairment.

However, as explained in other sections of this annual report (but specifically in the Financial Review on page 24 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 fully respond to a market upturn.

A return to profitability for Oil & Gas North America is envisaged in 2017, with continued growth in subsequent years driving increased operating cash flows offset by investment in working capital in line with volumes. The growth is expected to lead to a measured return to more 'normal' operating levels.

## Notes to the Group Financial Statements continued

**15. Investments in joint ventures**

The investments in joint ventures are as follows.

	£m
At 2 January 2015	33.7
Disposals	–
Share of results	8.3
Share of dividends	(10.0)
Exchange adjustment	1.4
At 1 January 2016	<b>33.4</b>
Share of results	<b>7.2</b>
Share of dividends	<b>(7.3)</b>
Exchange adjustment	<b>7.2</b>
At 31 December 2016	<b>40.5</b>

Details of the Group's share of the balance sheet, revenue and profit of each of its joint ventures are given below.

	2016 £m	2015 £m
Share of joint ventures' balance sheets		
Goodwill	<b>15.9</b>	13.2
Current assets	<b>33.2</b>	26.1
Non-current assets	<b>4.7</b>	4.6
Current liabilities	<b>(11.4)</b>	(9.0)
Non-current liabilities	<b>(1.9)</b>	(1.5)
Net assets	<b>40.5</b>	33.4
Share of joint ventures' revenue & profits		
Revenue	<b>47.3</b>	47.7
Cost of sales	<b>(31.9)</b>	(31.5)
Selling & distribution costs	<b>(5.6)</b>	(4.3)
Administrative expenses	<b>(1.0)</b>	(2.0)
Income tax expense	<b>(1.6)</b>	(1.6)
Profit after tax	<b>7.2</b>	8.3

The Group's investments in joint ventures are listed on page 197.

**16. Inventories**

	2016 £m	2015 £m
Raw materials	<b>125.8</b>	162.9
Work in progress	<b>137.5</b>	112.5
Finished goods	<b>288.3</b>	203.3
	<b>551.6</b>	478.7

In 2016, the cost of inventories recognised as an expense within cost of sales amounted to £1,241.7m (2015: £1,248.3m). In 2016, the write-down of inventories to net realisable value amounted to £20.1m (2015: £40.0m), which included £3.6m in relation to China and £4.3m in relation to other Group restructuring actions, as disclosed in note 5. Write-downs in both years relate to 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 £39.2m (2015: £22.3m) are in respect of insurance contracts relating to asbestos-related claims in the USA. Further detail is presented in note 22.

Current trade & other receivables are analysed in the following table.

	2016 £m	2015 £m
Trade receivables	<b>387.8</b>	371.9
Allowance for doubtful debts	<b>(17.7)</b>	(18.3)
	<b>370.1</b>	353.6
Other debtors	<b>48.3</b>	39.9
Sales tax receivable	<b>14.2</b>	12.8
Accrued income	<b>24.2</b>	18.6
Prepayments	<b>21.1</b>	19.8
Contingent consideration receivable	<b>3.9</b>	–
	<b>481.8</b>	444.7

The average credit period on sales of goods is 73 days (2015: 67 days). Other debtors includes £9.3m (2015: £2.4m) in respect of amounts due from joint ventures, and £8.3m (2015: £5.9m) in respect of insurance contracts relating to asbestos-related claims made in the USA (note 22).

**Analysis of trade receivables**

	2016 £m	2015 £m
Neither impaired nor past due	<b>262.7</b>	254.2
Past due but not impaired	<b>107.4</b>	99.4
Impaired	<b>17.7</b>	18.3
	<b>387.8</b>	371.9

**Ageing of past due but not impaired trade receivables**

	2016 £m	2015 £m
Up to 3 months	<b>76.1</b>	67.2
Between 3 & 6 months	<b>9.0</b>	15.1
More than 6 months	<b>22.3</b>	17.1
	<b>107.4</b>	99.4

**Movement in the allowance for doubtful debts**

	2016 £m	2015 £m
Balance at the beginning of the period	<b>(18.3)</b>	(17.9)
Impairment losses recognised on receivables	<b>(3.1)</b>	(6.1)
Arising on disposal of business	<b>0.1</b>	–
Amounts written off as uncollectable	<b>4.1</b>	4.7
Amounts recovered during the period	<b>0.9</b>	0.3
Impairment losses reversed	<b>1.0</b>	0.1
Exchange adjustment	<b>(2.4)</b>	0.6
Balance at the end of the period	<b>(17.7)</b>	(18.3)

Impairment losses recognised in 2016 include £3.1m (2015: £1.1m) as part of Group restructuring actions as disclosed in note 5.

## Notes to the Group Financial Statements continued

**17. Trade & other receivables** continued**Ageing of impaired trade receivables**

	2016 £m	2015 £m
Up to 3 months	0.8	0.5
Between 3 & 6 months	2.2	1.3
More than 6 months	14.7	16.5
	<b>17.7</b>	18.3

**18. Construction contracts**

	2016 £m	2015 £m
Gross amount due from customers for contract work (included in current assets)	23.8	28.5
Gross amount due to customers for contract work (included in current liabilities)	(4.2)	(8.9)
	<b>19.6</b>	19.6
Contract costs incurred plus recognised profits less recognised losses to date	76.5	78.1
Less: progress billings	(56.9)	(58.5)
	<b>19.6</b>	19.6

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 £1.3m (2015: £2.8m).

**19. Cash & short-term deposits**

	2016 £m	2015 £m
Cash at bank & in hand	148.2	174.2
Government securities & short-term deposits	110.4	9.8
	<b>258.6</b>	184.0

For the purposes of the Consolidated Cash Flow Statement, cash & cash equivalents comprise the following.

Cash & short-term deposits	258.6	184.0
Bank overdrafts & short-term borrowings (note 20)	(1.6)	(4.7)
	<b>257.0</b>	179.3

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 &amp; borrowings

					2016 £m	2015 £m
<b>Current</b>						
Bank overdrafts					1.2	4.1
Short-term borrowings					0.4	0.6
					1.6	4.7
Bank loans					–	24.4
Commercial paper					142.1	166.4
Obligations under finance leases (note 27)					0.3	0.1
					144.0	195.6
<b>Non-current</b>						
Bank loans					31.1	45.5
Fixed rate notes					917.5	767.7
Obligations under finance leases (note 27)					0.5	0.2
					949.1	813.4
<b>Bank loans</b>						
	<b>Maturity</b>	<b>Interest basis</b>	<b>Weighted average interest rate</b>		<b>2016</b>	<b>2015</b>
			<b>2016</b>	<b>2015</b>	<b>£m</b>	<b>£m</b>
			<b>%</b>	<b>%</b>		
<b>Revolving credit facility</b>						
United States Dollar variable rate loans	2021	US\$ LIBOR	1.09	0.77	31.0	45.4
Sterling variable rate loans	2021	£ LIBOR	–	–	–	–
<b>Other</b>						
Uncommitted facility loan	2016	£ LIBOR	–	0.89	–	23.0
Argentinian Peso fixed rate loan facilities	2019	FIXED	18.18	18.18	0.1	0.1
South African Rand loan facility	2016	ZAR JIBAR	–	7.89	–	1.4
					31.1	69.9
Less: current instalments due on bank loans						
Uncommitted facility loan	2016	£ LIBOR			–	(23.0)
South African Rand loan facility	2016	ZAR JIBAR			–	(1.4)
Non-current bank loans					31.1	45.5

## Notes to the Group Financial Statements continued

## 20. Interest-bearing loans &amp; borrowings continued

Commercial paper	Maturity	Interest basis	Weighted average interest rate		2016 £m	2015 £m
			2016 %	2015 %		
<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	2017	EUR LIBOR	<b>0.17</b>	0.15	<b>142.1</b>	118.0
					<b>142.1</b>	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	2017	EUR LIBOR			<b>(142.1)</b>	(118.0)
Non-current commercial paper					–	–

The weighted average interest rates include an applicable margin over and above the interest basis.

Fixed rate notes	Maturity	Interest basis	Fixed interest rate		2016 £m	2015 £m
			2016 %	2015 %		
<b>Private placement</b>						
Sterling fixed rate notes	2018	FIXED	<b>5.36</b>	5.36	<b>43.0</b>	43.0
United States Dollar fixed rate notes	2018	FIXED	<b>5.03</b>	5.03	<b>57.2</b>	47.5
United States Dollar fixed rate notes	2019	FIXED	<b>3.69</b>	3.69	<b>171.7</b>	142.2
United States Dollar fixed rate notes	2022	FIXED	<b>4.27</b>	4.27	<b>482.1</b>	399.6
United States Dollar fixed rate notes	2023	FIXED	<b>4.34</b>	4.34	<b>163.5</b>	135.4
Non-current fixed rate notes					<b>917.5</b>	767.7

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

At 31 December 2016, a total of £142.1m equivalent (2015: £166.4m equivalent) was outstanding under the Group's US\$1bn commercial paper programme.

At 31 December 2016, US\$40.0m (2015: US\$70.0m) was drawn under the revolving credit facility. The US\$800m multi-currency revolving credit facility matures in two tranches between September 2020 and September 2021. Total unamortised issue costs at 31 December 2016 were £2.5m (2015: £3.6m).

**21. Trade & other payables**

	2016 £m	Restated (note 2) 2015 £m
<b>Current</b>		
Trade payables	<b>268.2</b>	223.6
Other creditors	<b>9.4</b>	16.3
Other taxes & social security costs	<b>16.5</b>	14.6
Accruals	<b>165.0</b>	127.4
Contingent consideration payable	<b>17.3</b>	13.3
Deferred income	<b>71.7</b>	64.6
	<b>548.1</b>	459.8
<b>Non-current</b>		
Other payables	<b>1.2</b>	–
Contingent consideration payable	<b>13.7</b>	22.6
	<b>14.9</b>	22.6

**22. Provisions**

	Warranties & onerous sales contracts £m	Employee related £m	Exceptional rationalisation £m	Other £m	Total £m
At 1 January 2016	<b>27.6</b>	<b>50.6</b>	<b>36.3</b>	<b>2.5</b>	<b>117.0</b>
Additions	<b>9.5</b>	<b>18.4</b>	<b>63.0</b>	<b>1.1</b>	<b>92.0</b>
Disposal of business	<b>(0.4)</b>	–	–	–	<b>(0.4)</b>
Utilised	<b>(13.9)</b>	<b>(7.7)</b>	<b>(58.1)</b>	<b>(0.5)</b>	<b>(80.2)</b>
Unwind	–	<b>0.7</b>	–	–	<b>0.7</b>
Unutilised	<b>(3.2)</b>	<b>(2.8)</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>(6.8)</b>
Exchange adjustment	<b>3.9</b>	<b>10.2</b>	<b>6.4</b>	<b>0.6</b>	<b>21.1</b>
At 31 December 2016	<b>23.5</b>	<b>69.4</b>	<b>47.1</b>	<b>3.4</b>	<b>143.4</b>
Current 2016	<b>18.2</b>	<b>19.8</b>	<b>42.5</b>	<b>2.7</b>	<b>83.2</b>
Non-current 2016	<b>5.3</b>	<b>49.6</b>	<b>4.6</b>	<b>0.7</b>	<b>60.2</b>
At 31 December 2016	<b>23.5</b>	<b>69.4</b>	<b>47.1</b>	<b>3.4</b>	<b>143.4</b>
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

**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.

## Notes to the Group Financial Statements continued

### 22. Provisions continued

#### Employee related

Employee related provisions arise from legal obligations, some of which relate to compensation associated with periods of service, while the majority 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 cases of this nature with all claims directly managed by the Group's insurers who also meet associated defence costs. The insurers and their legal advisers agree and execute the defence strategy between them and there are currently no related cash flows to or from the Group. We expect this to continue for the foreseeable future.

A review was completed in 2014, in conjunction with external advisors, 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 were assessed as extending to a period of ten years from the balance sheet date. During the prior period costs were charged against the provision and additional charges were made to the provision to reflect new claims.

During the current period, the estimates underlying the provision have continued to be reassessed and refined as the Group's claims experience has developed. Since the initial review in 2014 the period of claims has been 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. While the overall level of claims experience remains relatively immature, the additional claims history provides the Group with growing confidence around our ability to estimate the level of future claims.

As a result the provision has been updated to reflect ten years of projected future claims. This has increased cash flows in the model to sixteen years from the balance sheet date. On this basis the provision has been increased by £19.4m (including £7.2m adverse FX) to £47.5m at December 2016. The corresponding insurance asset has been increased by an equivalent amount.

The increase to ten years of projected claims reflects our growing confidence in the claims data available but also the inherent uncertainty associated with estimating future costs in respect of asbestos-related diseases. Actuarial estimates of future indemnity and defence costs associated with asbestos-related diseases are subject to significantly greater uncertainty than actuarial estimates for other types of exposures. This uncertainty results from factors that are unique to the asbestos claims litigation and settlement process including but not limited to:

- i) The possibility of future state or federal legislation applying to claims for asbestos-related diseases;
- ii) The ability of plaintiff's bar to develop and sustain new legal theory and/or develop new populations of claimants;
- iii) Changes in focus of plaintiff's bar;
- iv) Changes in the Group's defence strategy; and
- v) Changes in the financial condition of other co-defendants in suits naming the Group and affiliated businesses.

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. Sensitivity analysis has been conducted which involved increasing the number of projected future settled claims and estimated settlement value. An increase or decrease of 10% on the settlement value and number of settled claims would not lead to a material change in the provision.

A provision of £47.5m represents 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 develops. A corresponding asset continues to be recognised for insurance proceeds.

In the UK, there are outstanding asbestos-related claims which are not the subject of insurance cover. The extent of the UK asbestos exposure involves a series of legacy employers liability claims which all relate to former UK operations and employment periods in the 1960's and 1970's. In 1989 the Group's employer's liability insurer (Chester Street Employers Association Ltd) was placed into run-off which effectively generated an uninsured liability exposure for all future long tail disease claims with an exposure period pre-dating 1 January 1972. All claims with a disease exposure post 1 January 1972 are fully compensated via the Government established Financial Services Compensation Scheme (FSCS). Any settlement to a former employee whose service period straddles 1972 is calculated on a pro rata basis. The Group provides for these claims 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. An exercise was completed in 2016 which found based on additional claims experience the actual claims cost is lower than the provision previously held. The provision has been adjusted accordingly.

#### Exceptional rationalisation

In light of the prolonged downturn across the Group's major end markets, the Group has provided an additional £63.0m (2015: £47.6m) during the period. The provision incorporates committed costs for cash restructuring costs. Identification of a number of pre and post-acquisition liabilities, predominantly in Trio China, has resulted in additional provision in 2016. The majority of the provision will be utilised in 2017.

#### Other

Other provisions relate to dilapidations and various other legal claims and exposures across the Group.

## 23. Deferred tax

	2016 £m	2015 £m
<b>Deferred income tax assets</b>		
Post-employment benefits	26.4	18.6
Decelerated depreciation for tax purposes	2.9	11.0
Intangible assets	5.1	10.9
Untaxed reserves	131.8	94.7
Offset against liabilities	(124.1)	(115.0)
Deferred income tax assets	42.1	20.2
<b>Deferred income tax liabilities</b>		
Accelerated depreciation for tax purposes	(20.9)	(26.0)
Overseas tax on unremitted earnings	(23.1)	(20.5)
Intangible assets	(190.9)	(170.7)
Other temporary differences	(10.3)	(13.1)
Offset against assets	124.1	115.0
Deferred income tax liabilities	(100.5)	(115.3)
<b>Net deferred income tax liabilities</b>	<b>(58.4)</b>	<b>(95.1)</b>

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 2 January 2015	21.4	(37.8)	(24.1)	(160.0)	62.5	(138.0)
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
Credited to equity	(2.3)	–	–	–	(0.3)	(2.6)
Exchange adjustment	0.1	–	1.0	(6.0)	0.8	(4.1)
At 1 January 2016	17.3	(15.0)	(20.5)	(159.8)	82.9	(95.1)
Prior year adjustments	1.7	(3.0)	–	–	2.1	0.8
(Charged) credited to the income statement (note 7)	(2.0)	3.0	1.6	5.4	36.4	44.4
Charged to equity	8.4	–	–	–	0.2	8.6
Exchange adjustment	1.0	(3.0)	(4.2)	(31.4)	20.5	(17.1)
At 31 December 2016	26.4	(18.0)	(23.1)	(185.8)	142.1	(58.4)

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, £34.2m relates to carried forward interest deductions in the USA. USA 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 2018 and 2019 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 £11.5m (2015: £7.3m) 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 £4.2m (2015: £4.4m) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

## Notes to the Group Financial Statements continued

### 23. Deferred tax continued

#### Temporary differences associated with Group investments

A deferred tax liability of £23.1m (2015: £20.5m) 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 31 December 2016, 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 £1,986.6m (2015: £1,515.8m).

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

#### UK Corporation tax rate changes

Legislation was enacted on 26 October 2015 such that the main rate of UK corporation tax will be 19% from April 2017 and 17% 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 17.8% (2015: 19.9%).

### 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.

The weighted average duration of the expected benefit payments from the Main Plan is around 17 years and from the Executive Plan it is around 14 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 two insurance policies which match the liabilities in respect of a significant proportion of deferred and retired pensioners.

The regulatory framework in the UK requires the pension scheme 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 against these assumptions 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 USA and Canada and certain unfunded post-employment healthcare benefits for senior employees in the USA.

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 the UK and North America and are as follows.

	UK pensions		North American pensions		North American post-retirement healthcare	
	2016	2015	2016	2015	2016	2015
Significant actuarial assumptions:						
Discount rate (% pa)	<b>2.6</b>	3.7	<b>3.9</b>	4.2	<b>3.9</b>	4.2
Retail Prices Inflation assumption (% pa)	<b>3.3</b>	3.0	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Post-retirement mortality (life expectancies in years):						
Current pensioners at 65 – male	<b>22.2</b>	22.4	<b>20.8</b>	21.2	<b>20.8</b>	21.2
Current pensioners at 65 – female	<b>24.3</b>	24.5	<b>22.8</b>	23.2	<b>22.8</b>	23.2
Future pensioners at 65 – male	<b>24.0</b>	24.1	<b>22.4</b>	22.9	<b>22.4</b>	22.9
Future pensioners at 65 – female	<b>26.2</b>	26.4	<b>24.9</b>	24.9	<b>24.9</b>	24.9
Other related actuarial assumptions:						
Rate of increases for pensions in payment (% pa)						
Pre 6 April 2006 service	<b>3.1</b>	2.9	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Post 5 April 2006 service	<b>2.1</b>	2.0	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Consumer Prices Inflation assumption (% pa)	<b>2.2</b>	2.0	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Rate of increase in healthcare costs	<b>n/a</b>	n/a	<b>n/a</b>	n/a	<b>**</b>	*

\* 7.2% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.

\*\* 6.7% 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 2037 (in 20 years time).

The assets and liabilities of the plans are as follows.

	Total	
	2016 £m	2015 £m
Plan assets at fair value		
Equities (quoted)	<b>216.7</b>	174.5
Diversified Growth Funds (primarily quoted)	<b>51.5</b>	46.4
Corporate bonds (quoted)	<b>85.6</b>	77.0
Government bonds (quoted)	<b>97.2</b>	81.2
Insurance policies (unquoted)	<b>379.2</b>	345.1
Cash (quoted)	<b>2.0</b>	3.2
Fair value of plan assets	<b>832.2</b>	727.4
Present value of funded obligations	<b>(960.9)</b>	(801.4)
Net funded obligations	<b>(128.7)</b>	(74.0)
Present value of unfunded obligations	<b>(8.5)</b>	(7.8)
Net liability	<b>(137.2)</b>	(81.8)
Plans in surplus	<b>9.8</b>	8.2
Plans in deficit	<b>(147.0)</b>	(90.0)

## Notes to the Group Financial Statements continued

**24. Pensions & other post-employment benefit plans** continued**Assumptions** continued

The Government bonds held are primarily index-linked, with only around 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.

	2016 £m	2015 £m
Opening net liabilities	<b>(81.8)</b>	(94.3)
Expense charged to profit and loss	<b>(3.5)</b>	(5.0)
Amount recognised in statement of comprehensive income	<b>(53.0)</b>	13.5
Employer contributions	<b>3.9</b>	4.3
Currency adjustment	<b>(2.8)</b>	(0.3)
Closing net liabilities	<b>(137.2)</b>	(81.8)

The amounts recognised in the consolidated income statement and in the consolidated statement of comprehensive income for the period are analysed as follows.

	2016 £m	2015 £m
<b>Recognised in the Consolidated Income Statement</b>		
Current service cost	–	(1.1)
Administrative expenses	<b>(0.5)</b>	(0.6)
Included in operating profit	<b>(0.5)</b>	(1.7)
Interest on net pension liability	<b>(3.0)</b>	(3.3)
Total expense charged to profit & loss	<b>(3.5)</b>	(5.0)

**Recognised in the Consolidated Statement of Comprehensive Income**

Actual return on plan assets	<b>134.7</b>	21.5
Less: interest on plan assets	<b>(26.5)</b>	(25.4)
	<b>108.2</b>	(3.9)
Other actuarial (losses) gains due to		
Changes in financial assumptions	<b>(172.3)</b>	24.9
Changes in demographic assumptions	<b>11.1</b>	2.7
Experience on benefit obligations	–	(10.2)
Actuarial (losses) gains recognised in the Consolidated Statement of Comprehensive Income	<b>(53.0)</b>	13.5

Current service cost and administration expenses are recognised in operating costs and 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 Group made special contributions of £2.8m in 2016 (2015: £2.6m) 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 the 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 Executive Plan actuarial valuation as 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 and the current exposure draft of the revised 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 total Group contributions for 2017 (including those expected from the SLP in the UK) are expected to be £6.8m.

### Sensitivity analysis

Changes in key assumptions can have a significant effect on the reported retirement benefit obligation and the income statement expense for 2017. The effects of changes in those assumptions are set out in the table below.

	Increase 2016 £m	Decrease 2016 £m	Increase 2015 £m	Decrease 2015 £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	<b>146.1</b>	<b>(177.4)</b>	110.9	(132.7)
Effect on net liability of a 1.0% change	<b>109.4</b>	<b>(136.5)</b>	80.9	(99.5)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	<b>(90.3)</b>	<b>82.8</b>	(69.7)	64.3
Effect on net liability of a 1.0% change	<b>(64.2)</b>	<b>58.1</b>	(47.6)	43.4
Life expectancy				
Effect on defined benefit obligation of a 1 year change	<b>(29.5)</b>	<b>29.5</b>	(24.7)	24.7
Effect on net liability of a 1 year change	<b>(15.5)</b>	<b>15.5</b>	(12.0)	12.0

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.

	2016 £m	2015 £m
Opening defined benefit obligations	<b>(809.2)</b>	(836.2)
Current service cost	–	(1.1)
Interest on benefit obligations	<b>(29.5)</b>	(28.7)
Benefits paid	<b>35.7</b>	40.1
Actuarial gains (losses) due to		
Changes in financial assumptions	<b>(172.3)</b>	24.9
Changes in demographic assumptions	<b>11.1</b>	2.7
Experience on benefit obligations	–	(10.2)
Exchange rate adjustment	<b>(5.2)</b>	(0.7)
Closing defined benefit obligations	<b>(969.4)</b>	(809.2)

## Notes to the Group Financial Statements continued

**24. Pensions & other post-employment benefit plans** continued**Sensitivity analysis** continued

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

	2016 £m	2015 £m
Opening plan assets	727.4	741.9
Interest on plan assets	26.5	25.4
Employer contributions	3.9	4.3
Administrative expenses	(0.5)	(0.6)
Benefits paid	(35.7)	(40.1)
Actual return on plan assets less interest on plan assets	108.2	(3.9)
Exchange rate adjustment	2.4	0.4
Closing plan assets	832.2	727.4

**25. Share capital & reserves**

	2016 Number Million	2015 Number Million
<b>Issued &amp; fully paid share capital</b>		
At the beginning of the period	214.7	214.1
Issued during the period in respect of scrip dividends	3.7	–
Issued during the period in respect of Delta Valves acquisition	–	0.6
At the end of the period	218.4	214.7
<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 31 December 2016, 5,590 shares (2015: 27,851) were held by the Kleinwort EBT with a market value of £0.1m (2015: £0.3m).

As at 31 December 2016, 44,917 shares (2015: 93,666) were held by the Estera EBT for the performance and restricted awards made under the LTIP. These shares have a market value of £0.8m (2015: £1.3m).

As at 31 December 2016, 28,871 shares (2015: 18,676) were held by the Estera EBT for the bonus shares awarded under the LTIP. These shares have a market value of £0.5m (2015: £0.2m).

**Merger reserve**

The merger reserve was created by the issue of new equity in relation to the acquisition of Delta Industrial Valves Inc. during the prior 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.

	2016 £m	2015 £m
Revenue	0.1	0.6
Cost of sales	(1.7)	(2.6)
Administrative expenses	(0.3)	0.3
Inventory	–	0.1
	(1.9)	(1.6)

**26. Additional cash flow information**

	Notes	2016 £m	2015 £m
<b>Total operations</b>			
<b>Net cash generated from operations</b>			
Operating profit (loss) – continuing operations		<b>90.3</b>	(133.1)
Operating loss – discontinued operations		<b>(3.8)</b>	(25.2)
Operating profit (loss) – total operations		<b>86.5</b>	(158.3)
Exceptional items	5,8	<b>77.5</b>	364.7
Amortisation of intangible assets	12	<b>50.3</b>	52.5
Share of results of joint ventures	15	<b>(7.2)</b>	(8.3)
Depreciation of property, plant & equipment	11	<b>56.2</b>	63.4
Impairment of property, plant & equipment		–	0.3
Gains on disposal of property, plant & equipment		<b>(1.1)</b>	(1.6)
Funding of pension & post-retirement costs		<b>(0.6)</b>	–
Employee share schemes		<b>4.1</b>	(2.3)
Transactional foreign exchange		<b>6.6</b>	4.5
Decrease in provisions		<b>(11.3)</b>	(5.7)
Cash generated from operations before working capital cash flows		<b>261.0</b>	309.2
Decrease in inventories		<b>7.1</b>	25.2
Decrease in trade & other receivables and construction contracts		<b>57.5</b>	189.3
Decrease in trade & other payables and construction contracts		<b>(33.0)</b>	(127.2)
Cash generated from operations		<b>292.6</b>	396.5
Additional pension contributions paid	24	<b>(2.8)</b>	(2.6)
Exceptional cash items	5	<b>(58.1)</b>	(33.4)
Income tax paid		<b>(15.7)</b>	(50.4)
Net cash generated from operating activities		<b>216.0</b>	310.1

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 cash flows from discontinued operations included above are disclosed separately in note 8.

## Notes to the Group Financial Statements continued

**26. Additional cash flow information** continued

The following tables summarise the cash flows arising on acquisitions and disposals.

	2016 £m	2015 £m
<b>Acquisitions of subsidiaries</b>		
Current period acquisitions (see below)	–	(12.9)
Prior period acquisitions contingent consideration paid	<b>(10.6)</b>	(2.8)
Prior period acquisitions completion adjustment	–	1.6
	<b>(10.6)</b>	(14.1)
Acquisition of subsidiaries – cash paid	–	(14.4)
Cash & cash equivalents acquired	–	1.5
Acquisition of subsidiaries – current period acquisitions	–	(12.9)
Settlement of external debt of subsidiary on acquisition	–	(1.2)
Total cash outflow on current period acquisitions	–	(14.1)
Prior period acquisitions contingent consideration paid	<b>(10.6)</b>	(2.8)
Prior period acquisitions completion adjustment	–	1.6
Total cash outflow relating to acquisitions	<b>(10.6)</b>	(15.3)
<b>Net cash inflow arising on disposal</b>		
Consideration received in cash & cash equivalents	<b>35.4</b>	–
Less: cash & cash equivalents disposed of	<b>(4.0)</b>	–
Total cash inflow relating to disposals	<b>31.4</b>	–
	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
<b>Reconciliation of net increase in cash &amp; cash equivalents to movement in net debt</b>		
Net increase in cash & cash equivalents from total operations	<b>32.2</b>	34.2
Net decrease in debt	<b>92.4</b>	49.4
Change in net debt resulting from cash flows	<b>124.6</b>	83.6
Lease inception	<b>(1.2)</b>	(0.1)
Loans/leases disposed	<b>0.1</b>	–
Foreign currency translation differences	<b>(133.0)</b>	(47.8)
Change in net debt during the period	<b>(9.5)</b>	35.7
Net debt at the beginning of the period	<b>(825.0)</b>	(860.7)
Net debt at the end of the period	<b>(834.5)</b>	(825.0)
<b>Net debt comprises the following</b>		
Cash & short-term deposits (note 19)	<b>258.6</b>	184.0
Current interest-bearing loans & borrowings (note 20)	<b>(144.0)</b>	(195.6)
Non-current interest-bearing loans & borrowings (note 20)	<b>(949.1)</b>	(813.4)
	<b>(834.5)</b>	(825.0)

## 27. Commitments & legal claims

### Operating lease commitments

The Group has entered into commercial leases for land & buildings, motor vehicles and plant & equipment. Land & 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. Future minimum rentals payable under non-cancellable operating leases are shown in the table below.

	2016 £m	2015 £m
Less than 1 year	32.8	29.6
After 1 year but no more than 5 years	82.3	71.3
More than 5 years	65.5	43.6
	<b>180.6</b>	144.5

### 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 2016 £m	Present value of payments 2016 £m	Minimum payments 2015 £m	Present value of payments 2015 £m
Less than 1 year	0.4	0.3	0.1	0.1
After 1 year but not more than 5 years	0.4	0.5	0.2	0.2
Total minimum lease payments	0.8		0.3	
Present value of minimum lease payments	0.8	0.8	0.3	0.3

The weighted average outstanding lease term is 2.42 years (2015: 2.69 years). For the period ended 31 December 2016, the weighted average effective borrowing rate was 7.28% (2015: 4.89%).

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

### Capital commitments

	2016 £m	2015 £m
Outstanding capital commitments contracted but not provided for – property, plant & equipment	13.3	20.1
Outstanding capital commitments contracted but not provided for – intangible assets	1.6	8.9

The Group's share of the capital commitments of its joint ventures amounted to £nil (2015: £0.1m).

### Legal claims

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

## Notes to the Group Financial Statements continued

**28. Equity settled share-based payments****Employee option plans**

There are four types of awards which were made under the Group's LTIP 2004 rules to senior executives; performance shares, matching shares, compulsory investment and voluntary investment shares. Under the subsequent LTIP 2014 rules the types of awards which may be made under this Plan to senior executives include; bonus shares, performance shares and restricted shares. Details of each award are outlined in the Remuneration Report on pages 86 to 109.

One off conditional share awards are occasionally issued to employees. These transactions fall under the scope of IFRS 2 and are treated in line with awards issued under the Group's LTIP.

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

	2016 Number Million	2016 WASP	2015 Number Million	2015 WASP
Outstanding at the beginning of the period	1.7	£21.84	1.5	£23.43
Awarded during the period	1.3	£11.58	0.9	£17.85
Forfeited during the period	(0.5)	£22.91	(0.7)	£19.82
Outstanding at the end of the period	2.5	£16.24	1.7	£21.84

An amount of £4.0m has been charged (2015: £0.5m credited) 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.

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

Year of award	2016 Number Million	2016 Remaining contractual life	2015 Number Million	2015 Remaining contractual life
2013	–	–	0.4	3 months
2014	0.5	3 months	0.5	15 months
2015	0.7	15 months	0.8	27 months
2016	1.3	27 months	–	–

The fair value of occasional one off conditional awards at grant date is estimated by taking the market price of the Company's shares on that date less an adjustment for loss of the reinvestment return on the dividend equivalent during the vesting period.

The fair value at date of grant of the conditional awards under the LTIP has been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the periods ended 31 December 2016 and 1 January 2016 in the calculation of the fair value of awards made in those years.

	2016	2015
Weighted average expected volatility (%)	37.00	28.93
Weighted average expected life (years)	3.00	2.96
Weighted average risk free rate (%)	0.70	0.83
Weighted average share price (£)	12.13	17.85
Weighted average fair value (£)	9.14	14.73

The expected life of the awards is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. Market related performance conditions have been taken into account in the calculation of fair values.

### 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.

The following table illustrates the number of shares awarded under the Deferred Bonus Plan. The final award under the Deferred Bonus Plan was granted in 2013 and vested in 2016, therefore the Plan is now closed.

	2016 Number Million	2015 Number Million
Outstanding at the beginning of the period	0.1	0.2
Exercised during the period	(0.1)	(0.1)
Outstanding at the end of the period	–	0.1

An amount of £0.1m has been charged (2015: £1.8m credit) to the consolidated income statement in respect of the number of awards which were 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	<b>2016</b>	<b>26.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	–
	2015	18.4	0.4	1.4	0.8	–
Group pension plans	<b>2016</b>	–	–	–	–	<b>4.1</b>
	2015	–	–	–	–	2.1

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 2016, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2015: £nil) as the payment history has been excellent. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel	2016 £m	2015 £m
Short-term employee benefits	6.1	4.9
Share-based payments	–	0.5
Post-employment benefits	0.2	0.3
	<b>6.3</b>	5.7
Emoluments paid to the Directors of The Weir Group PLC	2016 £m	2015 £m
Remuneration	3.3	2.4
Gains made on the exercise of Long Term Incentive Plan awards	–	0.4
	<b>3.3</b>	2.8

Key management comprises the Board and the Group Executive. Further details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 86 to 109.

## Notes to the Group Financial Statements continued

**30. Financial instruments****A. Derivative financial instruments**

The Group enters into derivative financial instruments in the normal course of business in order to hedge its exposure to foreign exchange risk. Derivatives are only used for economic hedging purposes and no speculative positions are taken. Derivatives are recognised as held for trading and at fair value through profit and loss unless they are designated in IAS 39 compliant hedge relationships.

The table below summarises the types of derivative financial instrument included within each balance sheet category.

	2016 £m	2015 £m
<b>Included in non-current assets</b>		
Forward foreign currency contracts designated as cash flow hedges	–	0.1
Cross currency swaps designated as net investment hedges	–	8.3
Other forward foreign currency contracts	–	0.1
	–	8.5
<b>Included in current assets</b>		
Forward foreign currency contracts designated as cash flow hedges	–	0.2
Forward foreign currency contracts designated as net investment hedges	–	0.9
Other forward foreign currency contracts	<b>24.0</b>	13.1
	<b>24.0</b>	14.2
<b>Included in current liabilities</b>		
Forward foreign currency contracts designated as cash flow hedges	<b>(1.2)</b>	(1.5)
Forward foreign currency contracts designated as net investment hedges	<b>(15.2)</b>	(4.4)
Cross currency swaps designated as net investment hedges	<b>(6.3)</b>	–
Other forward foreign currency contracts	<b>(7.5)</b>	(8.2)
	<b>(30.2)</b>	(14.1)
<b>Included in non-current liabilities</b>		
Forward foreign currency contracts designated as cash flow hedges	–	(0.9)
Cross currency swaps designated as net investment hedges	<b>(14.7)</b>	(4.8)
Other forward foreign currency contracts	<b>(0.2)</b>	(0.1)
	<b>(14.9)</b>	(5.8)
<b>Net derivative financial (liabilities) assets</b>	<b>(21.1)</b>	2.8



## B. Financial assets and liabilities

Financial assets and liabilities (with the exception of derivative financial instruments) are initially recognised at fair value net of transaction costs. Subsequently they are recognised at either fair value or amortised cost. Derivative financial instruments are initially recognised at fair value and subsequently re-measured at fair value.

### Carrying amounts and fair values

The table below shows the carrying amounts and fair values of the Group's financial instruments that are reported in the financial statements.

	Carrying amount 2016 £m	Fair value 2016 £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	24.0	24.0	–	24.0	–
Contingent consideration receivable	3.9	3.9	–	–	3.9
Trade & other receivables excluding statutory assets & prepayments*	481.8	481.8			
Cash & short-term deposits*	258.6	258.6			
	<b>768.3</b>	<b>768.3</b>			
<b>Financial liabilities</b>					
Derivative financial instruments recognised at fair value through profit or loss	7.7	7.7	–	7.7	–
Derivative financial instruments in designated hedge accounting relationships	37.4	37.4	–	37.4	–
Contingent consideration payable	31.0	31.0	–	–	31.0
Amortised cost:					
Fixed rate borrowings	917.5	1,012.7	–	1,012.7	–
Floating rate borrowings	173.2	173.2	–	173.2	–
Obligations under finance leases	0.8	0.8	–	0.8	–
Bank overdrafts & short-term borrowings*	1.6	1.6			
Trade & other payables excluding statutory liabilities & deferred income*	443.8	443.8			
	<b>1,613.0</b>	<b>1,708.2</b>			

## Notes to the Group Financial Statements continued

**30. Financial instruments** continued  
**B. Financial assets and liabilities** continued  
**Carrying amounts and fair values** continued

	Restated (note 2) Carrying amount 2015 £m	Restated (note 2) 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			
	641.1	641.1			
<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 payable	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*	367.3	367.3			
	1,432.1	1,409.6			

\* 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.

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 31 December 2016 and 1 January 2016 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 periods ended 31 December 2016 and 1 January 2016, 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.

**Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legal right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

	Gross amounts	Amounts set off in the balance sheet	Net amounts presented in the balance sheet
Cash & short term deposits	£260.9m	£2.3m	£258.6m
Interest bearing loans & borrowings (current)	£146.3m	£2.3m	£144.0m

As at 1 January 2016, cash & short-term deposits of £184.0m and current interest bearing loans & borrowings of £195.6m were presented after elimination of debit and credit balances within individual pools of £405.6m.

The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in specific circumstances. As at 31 December 2016, the Group had derivative financial instruments of (£21.1m) which were subject to master netting arrangements but not offset.

**C. Hedging activities**

The Group designates certain derivative financial instruments in either cash flow hedging or net investment hedging relationships in accordance with IAS 39.

	Cash Flow Hedge	Net Investment Hedge
Hedge relationship	Cash flow hedge of highly probable forecast foreign currency purchases and sales	Net investment hedge of foreign operations
Hedged risk	Transactional foreign exchange risk	Translational foreign exchange risk
Hedging instruments	Forward foreign currency contracts	Foreign currency debt Cross currency swaps Forward foreign currency contracts

For each type of derivative financial instrument, the net carrying amount, maturity dates and the amounts recognised for the period in profit or loss and equity are set out in the table below. In the financial statements these amounts are offset by the retranslation of currency denominated receivables and payables.

Period ended 31 December 2016	Net carrying amount £m	Maturity dates	Gain 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	(1.2)	2017 to 2018	1.9	(0.7)	(0.4)
Forward foreign currency contracts designated as net investment hedges	(15.2)	2017	–	(53.6)	–
Cross currency swaps designated as net investment hedges	(21.0)	2017 to 2018	–	(26.6)	–
Other forward foreign currency contracts at fair value through profit or loss	16.3	2017 to 2019	40.6	–	–
	(21.1)		42.5	(80.9)	(0.4)

52 weeks ended 1 January 2016	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
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

**D. Financial risk management**

Financial risk management of the Group is carried out by Group Treasury in conjunction with individual subsidiaries. The principal financial risks to which the Group is exposed are market risk, liquidity risk and credit risk.

**Market risk**

The Group is exposed to foreign exchange risk and interest rate risk in the ordinary course of business.

**i) Foreign exchange risk**

The Group is exposed to both transactional and translational foreign exchange risk. Transactional risk arises when subsidiaries enter into transactions denominated in currencies other than their functional currency for operational or financing purposes. Translational risk arises on the translation of overseas earnings and investments into Sterling for consolidated reporting purposes. 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 foreign currency transactions, usually by undertaking forward foreign currency contracts through the Group’s Treasury function. Certain companies apply cash flow hedge accounting in accordance with IAS 39. The Group does not engage in any speculative foreign exchange transactions.

The Group has material foreign investments in the USA, Australia, Europe and South Africa. In respect of translational risk, the Group has a policy of partially hedging its net investment exposure to US Dollar (US\$), Australian Dollar (AUD), Euro (EUR) and South African Rand (ZAR) denominated subsidiaries. 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.

## Notes to the Group Financial Statements continued

## 30. Financial instruments continued

## D. Financial risk management continued

## Sensitivity to foreign exchange rates

The Group considers the most significant transactional foreign exchange risk relates to the Australian Dollar, Euro and US Dollar. The following table shows the impact of movements in derivative valuation as a result of a weakening of these currencies.

Transactional foreign exchange	Increase in currency rate	Effect on profit gain (loss) £m	Effect on equity gain £m
<b>2016</b>			
Australian Dollar	+25%	6.2	18.5
Euro	+25%	8.0	12.8
US Dollar	+25%	(1.1)	124.6
<b>2015</b>			
Australian Dollar	+25%	0.8	14.9
Euro	+25%	1.5	6.7
US Dollar	+25%	(2.3)	101.2

The Group is also exposed to translational foreign exchange risk as a result of its global operations and therefore the earnings of the Group will fluctuate due to changes in foreign exchange rates. The Group's operating profit from continuing operations before exceptional items and intangibles amortisation was denominated in the following currencies.

Translational foreign exchange	2016 £m	Restated (note 2) 2015 £m
US Dollar	70.0	112.8
Australian Dollar	33.8	31.6
Euro	26.2	22.3
Canadian Dollar	36.6	30.6
United Arab Emirates Dirham	5.8	21.6
Chilean Peso	35.6	30.6
South African Rand	4.9	1.3
Brazilian Real	3.6	4.3
Russian Rouble	6.9	3.8
UK Sterling	(11.2)	(13.0)
Other	1.8	11.6
Operating profit from continuing operations before exceptional items & intangibles amortisation	214.0	257.5

## ii) Interest rate risk

The Group is exposed to interest rate risk on its outstanding borrowings. Changes in interest rates will affect future interest cash flows on floating rate debt and the fair value of fixed rate borrowings.

The earnings of the Group are sensitive to changes in interest rates in respect of floating rate borrowings. As at 31 December 2016, 16% of the Group's borrowings were at floating interest rates. The interest rate profile of the Group's interest bearing borrowings was:

	2016			2015		
	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m	Total £m
US Dollar	(32.7)	(875.2)	(907.9)	(90.9)	(726.2)	(817.1)
Euro	(142.1)	–	(142.1)	(118.0)	–	(118.0)
UK Sterling	–	(43.0)	(43.0)	(28.0)	(43.0)	(71.0)

## Sensitivity to interest rates

Based on borrowings at 31 December 2016, a 1% increase in interest rates would have £1.7m impact on the profit before tax and amortisation of the Group. This assumes that the change in interest rates is effective from the beginning of the period and that all other variables are constant throughout the period.

### Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial liabilities as they fall due.

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.

The tables below show only the financial liabilities of the Group by maturity. The amounts disclosed in the table are undiscounted cash flows and may therefore not agree to the amounts disclosed in the balance sheet.

The Group manages its liquidity to ensure that it always has sufficient funding to grow the business and is able to meet its obligations as they fall due.

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
<b>Period ended 31 December 2016</b>					
Cross currency swaps – outflow	(97.2)	(58.7)	–	–	(155.9)
Cross currency swaps – inflow	88.5	44.2	–	–	132.7
Forward foreign currency contracts – net outflow	(0.9)	(0.1)	(0.1)	–	(1.1)
<b>Cash flows relating to derivative financial liabilities</b>	<b>(9.6)</b>	<b>(14.6)</b>	<b>(0.1)</b>	<b>–</b>	<b>(24.3)</b>
Trade & other payables excluding statutory liabilities & deferred income	(461.3)	(13.7)	–	–	(475.0)
Obligations under finance leases	(0.3)	(0.3)	(0.2)	–	(0.8)
Bank overdrafts & short-term borrowings	(1.6)	–	–	–	(1.6)
Bank loans	(0.4)	(0.4)	(33.8)	–	(34.6)
Commercial paper	(142.1)	–	–	–	(142.1)
Fixed rate notes	(39.2)	(134.5)	(255.7)	(657.0)	(1,086.4)
<b>Cash flows relating to non-derivative financial liabilities</b>	<b>(644.9)</b>	<b>(148.9)</b>	<b>(289.7)</b>	<b>(657.0)</b>	<b>(1,740.5)</b>
	<b>(654.5)</b>	<b>(163.5)</b>	<b>(289.8)</b>	<b>(657.0)</b>	<b>(1,764.8)</b>
<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
Forward foreign currency contracts – net outflow	(0.8)	(0.9)	–	–	(1.7)
<b>Cash flows relating to derivative financial liabilities</b>	<b>(2.2)</b>	<b>6.0</b>	<b>(4.7)</b>	<b>–</b>	<b>(0.9)</b>
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)
<b>Cash flows relating to non-derivative financial liabilities</b>	<b>(609.9)</b>	<b>(34.3)</b>	<b>(378.6)</b>	<b>(567.3)</b>	<b>(1,590.1)</b>
	<b>(612.1)</b>	<b>(28.3)</b>	<b>(383.3)</b>	<b>(567.3)</b>	<b>(1,591.0)</b>

## Notes to the Group Financial Statements continued

### 30. Financial instruments continued

#### D. Financial risk management continued

##### Credit risk

The Group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties to its derivative 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. In addition, applicable credit worthiness checks are undertaken with external credit rating agencies before entering into contracts with 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 instruments is limited by the adherence to counterparty credit 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.

The maximum exposure to credit risk is equal to the carrying value of the financial assets of the Group.

### 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's banking arrangements 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 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 2.8 times but remains actively managed.

	2016	2015
Net debt at average exchange rates (£m)	<b>758.3</b>	796.5
Operating profit (loss) (£m)	<b>90.3</b>	(155.8)
Exceptional items included in operating profit (note 5) (£m)	<b>73.1</b>	113.3
Depreciation, intangibles amortisation & impairment (£m)	<b>106.5</b>	367.3
EBITDA (£m)	<b>269.9</b>	324.8
Net debt to EBITDA cover (ratio)	<b>2.8</b>	2.5

#### Interest cover

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

	2016	2015
Operating profit before exceptional items & intangibles amortisation (£m)	<b>214.0</b>	261.4
Net finance costs (excluding exceptional items and other finance costs) (£m)	<b>40.7</b>	35.8
Interest cover (ratio)	<b>5.3</b>	7.3

**Gearing ratio**

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

	2016	2015
Net debt (£m)	<b>834.5</b>	825.0
Total equity (£m)	<b>1,383.6</b>	1,197.8
Gearing ratio (%)	<b>60.3</b>	68.9

**32. Exchange rates**

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

	2016	2015
<b>Average rate (per £)</b>		
US Dollar	<b>1.36</b>	1.53
Australian Dollar	<b>1.83</b>	2.04
Euro	<b>1.22</b>	1.38
Canadian Dollar	<b>1.80</b>	1.96
United Arab Emirates Dirham	<b>4.98</b>	5.61
Chilean Peso	<b>918.59</b>	1,000.85
South African Rand	<b>20.00</b>	19.53
Brazilian Real	<b>4.75</b>	5.10
Russian Rouble	<b>91.20</b>	93.65

**Closing rate (per £)**

US Dollar	<b>1.22</b>	1.47
Australian Dollar	<b>1.70</b>	2.02
Euro	<b>1.17</b>	1.36
Canadian Dollar	<b>1.65</b>	2.04
United Arab Emirates Dirham	<b>4.49</b>	5.41
Chilean Peso	<b>813.76</b>	1,044.14
South African Rand	<b>16.63</b>	22.81
Brazilian Real	<b>3.97</b>	5.84
Russian Rouble	<b>73.89</b>	107.45

## Company Balance Sheet at 31 December 2016

	Notes	31 December 2016 £m	1 January 2016 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3	0.2	0.1
Property, plant & equipment	4	4.2	4.1
Investments in subsidiaries	5	3,101.6	2,681.1
Deferred tax assets	6	20.6	12.3
Trade & other receivables	7	42.5	40.5
Retirement benefit plan assets	8	9.8	8.2
Derivative financial instruments	9	0.1	9.3
<b>Total non-current assets</b>		<b>3,179.0</b>	2,755.6
<b>Current assets</b>			
Trade & other receivables	7	145.5	138.8
Derivative financial instruments	9	69.3	23.5
Cash & short-term deposits		14.6	58.3
<b>Total current assets</b>		<b>229.4</b>	220.6
<b>Total assets</b>		<b>3,408.4</b>	2,976.2
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade & other payables	10	1,282.9	1,052.3
Derivative financial instruments	9	43.1	18.7
<b>Total current liabilities</b>		<b>1,326.0</b>	1,071.0
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings	11	1,398.4	1,182.7
Derivative financial instruments	9	14.8	5.8
Provisions	12	0.2	1.1
Deferred tax liabilities	6	3.4	5.1
Retirement benefit plan deficits	8	131.1	76.3
<b>Total non-current liabilities</b>		<b>1,547.9</b>	1,271.0
<b>Total liabilities</b>		<b>2,873.9</b>	2,342.0
<b>NET ASSETS</b>		<b>534.5</b>	634.2
<b>CAPITAL &amp; RESERVES</b>			
Share capital	13	27.3	26.8
Share premium		86.2	38.0
Merger reserve		9.4	9.4
Treasury shares		(5.9)	(5.8)
Capital redemption reserve		0.5	0.5
Special reserve		1.8	1.8
Retained earnings		415.2	563.5
<b>TOTAL EQUITY</b>		<b>534.5</b>	634.2

In accordance with the concession granted under section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company has not been separately presented in these financial statements. The loss of the Company was £13.5m (2015: profit of £100.5m).

Approved by the Board of Directors on 22 February 2017.

**Jon Stanton**  
Director

**John Heasley**  
Director



## Company Statement of Changes in Equity for the period ended 31 December 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 2 January 2015	26.8	38.0	–	(5.8)	0.5	1.8	548.9	610.2
Profit for the period	–	–	–	–	–	–	100.5	100.5
Remeasurements on defined benefit plans	–	–	–	–	–	–	12.9	12.9
Tax relating to other comprehensive income	–	–	–	–	–	–	(2.1)	(2.1)
Total net comprehensive income for the period	–	–	–	–	–	–	111.3	111.3
Issue of shares	–	–	9.4	–	–	–	–	9.4
Share-based payments credit inclusive of tax charge	–	–	–	–	–	–	(2.7)	(2.7)
Dividends (note 2)	–	–	–	–	–	–	(94.0)	(94.0)
At 1 January 2016	<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>
Loss for the period	–	–	–	–	–	–	(13.5)	(13.5)
Remeasurements on defined benefit plans	–	–	–	–	–	–	(53.2)	(53.2)
Tax relating to other comprehensive expense	–	–	–	–	–	–	8.6	8.6
<b>Total net comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(58.1)</b>	<b>(58.1)</b>
Issue of shares	<b>0.5</b>	<b>48.2</b>	–	–	–	–	–	<b>48.7</b>
Cost of share-based payments inclusive of tax credit	–	–	–	–	–	–	4.3	4.3
Dividends (note 2)	–	–	–	–	–	–	(94.5)	(94.5)
Purchase of shares*	–	–	–	(0.1)	–	–	–	(0.1)
<b>At 31 December 2016</b>	<b>27.3</b>	<b>86.2</b>	<b>9.4</b>	<b>(5.9)</b>	<b>0.5</b>	<b>1.8</b>	<b>415.2</b>	<b>534.5</b>

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

## 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 period ended 31 December 2016 ('2016') were approved and authorised for issue in accordance with a resolution of the Directors on 22 February 2017. The comparative information is presented for the period ended 1 January 2016 ('2015'). 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 current period being to the annual report date of 31 December 2016. This has not significantly impacted 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 on a going concern basis under the historic cost convention and in accordance with FRS 101 and applied in accordance with the provisions of the Companies Act 2006. 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) Disclosure of key management compensation as required by paragraph 17 of IAS 24 'Related party disclosures';
- v) Disclosure of related party transactions with wholly owned subsidiaries as required by IAS 24 'Related party disclosures'; and
- vi) Paragraph 10(d), paragraph 10(f), and paragraphs 134-136, of IAS 1 'Presentation of financial statements'.

The Company is the parent of the Weir Group PLC. Its principal activity is to act as a holding company for the Group and perform the head office function.

#### 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 12), retirement benefits (note 8) and deferred taxation (note 6).

#### 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

The value of property, plant & equipment is presented at historical cost.

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
Office & computer equipment	3 – 10 years

#### Intangible assets

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

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

Purchased software	4 – 8 years
--------------------	-------------

#### Investments

Investments in subsidiaries are held at cost less accumulated impairment losses.

Loans and receivables are carried at amortised cost using the effective interest method.

### 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 employees. 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 Executive Bonus Scheme (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. The Company also has other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

A financial asset is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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, spot foreign exchange rates and counterparty and own credit risk. 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 total comprehensive income 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. (Loss) profit attributable to the Company

The loss dealt with in the accounts of the Company was £13.5m (2015: profit of £100.5m). The corporate tax credit dealt with in the accounts of the Company was £12.4m (2015: £5.6m).

	2016 £m	2015 £m
<b>Dividends paid &amp; proposed</b>		
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2015: 29.0p (2014: 29.0p)	62.0	61.9
Interim dividend for 2016: 15.0p (2015: 15.0p)	32.5	32.1
	<b>94.5</b>	94.0
Proposed for approval by shareholders at the Annual General Meeting		
Final dividend for 2016: 29.0p (2015: 29.0p)	63.1	62.1

For the 2015 final and 2016 interim dividends, shareholders on record were provided the opportunity to receive dividends in the form of new fully paid ordinary shares through The Weir Group PLC Scrip Dividend Scheme. Participation in the Scheme resulted in shares with a value of £29.6m being issued and a cash dividend of £32.4m for the 2015 final settlement, and shares with a value of £19.1m being issued and a cash dividend of £13.4m for the 2016 interim settlement.

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.

	2016 £m	2015 £m
<b>Employee benefits expense</b>		
Wages & salaries	14.5	13.7
Social security costs	2.3	1.8
Pension costs		
Defined benefit plans (note 8)	0.2	1.5
Defined contribution plans	0.4	–
Share-based payments – equity settled transactions	4.1	(2.3)
	<b>21.5</b>	14.7

At 31 December 2016, the average number of people employed by the Company was 89 (2015: 97).

### Directors

Details of Directors' remuneration, benefits and LTIP awards are included in the Remuneration report on pages 86 to 109, and in note 29 to the Group financial statements.

### Auditors' remuneration

Our current auditors, PriceWaterhouseCoopers LLP and their associates were appointed at the Annual General Meeting on 28 April 2016 replacing Ernst & Young LLP and their associates. The total fees payable by the Company to our auditors for work performed in respect of the audit of the Company were £20,000 (2015: £15,000). Fees paid to PwC 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. Intangible assets

	Purchased software Total £m
<b>Cost</b>	
At 1 January 2016	0.9
Additions	0.2
At 31 December 2016	1.1
<b>Aggregate amortisation</b>	
At 1 January 2016	0.8
Charge for period	0.1
At 31 December 2016	0.9
Net book value at 1 January 2016	0.1
<b>Net book value at 31 December 2016</b>	<b>0.2</b>

Outstanding commitments entered into on behalf of a subsidiary contracted but not provided for relating to intangible assets amounted to £0.9m (2015: £7.9m).

### 4. Property, plant & equipment

	Long leasehold land & buildings £m	Office & computer equipment £m	Total £m
<b>Cost</b>			
At 1 January 2016	3.8	1.6	5.4
Additions	0.4	0.1	0.5
At 31 December 2016	4.2	1.7	5.9
<b>Aggregate depreciation</b>			
At 1 January 2016	–	1.3	1.3
Charge for period	0.3	0.1	0.4
At 31 December 2016	0.3	1.4	1.7
Net book value at 1 January 2016	3.8	0.3	4.1
<b>Net book value at 31 December 2016</b>	<b>3.9</b>	<b>0.3</b>	<b>4.2</b>

Outstanding capital commitments contracted but not provided for relating to property, plant & equipment amounted to £2.0m (2015: £0.6m).

## Notes to the Company Financial Statements continued

## 5. Investments in subsidiaries

	Subsidiaries Shares £m	Loans £m	Total £m
<b>Cost</b>			
At 1 January 2016	1,739.0	947.7	2,686.7
Additions	–	429.1	429.1
Disposal	(0.1)	–	(0.1)
Settlement	–	(7.4)	(7.4)
At 31 December 2016	1,738.9	1,369.4	3,108.3
<b>Impairment</b>			
At 1 January 2016	0.2	5.4	5.6
Utilisation of provision	1.1	–	1.1
At 31 December 2016	1.3	5.4	6.7
Net book value at 1 January 2016	1,738.8	942.3	2,681.1
<b>Net book value at 31 December 2016</b>	<b>1,737.6</b>	<b>1,364.0</b>	<b>3,101.6</b>

The subsidiaries and joint ventures of the Company are listed on pages 197 to 214.

As at 31 December 2016, a historic provision of £1.1m (previously shown in note 12 Provisions) has been utilised against the deficiency of underlying net assets in certain subsidiaries.

## 6. Deferred tax

	2016 £m	2015 £m
<b>Deferred income tax assets</b>		
Retirement benefits	20.6	12.3
Deferred income tax assets	20.6	12.3
Deferred income tax liabilities	(3.4)	(5.1)
Other timing differences	(3.4)	(5.1)
Retirement benefits	20.6	12.3
	<b>17.2</b>	7.2

## 7. Trade &amp; other receivables

Trade and other receivables presented as non-current on the face of the Company balance sheet of £42.5m (2015: £40.5m) are in respect of a prepayment recognised as a result of the pension funding partnership structure. Further information pertaining to this arrangement can be found in note 8.

	2016 £m	2015 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	128.6	131.8
Tax receivable	12.9	1.0
Other debtors	3.8	4.6
Prepayments & accrued income	0.2	1.4
	<b>145.5</b>	138.8

## 8. 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 arrangement 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 17 years and from the Executive Plan it is around 14 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 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:

	2016	2015
Significant actuarial assumptions:		
Discount rate (% pa)	2.6	3.7
Retail Prices inflation assumption (% pa)	3.3	3.0
Post-retirement mortality (life expectancies in years):		
Current pensioners at 65 – male	22.2	22.4
Current pensioners at 65 – female	24.3	24.5
Future pensioners at 65 – male	24.0	24.1
Future pensioners at 65 – female	26.2	26.4
Other related actuarial assumptions:		
Rate of increases for pensions in payment (% pa)		
Pre 6 April 2006 service	3.1	2.9
Post 5 April 2006 service	2.1	2.0
Consumer Prices inflation assumption (% pa)	2.2	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).

## Notes to the Company Financial Statements continued

**8. Retirement benefits** continued

The assets and liabilities of the plans are as follows.

	2016 £m	2015 £m
Plan assets at fair value		
Equities (quoted)	<b>206.9</b>	168.6
Diversified Growth Funds (primarily quoted)	<b>51.5</b>	46.4
Corporate bonds (quoted)	<b>82.3</b>	71.0
Government bonds (quoted)	<b>97.2</b>	81.2
Insurance policies (unquoted)	<b>379.2</b>	345.1
Cash (quoted)	<b>1.6</b>	2.8
Fair value of plan assets	<b>818.7</b>	715.1
Present value of funded obligations	<b>(938.4)</b>	(781.8)
Net funded obligations	<b>(119.7)</b>	(66.7)
Present value of unfunded obligations	<b>(1.6)</b>	(1.4)
Net liability	<b>(121.3)</b>	(68.1)
Plan in surplus	<b>9.8</b>	8.2
Plan in deficit	<b>(131.1)</b>	(76.3)

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.

	2016 £m	2015 £m
Opening net liabilities	<b>(68.1)</b>	(80.1)
Expense charged to profit and loss	<b>(2.6)</b>	(4.3)
Amount recognised in statement of comprehensive income	<b>(53.1)</b>	12.9
Employer contributions	<b>2.5</b>	3.4
Closing net liabilities	<b>(121.3)</b>	(68.1)



The amounts recognised in the income statement and in the statement of comprehensive income for the period are analysed as follows.

	2016 £m	2015 £m
<b>Recognised in the Income Statement</b>		
Current service cost	–	(1.2)
Administrative expenses	<b>(0.2)</b>	(0.3)
Included in operating loss	<b>(0.2)</b>	(1.5)
Interest on net pension liability	<b>(2.4)</b>	(2.8)
Total expense charged to profit & loss	<b>(2.6)</b>	(4.3)
<b>Recognised in the Statement of Comprehensive Income</b>		
Actual return on plan assets	<b>133.7</b>	23.2
Less: interest on plan assets	<b>(25.9)</b>	(24.8)
	<b>107.8</b>	(1.6)
Other actuarial losses due to		
Changes in financial assumptions	<b>(171.6)</b>	24.3
Changes in demographic assumptions	<b>10.7</b>	2.1
Experience on benefit obligations	–	(11.9)
Actuarial (losses) gains recognised in the Statement of Comprehensive Income	<b>(53.1)</b>	12.9

Current service cost and administration expenses are recognised in operating costs and 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 2016 (2015: £2.4m) 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 the 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 accounting 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 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 Company has taken legal advice regarding its UK arrangements to confirm the accounting treatment under IFRIC 14 and the current exposure draft of the revised 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 total Company contributions for 2017 (including those expected from the SLP) are expected to be £4.5m.

## Notes to the Company Financial Statements continued

## 8. Retirement benefits continued

## Sensitivity analysis

Changes in key assumptions can have a significant effect on the reported net retirement benefit obligation and the income statement expense for 2017. The effects of changes in those assumptions are set out in the table below.

	Increase 2016 £m	Decrease 2016 £m	Increase 2015 £m	Decrease 2015 £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	<b>143.3</b>	<b>(174.3)</b>	108.3	(129.8)
Effect on net liability of a 1.0% change	<b>106.6</b>	<b>(133.3)</b>	78.3	(96.6)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	<b>(90.3)</b>	<b>82.8</b>	(69.7)	64.3
Effect on net liability of a 1.0% change	<b>(64.2)</b>	<b>58.1</b>	(47.6)	43.4
Life expectancy				
Effect on defined benefit obligation of a 1 year change	<b>(28.1)</b>	<b>28.1</b>	(23.4)	23.4
Effect on net liability of a 1 year change	<b>(14.1)</b>	<b>14.1</b>	(10.7)	10.7

The impact on the net liability is significantly reduced as a result of the insurance policies held. In the absence of such policies, the impact 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.

	2016 £m	2015 £m
Opening defined benefit obligations	<b>(783.2)</b>	(806.4)
Current service cost	–	(1.2)
Interest on benefit obligations	<b>(28.3)</b>	(27.6)
Benefits paid	<b>32.4</b>	37.5
Actuarial (losses) gains due to		
Changes in financial assumptions	<b>(171.6)</b>	24.3
Changes in demographic assumptions	<b>10.7</b>	2.1
Experience on benefit obligations	–	(11.9)
Closing defined benefit obligations	<b>(940.0)</b>	(783.2)

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

	2016 £m	2015 £m
Opening plan assets	<b>715.1</b>	726.3
Interest on plan assets	<b>25.9</b>	24.8
Employer contributions	<b>2.5</b>	3.4
Administrative expenses	<b>(0.2)</b>	(0.3)
Benefits paid	<b>(32.4)</b>	(37.5)
Actual return on plan assets less interest on plan assets	<b>107.8</b>	(1.6)
Closing plan assets	<b>818.7</b>	715.1

**9. Derivative financial instruments**

	2016 £m	2015 £m
<b>Non-current assets</b>		
Cross currency swaps	–	8.3
Forward foreign currency contracts	<b>0.1</b>	1.0
	<b>0.1</b>	9.3
<b>Current assets</b>		
Forward foreign currency contracts	<b>69.3</b>	23.5
	<b>69.3</b>	23.5
<b>Current liabilities</b>		
Cross currency swaps	<b>(6.3)</b>	–
Forward foreign currency contracts	<b>(36.8)</b>	(18.7)
	<b>(43.1)</b>	(18.7)
<b>Non-current liabilities</b>		
Cross currency swaps	<b>(14.7)</b>	(4.8)
Forward foreign currency contracts	<b>(0.1)</b>	(1.0)
	<b>(14.8)</b>	(5.8)

The figures in the above table include derivative financial instruments where the counterparty is a subsidiary of The Weir Group PLC.

**10. Trade & other payables**

	2016 £m	2015 £m
Bank overdrafts & short-term borrowings	<b>142.3</b>	414.4
Loans from subsidiaries	<b>1,078.3</b>	577.2
Amounts owed to subsidiaries	<b>28.5</b>	32.5
Other taxes & social security costs	<b>1.1</b>	1.8
Other creditors	<b>3.9</b>	6.4
Accruals & deferred income	<b>28.8</b>	20.0
	<b>1,282.9</b>	1,052.3

## Notes to the Company Financial Statements continued

## 11. Interest-bearing loans &amp; borrowings

	2016 £m	2015 £m
Amounts due are repayable as follows		
Less than one year		
– bank loans	–	23.0
– commercial paper	142.1	166.4
– loans from subsidiaries	1,078.3	577.2
More than one year but not more than two years		
– fixed rate notes	100.2	–
– loans from subsidiaries	340.6	–
More than two years but not more than five years		
– bank loans	31.4	45.4
– fixed rate notes	171.7	233.0
– loans from subsidiaries	108.9	278.4
More than five years		
– fixed rate notes	645.6	535.4
– loans from subsidiaries	–	90.5
	<b>2,618.8</b>	1,949.3
Less current instalments due on		
– bank loans	–	(23.0)
– commercial paper	(142.1)	(166.4)
– loans from subsidiaries	(1,078.3)	(577.2)
	<b>1,398.4</b>	1,182.7

The loans from subsidiaries with a maturity date greater than one year and less than two years are repayable in 2018 and have an interest rate of 6.61%. The loans from subsidiaries with a maturity date greater than two years and less than five years are repayable in 2020 and have an interest rate of 4.90%.

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.

## 12. Provisions

	Subsidiaries shares £m	Exceptional rationalisation £m	Total £m
At 1 January 2016	1.1	–	1.1
Additions	–	0.2	0.2
Utilised	(1.1)	–	(1.1)
At 31 December 2016	–	0.2	0.2

## Subsidiaries

As at 31 December 2016, a provision of £nil (2015: £1.1m) has been made against the deficiency of underlying net assets in certain subsidiaries. This provision has now been utilised and can be found in note 5 Investments in subsidiaries.

## Exceptional rationalisation

As at 31 December 2016, a provision of £0.2m (2015: £nil) has been made in respect of an onerous contract for leased premises. It is expected the property can be sublet within 12 months which will limit the exposure to the value of the provision.

**13. Share capital & reserves**

	2016 £m	2015 £m
<b>Allotted, called up &amp; fully paid</b>		
Ordinary shares of 12.5p each	<b>27.3</b>	26.8

The value of treasury shares is £0.1m, being 703,307 shares at 12.5p.

	2016 Number Million	2015 Number Million
<b>Shares allotted</b>		
Issued during the period in respect of Delta Valves acquisition	–	0.6
Issued during the period in respect of scrip dividend	<b>3.7</b>	–
<b>Treasury shares</b>		
At the beginning and end of the period	<b>0.7</b>	0.7
<b>Equity settled share-based payments</b>		
LTIP awards outstanding at the end of the period	<b>2.5</b>	1.7

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.

**Merger reserve**

The merger reserve was created by the issue of new equity in relation to the acquisition of Delta Industrial Valves Inc. during 2015.

**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.

**Special reserve**

The premium of £1.8m arising on the issue of shares for the acquisition of the entire share capital of Liquid Gas Equipment Limited in 1988 has been credited to a special reserve in accordance with the merger relief provisions of the Companies Act 1985.

**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.

	2016 £m	2015 £m
After 1 year but no more than 5 years	<b>2.4</b>	1.6
More than 5 years	<b>10.0</b>	10.8
	<b>12.4</b>	12.4

**15. Contingent liabilities & legal claims****Guarantees**

The Company has given guarantees in relation to the bank and other borrowings of certain subsidiary companies amounting to £616.6m (2015: £213.9m). These guarantees are treated as contingent liabilities until it becomes probable they will be called upon. The likelihood of the guarantees being called upon is considered remote.

**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.

## Notes to the Company Financial Statements continued

### 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		Group charges £m	Amounts due by £m
Weir ABF LP	<b>2016</b>	–	<b>56.3</b>
	2015	–	52.5
Weir Minerals (India) Private Ltd	<b>2016</b>	<b>0.1</b>	<b>0.1</b>
	2015	0.2	0.2
Ynfiniti Engineering Services SL	<b>2016</b>	–	–
	2015	0.1	0.3
Weir International Co. Ltd	<b>2016</b>	–	<b>0.1</b>
	2015	0.2	0.3
Vulco SA	<b>2016</b>	–	<b>0.1</b>
	2015	–	–

### 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.

## Subsidiary Undertakings

The subsidiary undertakings of the Company as at 31 December 2016 are noted below. Unless otherwise indicated, the Company's shareholdings are held indirectly.

^ Directly held by The Weir Group PLC.

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Aislación Sismica Perú SA	Peru	Av. Separadora Industrial No. 2201 Urb Volcano Ate Lima Peru	Ordinary	99.999%
Aspir Pty Ltd	Australia	1-5 Marden Street Artarmon NSW 2064 Australia	Ordinary	100%
Autotork Controls Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
Batley Valve Company Limited, (The)	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%^
Blakeborough Valves Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%^
Capstead Systems Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
CH Warman Asia Limited	Malta	32 Sovereign Building Zaghfran Road Attard ATD 9012 Malta	Ordinary	100%
Comercializadora TEP Limitada	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	100%
Cunnington and Cooper Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Delta Industrial Valves, Inc.	USA	The Corporation Company 40600 Ann Arbor Rd E Ste 201 Plymouth MI 48170-4675 USA	Common	100%
Dongying Weir Oil & Gas Pump Products Co., Ltd	China	No. 26 Fuqian Avenue Dongying China	n/a	100%
Downhole Oiltools Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
Duhn Oil Tool, Inc.	USA	3912 Gilmore Avenue Bakersfield California 93308 USA	Common	100%
Energy Products LLC	USA	National Corporate Research, Ltd. 850 New Burton Road Suite 201 Dover Kent Delaware 19904 USA	Units	49%
EnviroTech (Pty) Limited	Republic of South Africa	31 Isando Road Isando Gauteng 1600 South Africa Republic of South Africa	Ordinary	100%
EnviroTech Pumpsystems, Inc.	USA	Corporation Trust Center 1209 Orange St Wilmington New Castle Delaware 19801 USA	Common	100%
Fabrica de Aisladores Sismicos Ltda	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	100%
Fundición Vulco Ltda	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	100%
G. & J. Weir, Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
Hopkinsons Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>^</sup>



Name	Country of incorporation	Registered address	Class of shares	Percentage held
Hurricane Investments Inc.	USA	Corporation Trust Center 1209 Orange St Wilmington New Castle Delaware 19801 USA	Common	100%
Inversiones Linatex Chile (Holdings) Limitada	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	99%
JF (Jiangsu) Machinery Co. Ltd	China	East 188 Hu Tai Road Liuhe Town Taicang China	n/a	100%
Linatex (H.K.) Limited	Hong Kong	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong	Ordinary	100%
Linatex Africa (Pty) Limited	Republic of South Africa	5 Clarke Road Alrode 1541 PO Box 17872 Randhart 1457 South Africa	Ordinary	100%
Linatex Asset Holdings Malaysia Sdn. Bhd.	Malaysia	2nd Floor No. 2-4, Jalan Manau (PO Box 11379, 50744 K. Lumpur) Kuala Lumpur Wilayah Persekutuan 50460 Malaysia	Ordinary	100%
Linatex Australia Pty. Limited	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary A,B	100%
Linatex Chile Limitada	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	99%
Linatex Chile SPA	Chile	Santa Catalina De Chena 850 San Bernardo Santiago Chile	n/a	100%
Linatex Consolidated Holdings Limited	British Virgin Islands	PO Box 173 Kingston Chambers Road Town Tortola British Virgin Islands	Ordinary Series 1, 2 Preference	100%
Linatex Limited	England and Wales	C/O Weir Minerals Europe Halifax Road Todmorden Lancashire OL14 5RT	Ordinary	100%

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Linatex Rubber Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
Linatex Rubber Products Sdn. Bhd.	Malaysia	2nd Floor No. 2-4, Jalan Manau Kuala Lumpur Wilayah Persekutuan 50460 Malaysia	Ordinary	100%
Linatex UK Holding Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100% <sup>^</sup>
Metalúrgica Vulco Ltda	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	100%
Multiflo Pumps Pty Limited	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100%
Nuchem Weir India Limited	India	E-46/12 Okhla Phase-II New Delhi – 110020 New Delhi India	Equity	33%
P.S.L. International Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
PT Weir Minerals Contract Services Indonesia	Indonesia	Jl Mulawarman 29A RT. 003 Batakan Kecil Kelurahan Manggar East Kalimantan 76111 Indonesia	Ordinary	100%
PT Weir Minerals Indonesia	Indonesia	Jl Mulawarman 29A RT. 003 Batakan Kecil Kelurahan Manggar East Kalimantan 76111 Indonesia	Ordinary	100%
PT Weir Oil & Gas Indonesia	Indonesia	Jl Mulawarman 29A RT. 003 Batakan Kecil Kelurahan Manggar East Kalimantan 76111 Indonesia	Ordinary	95%

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Seaboard Canada Ltd.	Canada	5233-49 Avenue Red Deer Alberta T4N 6G5 Canada	Common	100%
Seaboard Holdings, Inc.	USA	Corporation Trust Center 1209 Orange Street Wilmington County of New Castle Delaware 19801 USA	Common	100%
Seaboard International Holding Company (Hong Kong) Limited	Hong Kong	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong	Ordinary	100%
Seaboard International Inc.	USA	CT Corporation System 350 N. Paul Street Dallas Texas 75201 USA	Common	100%
Seaboard Real Estate, LLC	USA	Corporation Trust Center 1209 Orange Street Wilmington County of New Castle Delaware 19801 USA	Units	100%
Shanghai JF Engineering Equipment Co. Ltd	China	No.572, Yonghe Road Jing'an District Shanghai China	n/a	100%
Shanghai JF Industries Co. Ltd	China	Building No. 1 1268 Shuang Zhu Road Huating Town Jiading District Shanghai China	n/a	100%
Shanghai JF Machinery Co. Ltd	China	4918 Liuxiang Road Xuhang Town Jiading District Shanghai China	n/a	100%
Shanghai Vortex Engineering Machinery Co. Ltd	China	Building No. 3 4918 Liuxiang Road Xuhang Town Jiading District Shanghai China	n/a	100%
Slurry Holdings Limited	Malta	32 Sovereign Building Zaghfran Road Attard ATD 9012 Malta	Ordinary	100%
Specialised Petroleum Manufacturing Limited	Scotland	SPM House Badentoy Crescent Badentoy Industrial Park Portlethen Aberdeen AB12 4YD	Ordinary	100%

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
SPM Flow Control de México, S. de R.L. de C.V.	Mexico	Bosque De Ciruelos 180 Bosques De Las Lomas Bosque Hayas Y Bosque De La Reforma Miguel Hidalgo Dirstrito Federal CP 11700 Mexico	Common	100%
SPM Flow Control Ltd.	Canada	5233-49 Ave Red Deer Alberta T4N 6G5 Canada	A, B, C, D Common E, F Preferred	100%
SPM Flow Control, Inc.	USA	601 Weir Way Fort Worth Texas 76108 USA	Common	100%
SPM UK Limited	Cayman Islands	C/o Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands	Ordinary	100%
The Weir Group Insurance Company Limited	Isle of Man	Rose House 51-59 Circular Road Douglas IM1 1RE Isle of Man	Ordinary	100%
The Weir Group International S.A.	Switzerland	c/o Daniel Schneuwly, Rue de Romont 35 Avocat 1700 Fribourg Switzerland	Ordinary	100%
The Weir Group Pension Trust Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary Limited by Guarantee	100% <sup>^</sup>
Trio Engineered Products (Hong Kong) Limited	Hong Kong	5008, 50F Central Plaza 18 Harbour Road Wan Chai Hong Kong	Ordinary	100%
Trio Engineered Products, Inc.	USA	12823 Schabarum Avenue Irwindale California 91706 USA	Common	100%
TWG Canada Holdings Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
TWG Cayman Limited	Cayman Islands	M&C Corporate Services Limited PO Box 309GT Ugland House, South Church Street George Town Grand Cayman Cayman Islands	Ordinary, Preference	100%

Name	Country of incorporation	Registered address	Class of shares	Percentage held
TWG Drilling Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
TWG Engineering (No.1) Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
TWG Engineering (No.2) Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%^
TWG Engineering (No.3) Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
TWG Engineering (No.4) Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
TWG Engineering (No.5) Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
TWG Engineering (No.7) Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
TWG Finance, Inc.	USA	Corporation Trust Center 1209 Orange Street City of Wilmington County of New Castle Delaware 19801 USA	Common	100%
TWG Investments (No.3) Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	100%^

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
TWG Investments (No.4) Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	100% <sup>^</sup>
TWG Investments (No.6) Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
TWG Investments (No.7) Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>^</sup>
TWG Investments (No.8) Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
TWG Investments (No.10) Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>^</sup>
TWG Overseas Finance S.à.r.l.	Luxembourg	20, Rue des Peupliers L - 2328 Luxembourg	Ordinary, Preference	100%
TWG South America Holdings Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	100%
TWG UK Forex Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
TWG UK Holdings Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
TWG US Forex Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
TWG US Holdings LLC	USA	Corporation Trust Center 1209 Orange Street City of Wilmington County of New Castle Delaware 19801 USA	Units	100%

Name	Country of incorporation	Registered address	Class of shares	Percentage held
TWG Young Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>^</sup>
Vulco Peru SA	Peru	Av. Separadora Industrial No. 2201 Urb Volcano Ate Lima Peru	Ordinary	100%
Vulco SA	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	99%
W. Luff Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
W.P.R. Marks Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary, Ordinary B	100%
Warman Pumps Ltd	Australia	1-3 Marden Street Artarmon Sydney New South Wales 2064 Australia	Ordinary	100%
Waterloo West Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100% <sup>^</sup>
Weir ABF LP	Scotland	1 West Regent Street Glasgow Scotland G2 1RW	Partnership	100%
Weir Arabian Metals Company Limited	Saudi Arabia	PO Box 2724 Makkah Street Dammam Second Industrial City Al Khobar 31952 Saudi Arabia	Common	49%
Weir B.V.	The Netherlands	PO Box 249 5900 AE Venlo Netherlands	Ordinary	100%
Weir Canada, Inc.	Canada	2360 Millrace Court Mississauga ON L5N 1W2 Canada	Common, Preference	100%

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Canadian Investments, Inc.	Canada	2360 Millrace Court Mississauga ON L5N 1W2 Canada	Common	100%
Weir Control Valves (Suzhou) Co., Ltd	China	Chun Wang Road Huangdai Town Xiangcheng District Suzhou Jiangsu Province China	n/a	75%
Weir do Brasil Ltda	Brazil	Av Jose Benassi, 2151 Condominio FAZGRAN – CEP 13213 085 Jundiai SP	Nominal	100%
Weir Drilling Services Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary A, B, C	100%
Weir Engineering Products (Shanghai) Co., Ltd	China	Room 318, Floor 3 No. 458, Fute North Road Shanghai China	n/a	100%
Weir Engineering Services Limited	Scotland	Pegasus House Bramah Avenue Scottish Enterprise Technology Park East Kilbride Glasgow G75 0RD	Ordinary	100%
Weir Flow Control (Hong Kong) Limited	Hong Kong	31st Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong	Ordinary	75%
Weir Floway, Inc.	USA	1105 North Market Street Suite 1300 Wilmington Delaware 19899 USA	Common	100%
Weir France SA	France	106 Boulevard Paul Raphel Saint Victoret 13730 France	Ordinary	100%
Weir Gabbioneta Poland Sp Z.O.O.	Poland	ul. Partyzantow, 4 42-300 Myszkow Poland	Ordinary	100%
Weir Gabbioneta S.r.l.	Italy	Via M.G. Agnesi 1 20834 Nova Milanese (MB) Italy	Ordinary	100%
Weir Group (Australian Holdings) Pty Limited	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100% <sup>^</sup>



Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Group (Overseas Holdings) Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
Weir Group African IP Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
Weir Group Energy Equipment (Suzhou) Co., Ltd.	China	Wangzhuang Road Dongqiao Town Xiangcheng Diistrict Suzhou Jiangsu Province China	n/a	100%
Weir Group Engineering Hong Kong Limited	Hong Kong	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong	Ordinary	100%
Weir Group General Partner Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%^
Weir Group Holdings Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%^
Weir Group Inc.	USA	Corporation Trust Center 1209 Orange Street City of Wilmington County of New Castle Delaware 19801 USA	Common, Preferred	100%
Weir Group Investments Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%^
Weir Group IP Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%^
Weir Group Management Services Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%^
Weir Group Trading (Shanghai) Co., Ltd.	China	Longlife Level 17 No. 1566 West Yan'an Road Shanghai China	n/a	100%

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Group Trading Mexico, S.A. de C.V.	Mexico	Av. Nafta 775 Parque Industrial Stiva Aeropuerto Apocada 66600 Mexico	Nominative	100%
Weir HBF (Pty) Ltd	Republic of South Africa	5 Clarke Street Alrode Alberton Gauteng 1449 South Africa	Ordinary	100%
Weir Heat Exchange Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%^
Weir Holdings B.V.	The Netherlands	5928 PH Egtenrayseweg 9 Venlo The Netherlands	Ordinary	100%
Weir India Private Limited	India	Office Unit No 912 and 914 9th Floor DLF Tower- A, Plot No 10 Jasola District Centre New Delhi 110025 India	Equity	100%
Weir International Co. Ltd	South Korea	#151, Beomjigi-ro Danwon-gu Ansan City Gyeonggi-do 425-852 South Korea	Common	60%
Weir Investments One Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	100%^
Weir Investments Two Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	100%^
Weir Investments Three Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
Weir Investments Four Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%^
Weir Malaysia Sdn. Bhd.	Malaysia	Tingkat 2 2-4, Jalan Manau Kuala Lumpur Wilayah Persekutuan 50460 Malaysia	Ordinary, Preference	100%

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Minerals Africa (Proprietary) Limited	Republic of South Africa	5 Clarke Road Alrode 1541 PO Box 17872 Randhart 1457 South Africa	Ordinary	100%
Weir Minerals Australia Ltd	Australia	1-3 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100%
Weir Minerals Botswana (Pty) Limited	Botswana	Plot 5039/5040 Somerset East Industrial Francistown Botswana	Ordinary	100%
Weir Minerals Central Africa Limited	Republic of Zambia	Plot 3655 Chimbuluma Road Kitwe Zambia	Ordinary	100%
Weir Minerals Central Africa SPRL	Democratic Republic of Congo	Avenue de la – 8412 Katanga Province Lubumbashi Democratic Republic of Congo	Ordinary	100%
Weir Minerals China Co., Limited	China	Factory #27 158 Hua Shan Road Suzhou New District Suzhou 215011 China	n/a	100%
Weir Minerals Colombia SAS	Colombia	Carrera 43 B # 16 41 Office 904 Building Staff Medellin Antioquia Colombia	Ordinary	100%
Weir Minerals East Africa Limited	Tanzania	Plot No. 137 Capri Point Mwanza Tanzania	Ordinary	100%
Weir Minerals Europe Limited	England and Wales	Halifax Road Todmorden Lancashire OL14 5RT	Ordinary	100%
Weir Minerals Finland OY	Finland	Askonkatu 9F Lahti Etela-Suomen Laani 15100 Finland	Ordinary	100%
Weir Minerals France SAS	France	7 Rue Edison Europarc du Chene 69500 Bron Cede France	Ordinary	100%
Weir Minerals GEHO China Co. Ltd	China	No. 23 Yuewang Avenue Shaxi Town Taicang China	n/a	100%

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Minerals Germany GmbH	Germany	Lise-Meitner-Straße 12 Heilbronn D-74074 Badenwürttemberg Germany	Ordinary	100%
Weir Minerals Hungary Kft	Hungary	Teleki László utca 11 1/3 Tábanya 2800 Hungary	Ordinary	100%
Weir Minerals (India) Private Limited	India	Office Unit No 912 and 914 9th Floor DLF Tower – A Plot No 10 Jasola District Centre New Delhi – 110025 New Delhi India	Equity	97%
Weir Minerals Italy Srl	Italy	Via F.lli Cervi 1/D 20063 Cernusco Sul Naviglio Milano Italy	Ordinary	100%
Weir Minerals Kazakhstan LLP	Kazakhstan	134 Karagandinskoye shosse str. Temirtau 101403 Kazakhstan	n/a	100%
Weir Minerals Mexico, S.A. de C.V.	Mexico	Av. Nafta 775 Parque Industrial Stiva Aeropuerto Apocada Nuevo Leon 66600 Mexico	Nominative	100%
Weir Minerals Mexico Servicios, S.A. de C.V.	Mexico	Av. Nafta 775 Parque Industrial Stiva Aeropuerto Apocada Nuevo Leon 66600 Mexico	Nominative	100%
Weir Minerals Mongolia LLC	Mongolia	205, 2nd Khoroo Bayangol District Ulaanbaatar Mongolia	n/a	100%
Weir Minerals Mozambique Ltd	Mozambique	Mozambique Maputo Cidade Distrito urban1 Bairro Central AV. Zedequias Manganhela	Ordinary	100%
Weir Minerals Netherlands B.V.	The Netherlands	P.O.Box 249 5900 AE Venlo The Netherlands	Ordinary	100%

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Minerals North Africa SARL	Morocco	Boulevard Sidi Mohamed Ben Abdellad IM B 1ER Etage N 29.10160 Casablanca Morocco	Ordinary	100%
Weir Minerals Poland Sp. z.o.o.	Poland	ul. Ignacego Domeyki 2 30-066 Krakow Poland	Ordinary	100%
Weir Minerals Pump & Mining Solutions Namibia (Pty) Ltd	Namibia	54 Hidipo Hamutenya Ave Swakopmund 9000 Namibia	Ordinary	100%
Weir Minerals RFW LLC (OOO)	Russia	Building 12 8 Marta Street 127083 Moscow Russia	n/a	100%
Weir Minerals Sweden AB	Sweden	Metallvagen 6 982 38 Gallivare Sweden	Class A, Class B	100%
Weir Minerals Taiwan Corp. Ltd	Taiwan	4F No. 431 Ruiguang Rd Neihu Dist Taipei City 11492 Taiwan	Ordinary	90%
Weir Minerals Ukraine LLC	Ukraine	31 Blagoyeva Street Dnepropetrovsk 49054 Ukraine	Ordinary	100%
Weir Minerals West Africa Limited	Ghana	Plot #IND/9/1A Industrial AreaTema PO Box CT 3170 Cantonments Accra Ghana	Ordinary	100%
Weir Oil & Gas Australia Pty Limited	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100%
Weir Oil & Gas Technical Service (Tianjin) Limited	China	Room 312 Rongke Building No. 8 Zhaofa Xincun Tianjin Economic-Technological Development Area China	n/a	100%
Weir Power & Industrial France SAS	France	106 Boulevard Paul Raphel Saint Victoret 13730 France	Ordinary	100%
Weir Power & Industrial Singapore Private Limited	Republic of Singapore	15 Tukang Innovation Drive Singapore 618299	Ordinary	100%

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Pumps Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
Weir Services Australia Pty Ltd	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100%
Weir Slurry Group Inc.	USA	CT Corporation System 8020 Excelsior Drive Suite 200 Madison Wisconsin 53717 USA	Common, Preferred	100%
Weir Solutions Caspian LLC	Azerbaijan	Apt 77/77A House 29 Zarifa Aliyeva Street Sabail District Baku City AZ1095 Azerbaijan	Ordinary	100%
Weir Solutions FZE	United Arab Emirates	Office no. W 312 West Side 1 Dubai Airport Free Zone Dubai United Arab Emirates	Ordinary	100%
Weir Solutions LLC	Oman	PO Box 168 Postal Code 1202 Muscat Sultanate of Oman	Common	100%
Weir SOS Limited	The Bahamas	Ocean Centre Montagu Foreshore East Bay Street Nassau New Providence The Bahamas	Ordinary	100%
Weir SPM do Brasil Comércio, Locação e Instalação de Bombas e Equipamentos Geradores de Pressão Ltda.	Brazil	Rua Internacional s/n Granja dos Cavaleiros Macaé Rio de Janeiro CEP 27930-075 Brasil	Nominal	100%
Weir SPM Singapore Pte Limited	Republic of Singapore	30 Cecil Street #19-08 Prudential Tower 049712 Singapore	Ordinary	100%
Weir Sudamerica SA	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	100%
Weir Support Services Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>^</sup>

Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Turkey Mineralleri Limited Sirketi	Turkey	Istanbul Tuzla Organize Sanayi Bolgesi 2. Cadde No. 12 Tepeoren Tuzla Istanbul 34959 Turkey	Bearer	100%
Weir US Holdings Inc.	USA	Corporation Trust Center 1209 Orange Street Wilmington County of New Castle Delaware 19801 USA	Common	100%
Weir USA Holdings, LLC	USA	29 Old Right Road Ipswich Massachusetts 01938 USA	Units	100%
Weir Valves & Controls UK Limited	England and Wales	Britannia House Huddersfield Road Elland Halifax West Yorkshire HX5 9JR	Ordinary	100%^
Weir Valves & Controls USA Inc.	USA	155 Federal Street Suite 700 Boston Massachusetts 02110 USA	Common, Preferred	100%
Weir Vulco Argentina S.A.	Argentina	Sarmiento 511 Sur 1°Piso A San Juan. CP 5400 Argentina	Ordinary	100%
Weir Vulco Venezuela S.A.	Venezuela	Zona Industrial UD321 Calle 6 instersección Transversal 'E' Parcela 12-01 Puerto Ordaz Venezuela	Ordinary	100%
Weir Warman (U.K.) Limited	England and Wales	Britannia House Huddersfield Road Elland Halifax West Yorkshire HX5 9JR	Ordinary	100%^
Weir YES Africa (Pty) Ltd	Republic of South Africa	5 Clarke Street Alrode Alberton Gauteng 1449 South Africa	Ordinary	100%
Wesco LLC	United Arab Emirates	Bin Hamoodah Towers Floor 13 Khalifa Street Abu Dhabi United Arab Emirates	Ordinary	100%

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held
WHW Group, Inc.	USA	Corporation Trust Center 1209 Orange Street City of Wilmington County of New Castle Delaware 19801 USA	Common	100%
Wilkinmark Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
Wokingham Finance Company Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100% <sup>^</sup>
Wuxi Weir Minerals Equipments Co. Limited	China	Lot 265 Wuxi-Singapore Industrial Park Wuxi City Jiangsu Province China	n/a	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

### Company Secretary & Registered Office

Christopher Morgan  
The Weir Group PLC  
1 West Regent Street  
Glasgow  
G2 1RW

Registered in Scotland. Company No.SC002934.

### Registrar

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 name or address, lost share certificates or dividend cheques, transfer of shares etc. should be addressed to Computershare.

### Shareholder communications

#### On-Line communications

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.

#### E-Communications

We are encouraging our shareholders to receive their information by e-mail and via our website. Not only is this quicker for shareholders to receive information, it helps to reduce paper, printing and costs.

To register for e-communications log on to [www.investorcentre.co.uk/ecomms](http://www.investorcentre.co.uk/ecomms)

#### Follow us



#### Annual and Interim Reports

Our Annual Report is available online. You can view or download the full Annual Report and Interim Report from our website at [www.global.weir/investors/reporting-centre](http://www.global.weir/investors/reporting-centre). Current and past Annual and Interim Reports are also available to view and download.

#### Managing your shareholding online with investor centre

Investor Centre is a free, secure online service run by Computershare, giving you convenient access to information on your shareholdings. Manage your shareholding online and take advantage of all these features and more:

- View share balances and market values for all of your Computershare-managed holdings.
- Update dividend mandate bank instructions and view dividend payment history.
- Register to receive company communications online.
- Cast your Proxy Vote online for forthcoming General Meetings.
- Update personal details, such as your address.

Registration is quick and easy. Just visit [www.investorcentre.co.uk](http://www.investorcentre.co.uk) with your Shareholder Reference Number (SRN) to hand.

After registering you will be sent an activation code in the post, used to validate your account. Once activated, you will have full access to Investor Centre services.

## Shareholder Information continued

## Ordinary shareholder analysis at 31 December 2016

## By holding size

Range	No. of Shareholders	%	No. of Shares	%
1 – 1,000	3,186	59.15	1,290,048	0.59
1,001 – 5,000	1,386	25.73	2,972,706	1.36
5,001 – 10,000	225	4.18	1,592,906	0.73
10,001 – 100,000	355	6.59	11,397,494	5.22
100,001 – 500,000	154	2.86	33,868,480	15.50
500,001 – 1,000,000	38	0.71	26,783,667	12.26
1,00,0001 – 999,999,999	42	0.78	140,536,354	64.34
<b>Total</b>	<b>5,386</b>	<b>100.00</b>	<b>218,441,655</b>	<b>100.00</b>

## Annual General Meeting 2017

Our Annual General Meeting will be held at our Head Office, 1 West Regent Street, Glasgow, at 2.30pm on Thursday 27 April 2017. Further details are contained in the Notice of Annual General Meeting 2017 which is available to download from our website at [www.global.weir/shareholder-information/aggm](http://www.global.weir/shareholder-information/aggm)

## Voting

Information on how you can vote electronically on the resolutions which will be put forward at our 2017 AGM can be obtained through our Registrar by visiting [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). You will need details of the Control Number, your SRN and PIN which can be found on the Form of Proxy or e-mail, if you have opted for e-mail communications.

## Dividends

## 2016 final dividend

The Directors have recommended a final dividend of 29.0 pence per share, for the period ended 31 December 2016. Payment of this dividend is subject to approval at the 2017 Annual General Meeting. Key dates relating to this dividend are given below.

Annual General Meeting	27 April 2017
Ex-dividend date	27 April 2017
Record date	28 April 2017
Final day for receipt of scrip elections	24 May 2017
Payment date	5 June 2017

## Dividend history – (pence per share)

	2013	2014	2015	2016
Interim	8.8	15.0	15.0	<b>15.0</b>
Final	33.2	29.0	29.0	<b>29.0</b>
<b>Total</b>	<b>42.0</b>	<b>44.0</b>	<b>44.0</b>	<b>44.0</b>

## 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

The best way to ensure that dividends are received as quickly as possible is to have your dividends 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 register 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/investors/shareholder-information/shareholders-faq](http://www.global.weir/investors/shareholder-information/shareholders-faq). 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 either electronically or to your registered address. In 2017, the Dividend Confirmation will be dispatched with the November 2017 dividend payment and will contain the payment information for dividends paid during the 2017/2018 tax year.

## 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'.

**Scrip Dividend Scheme**

Shareholders may elect to participate in the Company's Scrip Dividend Scheme (SCRIP). The SCRIP provides shareholders with the option to receive new fully paid ordinary shares in place of their cash dividend. Shareholders who participate in the SCRIP will be able to increase their shareholding in a simple, cost effective way without incurring dealing costs or stamp duty. All UK shareholders, including CREST members, can join the SCRIP, although certain restrictions apply to overseas shareholders. Holders of the Company's American Depository Receipts ('ADRs') are not eligible to join the SCRIP.

The price for the SCRIP dividend will be announced on 5 May 2017. The final date for receipt of SCRIP elections will be 24 May 2017. The 2016 final dividend will be paid on 5 June 2017.

**American Depository Receipt (ADR) programme**

The Company has a sponsored level 1 ADR programme in the United States. Each ADR represents 2 ordinary shares of 12.5 pence each, in the Company. The Company's ADR programme is administered by Citibank, who were appointed in February 2016.

**ADR investor contact**

Telephone: +1 781 575 4555

Citibank representatives are available from 8:30am to 6:00pm US Eastern Standard Time (EST) Monday to Friday.

E-mail: [citibank@shareholders-online.com](mailto:citibank@shareholders-online.com)

**In writing**

Citibank Shareholder Services

P.O. Box 43077

Providence, Rhode Island 029403077

**ADR broker contact**

Telephone: +1 212 723 5435/+44 207 500 2030

E-mail: [citiadr@citi.com](mailto:citiadr@citi.com)

**Dividend tax allowance**

From April 2016, dividend tax credits have been 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. We will continue to provide registered shareholders with confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is a shareholder's responsibility to include all dividend income when calculating any tax liability.

This provision is enshrined in the Finance Act 2016. If you have any tax queries, please contact a financial advisor.

**United Kingdom 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.

**Share dealing services**

Shareholders have the opportunity to buy or sell The Weir Group PLC shares using a share dealing facility operated by our Registrar, Computershare.

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.

## Shareholder Information continued

### Shareholder warning alert

#### 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/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm), 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
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
DBP	Deferred Bonus Plan
Director	A Director of The Weir Group PLC
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
emerging markets	Asia-Pacific, South America, Africa and the Middle East
EPCMs	Engineering, Procurement and Construction Management companies
EPS	Earnings per share
Estera EBT	Employee benefit trust (Estera Trust (Jersey) Limited)
Excellence Committees	Weir Group Management Committees ensuring best practice
External auditors	PricewaterhouseCoopers LLP
free cash flow	Cash flow from operating activities adjusted for income taxes, net capital expenditures, net interest payments, dividends paid, settlement of derivatives and pension contributions
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 (SG Kleinwort Hambros Trust Company (CI) Ltd)
Like-for-like	On a consistent basis, excluding the impact of acquisitions
LTIP	Long Term Incentive Plan
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
PILON	Payment in lieu of notice
Registrar	Computershare Investor Services plc
R&D	Research and development
ROCE (like-for-like)	Continuing operations EBIT before exceptional Items on a constant currency basis (excluding Delta EBIT and exceptional items) divided by average net assets (excluding Delta net assets) excluding net debt and pension deficit (net of deferred tax asset)
RPI	UK Retail Prices Index
SHE	Safety, Health and Environment
SME	Small and medium-sized enterprises

**Glossary** continued

subsidiary	An entity that is controlled, either directly or indirectly, by the Company
tCO <sub>2</sub> e	Tonnes of carbon dioxide equivalent
TIR	Total Incident Rate (rate of any Incident that causes an employee, visitor, contractor or anyone working on behalf of Weir to require off site medical treatment per 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

27 April 2017

### Ex-dividend date for final dividend

27 April 2017

### Record date for final dividend

28 April 2017

Shareholders on the register at this date will receive the dividend.

### Final day for receipt of SCRIP elections

24 May 2017

### Final dividend paid

5 June 2017

### 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

1 West Regent Street  
Glasgow G2 1RW  
Scotland  
Registered in Scotland

Company Number SC002934



Designed and produced by **emperor**  
Visit us at **emperor.works**

We are **WEIR**



[WWW.ANNUALREPORT.WEIR](http://WWW.ANNUALREPORT.WEIR)

**The Weir Group PLC**  
1 West Regent Street  
Glasgow G2 1RW, Scotland

T: +44 (0)141 637 7111  
F: +44 (0)141 221 9789  
E: [investor-relations@mail.weir](mailto:investor-relations@mail.weir)