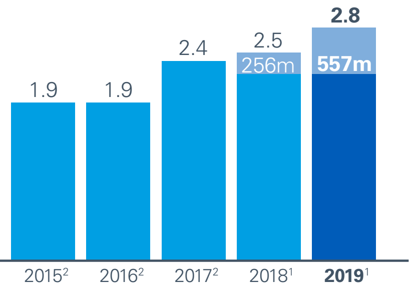
The Weir Group PLC
Annual Report and Financial Statements 2019

FINANCIAL AND NON-FINANCIAL SUMMARY

ORDERS

£2.8bn

+8%[6]

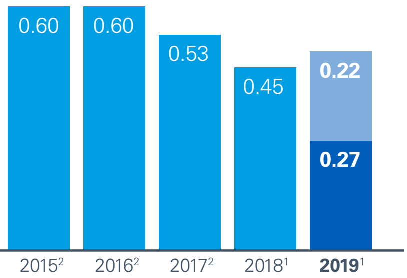


ESCO

TOTAL INCIDENT RATE[3]

0.49

+40% underlying improvement

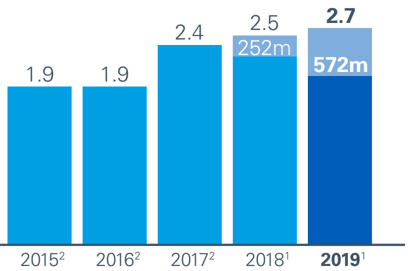


ESCO

REVENUE

£2.7bn

+7%[6]

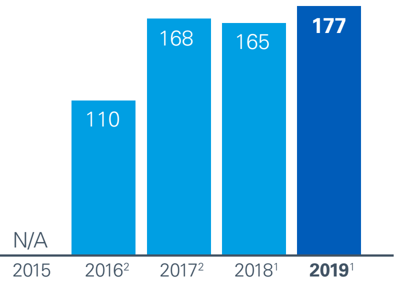


ESCO

REVENUES FROM NEW SOLUTIONS[5]

£177m

+8%



ADJUSTED PROFIT BEFORE TAX[1,4]

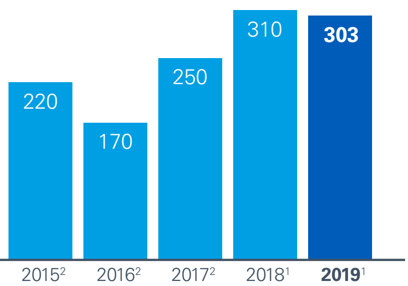
£303m

-2%

REPORTED LOSS BEFORE TAX[1]

(£372m)

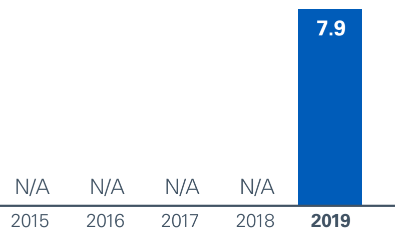
-532%



EMPLOYEE ENGAGEMENT

7.9/10

Employee NPS score



1 Continuing operations.
2 Total operations.
3 Total incident rate is an industry standard safety indicator that measures lost time and recordable incidents per 200,000 hours worked. 2018 and prior years exclude ESCO.
4 Adjusted to exclude exceptional items and intangibles amortisation (note 2).
5 Defined as revenues from new products introduced in the last three years.
6 2018 restated at 2019 average exchange rates.

For more information visit our website
www.global.weir

IN THIS REPORT

Strategic Report

Corporate Governance

Financial Statements

Additional Information

WHAT'S DRIVING OUR MARKETS?

READ MORE
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CHIEF EXECUTIVE'S STRATEGIC REVIEW

READ MORE
PAGES 16-21

SUSTAINABILITY OVERVIEW

READ MORE
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OUR 'WE ARE WEIR' STRATEGIC FRAMEWORK
MAKING OUR BUSINESS TRULY DISTINCTIVE

We are WEIR

Our 'We are Weir' strategic framework is a simple guide to what makes Weir unique. It includes a clear purpose, sets out our strategic priorities, beliefs, way of working and how we deliver value for our stakeholders.

TO UNDERSTAND MORE ABOUT HOW WE ARE DELIVERING OUR STRATEGY:
SEE PAGES 16-25

WE BELIEVE IN

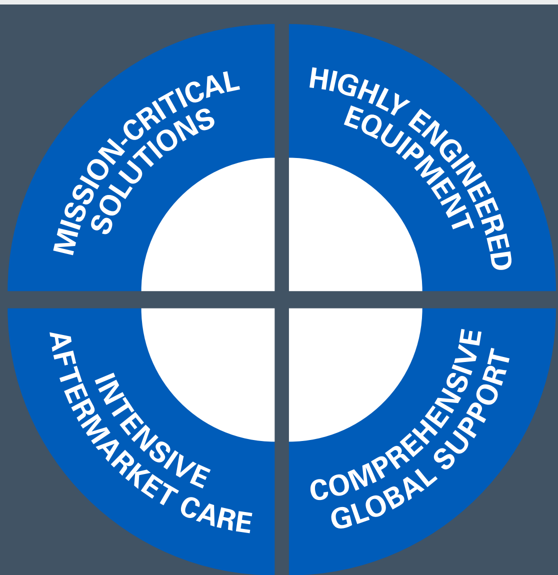
TO UNDERSTAND MORE ABOUT
HOW WE LIVE OUR VALUES:
SEE PAGES 36-37

WE WORK THIS WAY

- We always seek to improve and innovate.
- We care for, challenge and encourage each other.
- We're passionately, authentically ourselves.
- We work together to enhance our global communities.
- We speak up and take ownership for our shared success.
- We can't wait.

TO UNDERSTAND MORE ABOUT
HOW WE OPERATE AS A BUSINESS:
SEE PAGES 14-15

WE DELIVER



TO UNDERSTAND MORE ABOUT
THE VALUE WE DELIVER:
SEE PAGES 30-31

'WE ARE WEIR' HIGHLIGHTS FROM 2019

MAKING OUR PEOPLE CO-OWNERS

We launched Weir ShareBuilder, one of the most comprehensive employee share plans in the world, giving all our people the opportunity to become co-owners of our business.

c.12,000
colleagues granted share awards in 2019

READ MORE
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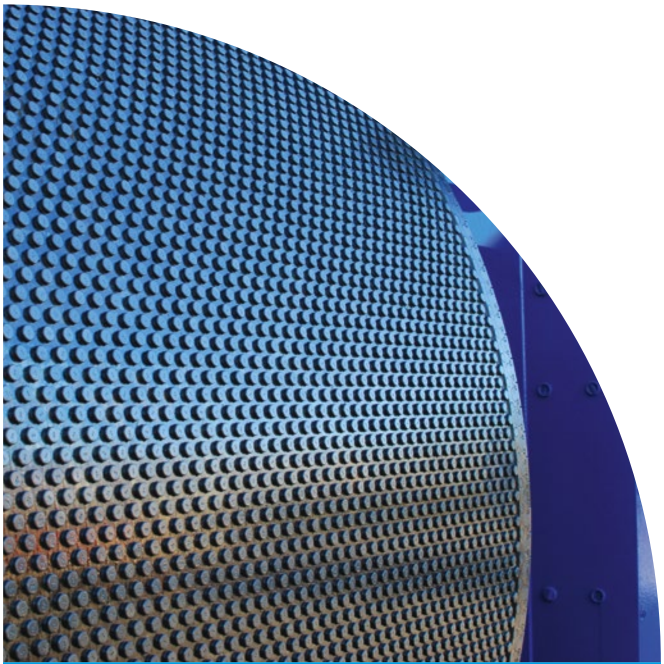

MORE SUSTAINABLE MINING

The Minerals Division was awarded a record £100m order to provide energy-saving technology to the Iron Bridge magnetite project in Western Australia. The solution is 30% more efficient than legacy systems.

30%
energy saving

READ MORE
PAGE 30

INSPIRING INNOVATION

We established the Weir Innovation Network asking all our employees to help solve some of our customers' toughest challenges. Our first winner, Peter Pavlin, suggested a solution that could reduce environmental waste in oil sands projects.

READ MORE
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TAKING PEOPLE OUT OF HARM'S WAY

The ESCO Division developed a toolhead which automates ground engaging tools change-outs. This removes people from one of the most hazardous parts of a mine.

READ MORE
PAGE 42

LAUNCH OF ELECTRIC FRACK PUMP

The Oil & Gas Division launched the SPM® QEM 5000, its first electric-compatible frack pump. It uses proven technology to enable an alternative to diesel fuelled pumping solutions and can reduce the footprint of fracking operations by 60%.

60%
footprint reduction

READ MORE
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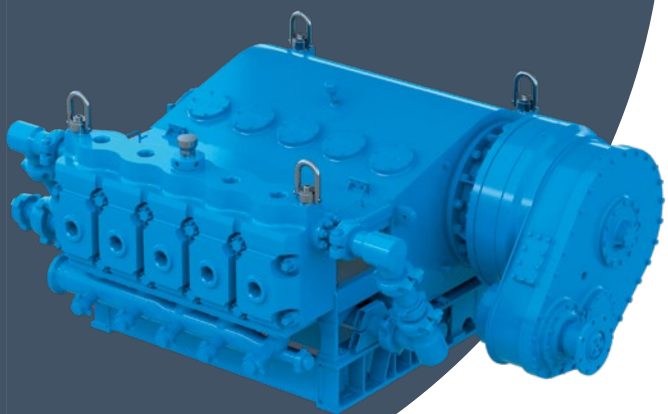
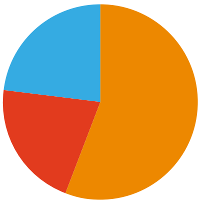


OUR BUSINESS AT A GLANCE

GLOBAL CAPABILITY AND LOCAL DELIVERY

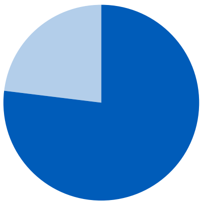
Our Group is made up of three divisions that operate in natural resource markets. Each has leading brands used in high abrasion applications and operate an aftermarket-focused business model.

GROUP REVENUES BY DIVISION %



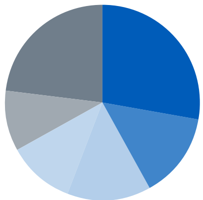
Minerals	56%
ESCO	21%
Oil & Gas	23%

ORDERS BY OE/AM %



Aftermarket (AM)	77%
Original equipment (OE)	23%

MINING REVENUES BY COMMODITY %



Copper	28%
Iron Ore	14%
Gold	14%
Oil & Gas	11%
Coal	10%
Other	23%

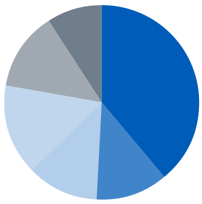
TOTAL PEOPLE

c.15,000

OPERATING COUNTRIES

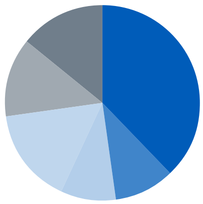
50+

EMPLOYEES BY GEOGRAPHY %

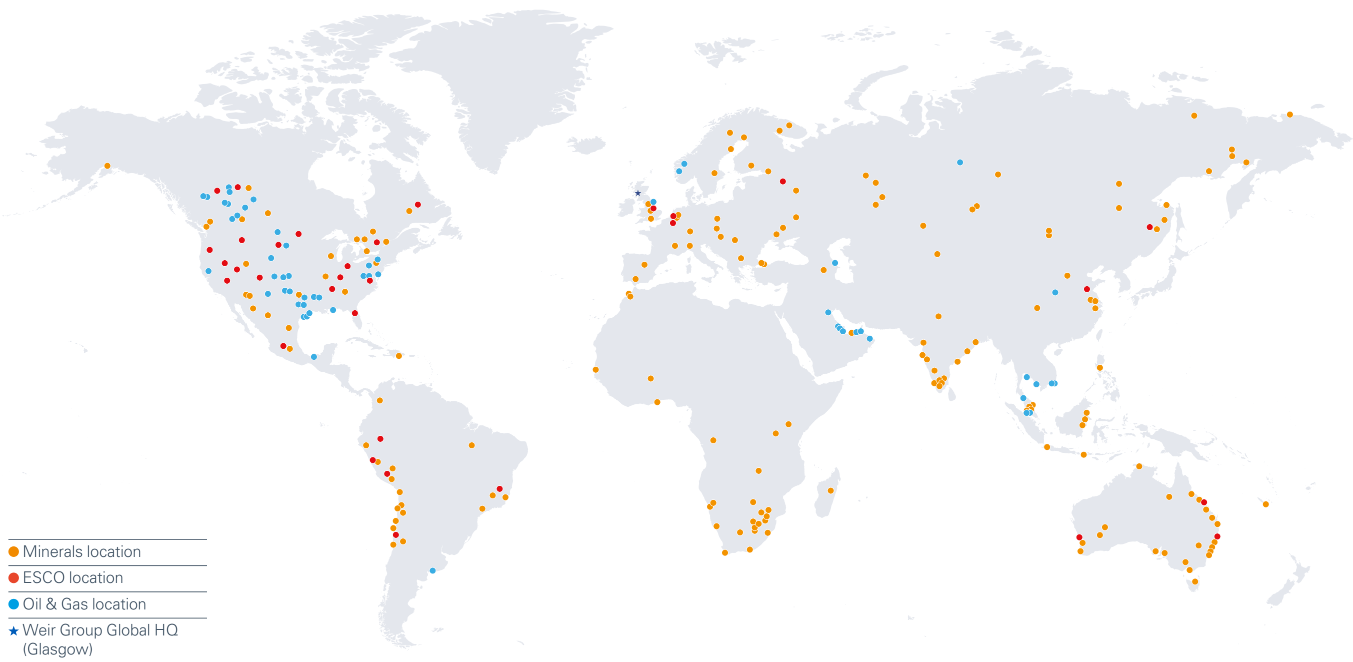


North America	39%
Asia Pacific	12%
Europe	12%
South America	15%
Middle East & Africa	13%
Australia	9%

GROUP ORDERS BY GEOGRAPHY %



North America	38%
Asia Pacific	10%
Europe	9%
South America	16%
Middle East & Africa	13%
Australia	14%



- Minerals location
- ESCO location
- Oil & Gas location
- ★ Weir Group Global HQ (Glasgow)

WEIR MINERALS

WHAT WE DO
Weir Minerals' products and technology are used in mining, oil and gas and general industrial markets around the world. Common applications include; mining & minerals processing (including comminution), slurry transportation and mine dewatering, and oil sands.

MARKET POSITIONS
Minerals is a global leader in the provision of mill circuit technology and services as well as the market leader in slurry-handling equipment and associated aftermarket support for abrasive high-wear applications. Its differentiated technology is used in mining, infrastructure, oil and gas and general industrial markets around the world.

ADDRESSABLE MARKET £m

c.£7-8bn

2019 REVENUE[1] £m

£1,478m

+4%

2019 ADJUSTED OPERATING PROFIT[1] £m

£270m

+7%

1 2018 restated at 2019 average exchange rates

WEIR ESCO

WHAT WE DO
ESCO provides highly engineered ground engaging tools (G.E.T) used in global mining and infrastructure markets. Its equipment is mission critical to the efficient extraction and transport of materials.

MARKET POSITIONS
ESCO is the global leader in G.E.T for large mining machines. The division also applies its differentiated technology to infrastructure markets including construction, dredging and sand and aggregates.

ADDRESSABLE MARKET £m

c.£2.5bn

2019 REVENUE[1,2] £m

£572m

+4%

2019 ADJUSTED OPERATING PROFIT[1,2] £m

£83m

+25%

1 2018 restated at 2019 average exchange rates
2 ESCO on proforma basis for 2018

WEIR OIL & GAS

WHAT WE DO
Weir Oil & Gas provides highly engineered mission-critical solutions to upstream energy markets. Products include pressure pumping and pressure control equipment, supported by Weir EDGE aftermarket spares, equipment repairs, upgrades, certification and asset management, and field services to customers around the world.

MARKET POSITIONS
Weir Oil & Gas is a global leader in the provision of pressure pumping solutions for shale operations and has a developing presence in pressure control markets.

ADDRESSABLE MARKET £m

c.£5-6bn

2019 REVENUE[1] £m

£612m

-25%

2019 ADJUSTED OPERATING PROFIT[1] £m

£37m

-64%

1 2018 restated at 2019 average exchange rates

Strategic Report

OUR MARKETS: ALIGNED TO LONG-TERM STRUCTURAL GROWTH

DEMAND SUPPORTED BY GLOBAL MEGA-TRENDS

ALIGNING OUR STRATEGY TO LONG-TERM FUNDAMENTALS

Our 'We are Weir' strategic framework is designed to fulfil our purpose which is to 'enable the sustainable and efficient delivery of the natural resources essential to create a better future for the world'. That purpose has been specifically chosen to address some of the biggest challenges in our markets, from increasing productivity to support growing demand for commodities like copper, to reducing the environmental impact of both our operations and those of our customers. You can read more in the CEO statement on page 16.

While our markets are underpinned by long-term fundamentals, they are also cyclical. We seek to mitigate this through our aftermarket-focused business model. It concentrates the Group on mission-critical high abrasion applications that provide ongoing demand for higher margin spares and services. This robust model is also supported by industry-specific trends such as ore grade declines in mining that mean more rock needs to be processed to produce the same amount of ore, increasing the wear on our equipment and subsequently generating higher aftermarket demand. You can read more on our business model on page 14 including how we translate these market trends into sustainable value for our stakeholders.

"WE BELIEVE THE SINGLE MOST SIGNIFICANT CONTRIBUTION WE CAN MAKE TO SUSTAINABILITY IS THROUGH INNOVATION."

JON STANTON
Chief Executive Officer

STRUCTURAL TREND

GLOBAL POPULATION AND MIGRATION TRENDS

In 2019 the UN estimated there were approximately 7.7bn people on earth. By 2030 they project that number will rise to 8.5bn, and by 2050, almost 10 billion people.

Meanwhile, increased urbanisation means the number of people living in cities is expected to rise from c.50% to c.66% by 2050.

CLIMATE CHANGE

There is increased demand for commodities that enable the world to move towards lower carbon sources of energy and transport including renewables and electric vehicles. Increasingly, natural resources producers are focusing on sustainability by reducing their environmental footprint and improving safety.

TECHNOLOGY ACCELERATION

There is a growing focus in our markets on automation and digitisation to support safety, productivity and sustainability. Our customers are looking to their technology partners to help them adapt and transform their operations to take advantage of these advances.

GLOBALISATION

The global economy continues to grow but the benefits of increased globalisation are being called into question. This has been reflected in the recent trade wars between the USA and China. There is also a continuing debate about the role of businesses in society and how they generate value for a broad range of stakeholders.

HOW WE ARE RESPONDING

CASE STUDIES

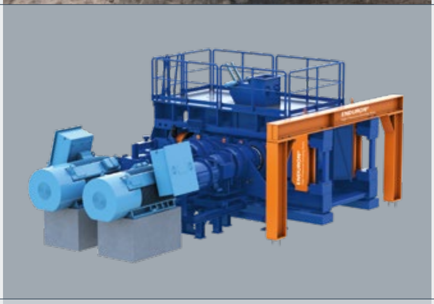
We serve markets that support global growth by providing the natural resources needed to build homes, cities, transportation and energy networks. Our technology helps customers operate more efficiently, enabling them to meet increased demand through improved productivity.

READ MORE
PAGES 38-49

SEE HOW OUR ESCO DIVISION'S N70 TECHNOLOGY IS SUPPORTING MINERS TO PRODUCE ORE FOR A LOWER TOTAL COST ON **PAGE 45**

Weir equipment is used to process the majority of the world's mined copper, giving us an important role in making the industry more sustainable. That is reflected in our technology agenda which is focused on smarter, more efficient solutions that reduce energy, water and waste.

READ MORE
PAGES 60-71



SEE HOW WE ARE REDUCING FRACKING OPERATIONS DEPENDENCE ON DIESEL-POWERED OPERATIONS ON **PAGE 48**

YOU CAN ALSO READ OUR SUSTAINABILITY STRATEGY ON PAGE 60 AND HOW WE MANAGE RISKS ON **PAGE 50**

We are developing digital solutions that use big data, artificial intelligence and sensing technology to improve performance and automation to increase safety for our customers. We are also deploying advanced manufacturing technologies to improve our product development and operational excellence.

READ MORE
PAGES 38-49

SEE HOW WE ARE USING AUTOMATION TO MAKE GET MAINTENANCE SAFER AND MORE EFFICIENT ON **PAGE 43**

READ MORE ABOUT OUR TECHNOLOGY ADVANCES IN THE OPERATIONAL REVIEWS FROM **PAGE 38**

Our geographic and market diversity provide increased protection from political uncertainty while our 'We are Weir' strategy makes clear our commitment to delivering excellent outcomes for a range of stakeholders including making our employees co-owners of our business.

READ MORE
PAGES 2-3

READ ABOUT OUR COMPREHENSIVE SHARE PLAN TO MAKE OUR PEOPLE CO-OWNERS OF OUR BUSINESS FROM **PAGE 12**

YOU CAN ALSO SEE HOW WE MANAGE RISKS FROM **PAGE 50**

CHAIRMAN'S STATEMENT

MAKING A POSITIVE DIFFERENCE TO OUR STAKEHOLDERS

DEAR SHAREHOLDER,

2019 saw your business make strong progress in our mining-focused divisions, which represent 77% of revenues. The integration of ESCO, our largest ever acquisition, was a real highlight. Change can often be disruptive but the ESCO integration was completed ahead of schedule while delivering good growth and excellent employee satisfaction. It means that Weir's mining-focused divisions now generate more than £2bn in revenues with c.80% of those from recurring aftermarket sales, underlining our positive belief in the long-term fundamentals of mining markets. Conditions in unconventional oil and gas markets, which represent 23% of revenues, were challenging as oil producers in North America significantly reduced activity to conserve cash rather than invest in growth. I would like to thank all of our people for their hard work and commitment in 2019.

A CLEAR PURPOSE

With ESCO's strong market position in extraction and Minerals leadership positions in comminution and mill circuit technology, the Group is now uniquely placed as the only provider of premium mining solutions from pit to processing, making us even more relevant to mining customers.

That is particularly important as we look to the long-term. As the world continues to develop and grow, demand for essential resources like copper will continue to increase. Miners are under enormous pressure to reduce energy, water and waste and they are looking to technology partners like Weir to help. That is why sustainability is at the heart of our strategy and why our purpose is 'to enable the sustainable and efficient delivery of the natural resources essential to create a better future for the world'.

That reflects our role in making our customers more productive while reducing their environmental impact as evidenced by our record £100m order for energy-saving High Pressure Grinding Rolls technology, which you can read more about on page 31.

> **WEIR IS A VALUES-LED BUSINESS THAT BENEFITS FROM A STRONG CULTURE OF CONTINUOUS IMPROVEMENT AND INNOVATION.**
>
> **CHARLES BERRY**
> Chairman

CHARLES BERRY
Chairman

The Board at a Weir Minerals facility in Chile

READ MORE IN CORPORATE GOVERNANCE


A facility tour in October 2019

It also reflects our commitment to building a business that is relentlessly future-focused, with a clear vision of its role in the world, as Jon Stanton sets out from page 16.

FINANCIAL RESULTS

Reported revenues increased to £2,662m, up 9%. On a constant currency like-for-like basis, revenues were down 6% reflecting oil and gas market conditions. Pre-tax profits from continuing operations, before exceptional items and intangibles amortisation, of £303m represent a 2% decrease from the previous year. The reported loss after tax of £353m from continuing operations was primarily driven by the £546m Oil & Gas impairment, reflecting ongoing market dynamics in North America. You can read more in the Financial Review on page 32. We are proposing a final dividend payment of 30.45p per share, making 46.95p for the full year – the 36th year of stable or growing dividends.

A STRONG CULTURE OF CHALLENGE AND COLLABORATION

Weir is a values-led business that benefits from a strong culture of continuous improvement and innovation. We expect and encourage open challenge and together take responsibility for our shared success. We are proactive in listening to and learning from our stakeholders and we use their insights to inform the Board's deliberations. You can read more on page 84.

To further enhance our employee voice activities, Mary Jo Jacobi was appointed as the designated Non-Executive Director responsible for employee engagement. We introduced a new programme of 'Meet the Board' sessions, the first of which were held in the United States and Chile during 2019. These gave employees a direct opportunity to have face-to-face discussions with Board members and to share their views on the topics most important to them. This also allowed the Board to gain key insights about life as a Weir employee. You can learn more about these efforts on page 85. In addition to 'Meet the Board', Non-Executive Directors undertook individual visits to facilities in Dubai and Venlo.

In addition to putting sustainability at the heart of our purpose and strategy we also work hard to ensure we make a positive difference to the communities we operate in. This includes promoting STEM education from primary to secondary education, apprenticeships, direct and indirect employment, working with local charities and many more initiatives across the world that recognise the need for companies like Weir to play our part in inclusive growth.

ALIGNING OUR PEOPLE AND INVESTORS' INTERESTS

We were delighted to give every eligible employee a greater stake in the business with the introduction of the Weir ShareBuilder programme. It is one of the most comprehensive employee share plans in the world and gives our people in more than 50 countries the opportunity to build a long-term holding in the Group. It was challenging to implement as in many countries there is no culture of employee share ownership, but we worked with local authorities to create solutions that ensured that in every country that it was possible to gift shares, we did so, and in the single example where that wasn't possible we provided cash equivalents to compensate. This is an important initiative in aligning everyone to our strategy and through the gifting of free initial shares, promoting inclusion so that everyone can benefit from Weir's long-term success.

BOARD AND GOVERNANCE CHANGES

As previously announced, Rick Menell will step down as a Non-Executive Director after the 2020 AGM. Rick has made a major contribution to the Board in his 11-year tenure including serving as Senior Independent Director from February 2015 to January 2020 when he was succeeded by Barbara Jeremiah. On behalf of the Board and everyone at Weir I would like to thank Rick for his hard work and wise counsel and wish him every success in the future.

The Board was also strengthened with the appointment of Ebbie Haan in February of 2019. Ebbie has extensive experience leading global businesses in extractive industries including Royal Dutch Shell plc, Sasol Group and Maersk.

Looking ahead to the rest of 2020 the Board will continue to focus on supporting Jon Stanton and the rest of the team as they execute our strategy and build an ever-stronger Weir.

CHARLES BERRY
Chairman

We are WEIR

> **“WEIR HAS ALWAYS FELT LIKE A GLOBAL FAMILY BUT THAT FEELING IS EVEN STRONGER, NOW THAT WE ARE ALL CO-OWNERS OF OUR BUSINESS.”**
>
> **NYAMSUREN ARIUNBUYAN**
> Weir Minerals Service Centre Manager, Mongolia

In June 2019, the Group launched one of the world’s most ambitious and comprehensive employee share plans: Weir ShareBuilder.

The premise behind the plan was to:

- Make every employee a shareholder and give them a way to build up long-term share ownership.
- Reinforce our ‘We are Weir’ culture and increase employee engagement.
- Provide one common benefit for all employees.

In 2019, all eligible employees received £300 of free shares, with the same to follow in 2020, and for all new hires thereafter.

At Weir, we believe that we will achieve great things if we can combine our common goals as set out in our ‘We are Weir’ framework with the uniqueness that each of us bring as individuals. By giving all eligible employees their own shares in Weir at no cost it means that whatever role they play, in whatever part of the business, and wherever they are in the world, they can help shape our future together.

Image: Colleagues all across the globe were awarded an initial share award to the value of £300 in 2019

OUR BUSINESS MODEL

OUR PURPOSE

To enable the sustainable and efficient delivery of the natural resources essential to create a better future for the world.

KEY RESOURCES WE RELY ON

We want to deliver excellent outcomes for all our stakeholders but to achieve that aim we rely on a number of resources. These are transformed into tangible outcomes by our aftermarket-focused business model.

PEOPLE
Highly engaged people with c.15,000 colleagues around the world.

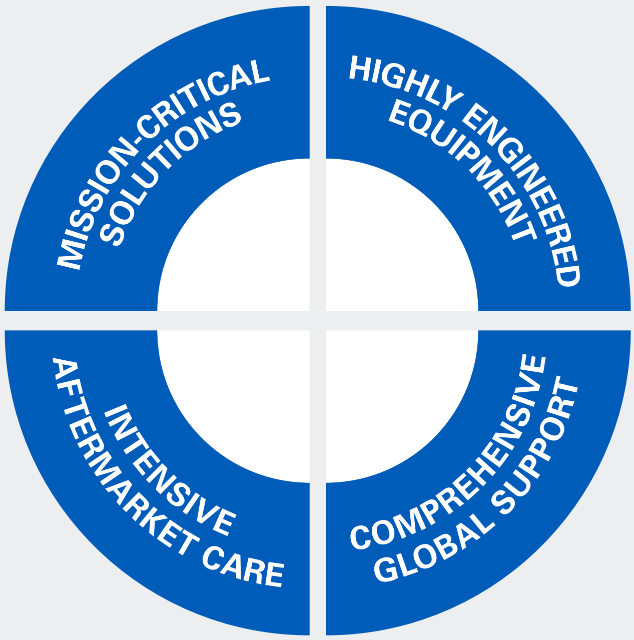
FINANCE
Support from Shareholders and debt investors to provide the capital to invest in growth initiatives.

GOODS & SERVICES
The reliable supply of raw materials and support services that enable efficient business operations.

COMMUNITIES & INFRASTRUCTURE
We rely on local communities to provide highly-skilled employees, protect innovation with strong laws and enable our products to get to our customers using good infrastructure.

WHAT WE DO?

What we do is driven by our purpose and informed by our core values. All three divisions operate an installed base of highly engineered original equipment that is used in abrasive operating environments. This, in turn, drives demand for aftermarket spares and services, providing resilience through the cycle.



HIGHLY ENGINEERED EQUIPMENT
We produce highly engineered equipment that is designed to solve some of our customers toughest operating challenges.

MISSION-CRITICAL SOLUTIONS
Our equipment is mission-critical to our customers. If it fails, their production can stop, making us vital technology partners.

INTENSIVE AFTERMARKET CARE
Our technology is used in high abrasion applications such as crushing rock that generates recurring demand for aftermarket spares and services.

COMPREHENSIVE GLOBAL SUPPORT
Our customers rely on us to provide them with the technology they need quickly and efficiently, supported by our global service network.

WHAT MAKES US UNIQUE

PEOPLE
We are a global family. We are proud of our unique blend of talent, technology and culture. We inspire our people to do the best work of their lives.

CUSTOMERS
We aim to be the most admired business in our sector by working in partnership with customers to deliver distinctive solutions and compelling value.

TECHNOLOGY
We shape the next generation of smart, efficient and sustainable solutions with cutting-edge science and tradition of innovation.

PERFORMANCE
We deliver excellence for all our Shareholders, through strong leadership, performance culture and rigorous standards of governance.

THE LONG-TERM VALUE WE CREATE

EMPLOYEES: GOOD JOBS
c.£700m
paid in employee benefits in 2019

READ A CASE STUDY ABOUT OUR EMPLOYEES
PAGES 12-13

CUSTOMERS: TECHNOLOGY PARTNER
£2.8bn
in orders in 2019

READ A CASE STUDY ABOUT OUR CUSTOMERS
PAGES 30-31

SUPPLIERS: VALUABLE PARTNER
£1.6bn
invested by Weir to support our operations

READ MORE ABOUT OUR SUPPLIERS
PAGE 27

SHAREHOLDERS: STRONG RETURNS
£122m
paid in dividends, 36 years of stable or growing dividend returns

READ MORE ABOUT OUR INVESTMENT CASE
PAGE 18

COMMUNITIES AND ENVIRONMENT: SAVING ENERGY
30%
reduction in energy consumption provided by our HPGR technology

READ MORE ABOUT OUR TECHNOLOGY
PAGE 38

GOVERNMENT AND NGOS: TAX
£90m
paid in corporation taxes in 2019

READ MORE ABOUT OUR FINANCIAL RESULTS
PAGE 32

Our business model is supported by our 'We are Weir' strategic framework. See page 2.

CHIEF EXECUTIVE'S STRATEGIC REVIEW

A MORE FOCUSED, PREMIUM-QUALITY WEIR

STRONG STRATEGIC PROGRESS

2019 was a year of significant progress in creating a more focused, premium-quality Weir capable of delivering longer-term sustainable growth opportunities for all stakeholders. We executed the portfolio changes announced in 2018 with the successful sale of Flow Control completed in June and continuing delivery of the ESCO integration benefits significantly ahead of schedule. These changes have transformed Weir into a leading mining equipment business with Minerals and ESCO accounting for nearly 80% of Group revenues and underpinned by robust aftermarket demand and strong original equipment order intake.

In addition, we have made considerable progress in accelerating our core capabilities in our core markets: people, customers, technology and performance. We are building a global family of highly engaged and talented people who are now all co-owners of the business. We are working more closely with our customers by leveraging our unrivalled site-level presence and strategic technology alliances. This close partnership enables us to develop new technologies that will help our customers operate in a smarter, more efficient and more sustainable way. And we are evolving our high-performance culture that is delivering results for all our stakeholders.

I would like to thank all of our 15,000 colleagues for their contribution in 2019.

KEEPING OUR PEOPLE SAFE

At Weir, our number one priority is to keep our people safe. As a manufacturer we operate factories and foundries where large and complex products are made. It can be a hazardous environment, but we work hard to reduce risks and never compromise. In 2019 we made excellent progress with our underlying Total Incident Rate (TIR) falling to 0.27, down 40%, making us one of the safest industrial companies in the world. Of particular note, Weir Oil & Gas did not record a single Lost Time Incident (LTI) throughout the year.

However, people occasionally have accidents, with the most common incidents involving people moving equipment and their hands and fingers getting injured. By focusing on

JON STANTON
Chief Executive Officer

changing behaviours and not just processes we are helping more of our people return home safely to their families. Our ambition remains to become a zero-harm workplace and I am confident we will get there, not least because in many locations we already have. What makes me most optimistic is not the harm reduction programmes we have in place, good as they are, but the culture of looking after each other that helps define Weir.

OUR MARKETS IN 2019

2019 saw the business make good progress in our mining markets which were generally positive, supported by long-term fundamentals and the lack of investment seen in the capex downturn. Our mining customers remain focused on cash generation and returns but are also under significant pressure to reduce their environmental impact and to operate more safely. This is Weir's sweet spot – providing leading technology that makes operations more efficient while also reducing energy, water and waste – and both Minerals and ESCO benefited from our customers' focus on these areas. While mining markets were positive, conditions in North American oil and gas markets deteriorated through 2019. The industry has changed its focus from growth to capital discipline with producers fixing budgets at the beginning of the year, drilling wells quickly to benefit from longer streams of cash flow and then reducing activity when their annual budgets are exhausted. The downturn in activity in the second half of the year exacerbated already oversupplied frack fleet markets which in turn reduced demand for our original equipment and aftermarket spares.

A HIGH-QUALITY MINING TECHNOLOGY BUSINESS

We continued to strengthen our market-leading position in mining. Weir is the only provider of premium solutions from pit to processing, some of the most mission-critical parts of the mining value chain. Our focus on high abrasion applications, which drive ongoing demand for aftermarket (AM) spares and services, underpins the resilience of our business. In 2019, these higher-margin AM sales represented 79% of Minerals and ESCO revenues. These sales were supported by our unrivalled global service network that means we have a presence in every major mining region. Both ESCO and Minerals made market share gains by leveraging each other's customer relationships and facilities, supporting progress towards our medium-term target of delivering $50m in revenue synergies. Increasingly, we are being asked by customers to co-locate on their mine sites to guarantee security of supply for the technology we provide. In total, revenues

Announcing a $15m investment in ESCO's Newton, Mississippi facility

from our higher margin mining businesses, Minerals and ESCO, were up 4% (ESCO on a pro forma basis) to more than £2bn, reflecting our increased scale and relevance to customers.

DEMAND UNDERPINNED BY LONG-TERM GROWTH TRENDS

As the world's population grows and urbanises there continues to be increased demand for natural resources. The Group's largest mining commodity exposures are copper, iron ore and gold. But as demand increases, new supplies are harder to access with ore grade declines in mining meaning more rock needs to be processed to generate the same amount of ore. This intensifies use of our equipment and increases demand for spares and services. It is one of the key reasons Minerals delivered 5% compound annual growth (CAGR) in aftermarket revenues between 2014 and 2019, a period that included a significant downturn in mining markets. That resilience is also being supported by demand for the enabling materials for lower-carbon energy supplies. Weir technology is used to process the majority of the world's copper, which is a key component in infrastructure for lower carbon electricity generation and electric vehicles, which typically require four times the copper content of internal combustion engine alternatives.

BENEFITING FROM SMARTER, MORE EFFICIENT AND SUSTAINABLE SOLUTIONS

And while mining has an important role to play in providing the essential metals that will enable the transition to lower carbon energy, it also has a challenge to reduce its own environmental impact, while meeting future global demand. To meet this dual challenge miners are increasingly turning to technology partners like Weir to help them increase productivity and lower emissions. That is why we have focused our technology agenda on making our customers' operations smarter, more efficient and sustainable, with a range of innovations that significantly reduce energy, water and waste. Our Enduron® high pressure grinding rolls are an excellent example of this in action. They reduce energy consumption by 30% compared to traditional alternatives in comminution, which is the screening, crushing and grinding of rock and is one of the most energy-intensive processes in mining. These savings were instrumental in Minerals securing the record £100m Iron Bridge order for a new magnetite iron ore development in Western Australia, where the improved crushing performance supported both the economics and environmental ambitions of our customer.

MAXIMISING VALUE FROM OIL & GAS

Since becoming CEO in 2016 the Group's clearly stated priority for capital allocation has been on extending our premium mining technology positions. We have made good progress including the acquisition and successful integration of ESCO, sale of Flow Control and continued strengthening of Minerals. The Oil & Gas Division shares many of the same underlying characteristics as Minerals and ESCO, but its market dynamics have changed with shorter cycles and higher levels of volatility leading to a very different financial profile to our mining businesses. As a result, we have recognised a £546m impairment in our North American Oil & Gas business. Our focus is now on becoming a mining technology pure play and we are looking for opportunities to maximise value from the Oil & Gas Division at the right time. Today, the market backdrop is a challenge, so we will continue to manage the business

CHIEF EXECUTIVE'S STRATEGIC REVIEW
CONTINUED

with a long-term perspective, including taking continued action to optimise our footprint for current market conditions whilst still investing in technology to drive market share gains and support long-term value. However, we are taking actions so that whenever we identify a clear solution to drive value for our Shareholders, we will be ready and able to capitalise.

WINNING THROUGH 'WE ARE WEIR'

Our 'We are Weir' strategic framework focuses on where we can deliver distinctive value – People, Customers, Technology and Performance. In 2019 we continued to make good progress in strengthening our core capabilities to support our position as a winner in our markets. In addition to an excellent safety performance we also launched Weir ShareBuilder, one of the most comprehensive employee share plans in the world, giving all our **people** in more than 50 countries the opportunity to become co-owners of our business. The response throughout the Group has been fantastic with people really excited about the opportunity to build a long-term stake in our business.

Minerals delivered an additional £155m in orders through their Integrated Solutions Strategy which leverages their broad product portfolio to deliver productivity gains for **customers**. We also continued to increase our relevance to customers with market share gains by ESCO through the deployment of their Nemisys® N70 lip system **technology** among smaller mining machines.

Oil & Gas benefited from their large bore simplified frack system which continued to gain traction due to its increased safety and efficiency. Its success contributed to the £177m in revenues from new solutions across the Group in 2019. And we took action to right-size our North American Oil & Gas business through an annualised £35m cost reduction programme, supporting its financial **performance** whilst Minerals also exited lower margin comminution segments.

DELIVERING SECTOR-LEADING PERFORMANCE THROUGH THE MINING CYCLE

When we first announced the acquisition of ESCO in 2018 we set out a target to achieve annualised cost savings of $30m in the first three years of ownership and to move the division's operating margins from 11.1% towards 17% over the medium-term.

By the end of 2019, 18 months after completion, we had achieved cost savings of $25m supported by a range of measures including removing duplicative corporate costs, merging functions, leveraging our increased scale to secure procurement savings and consolidating overlapping facilities. We now expect to reach our original $30m cost saving target in 2020. In addition to costs synergies there has also been good progress in delivering revenues synergies. Both ESCO and Minerals have made market share gains by leveraging each other's customer relationships and facilities, supporting progress towards our medium-term target of delivering $50m in revenue synergies.

EVOLVING THE GROUP EXECUTIVE LEADERSHIP TEAM

In January 2020 we announced that Jon Owens would retire as ESCO Division President in July 2020 after more than 30 years' service. Jon has been an excellent leader of ESCO, particularly during its transition into Weir following the 2018 acquisition. We wish him a happy retirement. He will be succeeded by Andrew Neilson, who is currently Regional Managing Director of Weir Minerals Europe, Russia, Central Asia and North Africa. Andrew is a graduate engineer who has excellent experience across the Group and led the successful ESCO integration team. The Group Executive was also strengthened with the appointments of Paula Cousins and Garry Fingland as Chief Strategy and Sustainability Officer and Chief Information Officer respectively, reflecting the increased importance of sustainability and digital technology to our business. I would also like to thank former Chief Technology Officer Geetha Dabir who left the business at the end of 2019 for her contribution to developing our digital platforms.

OUTLOOK FOR 2020

Looking to the year ahead, there is uncertainty over the impact of coronavirus (COVID-19) on the global economy and demand for natural resources. Assuming underlying demand does not change, we expect further good constant currency growth in our mining-focused businesses to be offset by the continued challenges in North American oil and gas markets.

JON STANTON
Chief Executive Officer

26 February 2020

WEIR INVESTMENT CASE

Aligned to global structural trends
- End markets benefit from increasing population, urbanisation and economic growth
- Positioned to benefit from carbon transition – Weir equipment used to process the majority of the world's mined copper
- Key role in developing technology that makes our markets more sustainable

High barriers to entry
- Unique provider of premium mining solutions from pit to processing
- Trusted technology leader in conservative markets
- Comprehensive global service network providing unrivalled security of supply to need-it-now industries

Optimum business model for cyclical markets
- Large installed base focused on mission-critical solutions
- Aftermarket-intensive applications supported by ore grade declines
- Strong returns through the mining cycle

A platform for future growth
- 'We are Weir' strategy driving organic growth
- Flexible customer-focused operating model providing global capability and local delivery
- Opportunities to consolidate in attractive markets

"OUR INVESTMENT CASE IS UNDERPINNED BY BEST IN CLASS CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY TOWARDS OUR PEOPLE AND OUR COMMUNITIES."

OUR AMBITIOUS SUSTAINABILITY STRATEGY

A growing focus for many of our stakeholders is how we approach environmental, social and governance issues at Weir. Sustainability is an area we have carefully considered in the last year and we have taken practical measures to demonstrate its importance within our business and how it reinforces our ability to create value for all stakeholders.

The foundation is a commitment to best in class governance – ensuring we are a well-run business that conducts itself with integrity at all times – and also giving prominence to our social responsibilities, as reflected in our 'We are Weir' framework.

For example, in addition to giving all employees the opportunity to become co-owners of our business, we are very active in local employee and community welfare, and we support STEM and broader education and diversity initiatives on a very wide front. In looking at everything that we do I am very proud to say that we are playing a leading role in running our business in a fair, equitable and inclusive way.

In 2019 we worked with stakeholders to develop our new sustainability strategy that sets out our priorities and goals. We identified four key areas where we can make the biggest difference. Our most significant contribution will be in reducing the environmental impact of our customers' operations, but we also want to continue to lead by example in our own business, particularly in championing zero harm, creating sustainable solutions, reducing our own footprint by 50% by 2030 and nurturing Weir's unique culture.

We believe this provides an ambitious sustainability strategy, fully aligned to our purpose and group strategy, helping to build an ever stronger Weir. You can read more in the Sustainability Review from page 60.

CHIEF EXECUTIVE'S STRATEGIC REVIEW
CONTINUED

PEOPLE

We are a global family. We are proud of our unique blend of talent, technology and culture. We are here to inspire you to do the best work of your life.

LINK TO KPIs

Sustainable Engagement and Organisational Effectiveness

READ MORE
PAGES 22-23

WORLD CLASS SAFETY PERFORMANCE

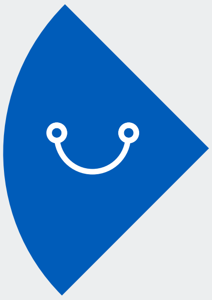
We have an ambition to be a zero-harm workplace where everyone has a safe start, safe finish and safe journey home to their families. In 2020 we aim to continue to reduce our Total Incident Rate through a number of programmes to promote behavioural safety. This will include additional training for employees and continuing to invest in ESCO facilities to accelerate the division's journey to zero-harm.

ORGANISATIONAL CAPABILITY

Having completed a strategic workforce planning assessment in 2019 and established externally benchmarkable organisational effectiveness measures, we will design and roll-out a new performance development strategy in 2020, building capability in areas where we have identified skills gaps. We will also begin initial implementation of a new human resources management system which will improve efficiency across our people processes.

A HIGH PERFORMING CULTURE

We will build on the comprehensive employee listening and engagement programmes we have established which include implementing an Inclusion and Diversity strategy in response to employee feedback. We will refresh and relaunch our 'We are Weir' strategic framework reflecting our new purpose and focus on sustainability. And we will seek to improve employee engagement further, benchmarking our performance against industry peers.



CUSTOMERS

We will be the most admired business in our sector. Working in partnership, we deliver distinctive solutions and compelling value.

LINK TO KPIs

Increased market share

READ MORE
PAGES 22-23

EXTENDING OUR SERVICE ADVANTAGE

We will continue to extend our comprehensive global service network, which is a key competitive advantage. This will include expanding into new territories to grow market share, building on our current footprint which includes facilities within 200km of every major mine in the world and a presence in every major North American oil and gas shale basin.

INCREASE CUSTOMER PARTNERSHIPS

Our customers look to Weir to help them solve some of their toughest operating challenges. In mining this includes working with a large global miner to develop our Terraflowing® technology that can reduce the water content of tailings allowing this waste product to be cost effectively stored or repurposed. ESCO will continue to commercialise their automated toolhead technology and extend their Nemisys® to smaller machine classes. In Oil & Gas, we will work with customers to field test our new SPM® QEM 5000 electric frack pump which significantly reduces the environmental impact of fracking equipment.

LISTENING AND LEARNING FROM OUR CUSTOMERS

The better we understand our customers' needs the more relevant we will be to them. The Group will deploy new customer relationship management technology to improve the efficiency and effectiveness of our 'voice of customer' processes. This will include gathering more customer insights, helping us optimise maintain or enhance customer satisfaction and inform our technology priorities.

TECHNOLOGY

We shape the next generation of smart, efficient, sustainable solutions with cutting-edge science and tradition of innovation.

LINK TO KPIs

Increased percentage of revenues from new solutions

READ MORE
PAGES 22-23

SMART SOLUTIONS

The Group's digital capability includes our Synertrex® IoT technology that provides customers with condition monitoring data to help optimise the performance of their processes. In 2020, we will accelerate deployment of digital technology to more customers including new applications that will support customers desire for increased productivity. Each division will be able to leverage common platforms and infrastructure but design bespoke solutions for their particular market segment.

EFFICIENT SOLUTIONS

Our technology is used in high abrasion applications meaning the quality of our materials science is crucial to maintaining and extending our technology leadership. In 2020 we will continue to invest in research and development to design new alloys that extend product life, including our next generation slurry pump. We will leverage our increasing capability in additive manufacturing to bring additional products to the market while piloting so-called Smart Factory automation, aiming to benefit from the operational efficiencies these technologies bring.

SUSTAINABLE SOLUTIONS

Through our new sustainability strategy we are embedding best practice in sustainable product development into our technology roadmaps with appropriate key performance indicators. In 2020 we will conduct a deep assessment of the potential long-term challenges and opportunities in our markets, and use these insights to inform future innovation programmes. We will further leverage the Weir Advanced Research Centre to promote increased collaboration across the Group and with external partners.

PERFORMANCE

We deliver excellence for all of our stakeholders, through strong leadership, performance culture and rigorous standards of governance.

LINK TO KPIs

Sustainably higher margins through the cycle

READ MORE
PAGES 22-23

REALISE THE BENEFITS OF THE GROUP PORTFOLIO

When the Group acquired the ESCO business in 2018 we set out a target of achieving $30m in cost synergies in the first three years of ownership. We will achieve that target in 2020 ahead of schedule. In addition, we will make further progress towards our medium-term aim of delivering $50m in revenue synergies between ESCO and Minerals.

OPTIMISE OUR OPERATIONS

The Group has a diversified operating model where local managers are empowered to act in the best interests of their customers. This is supported by common processes and technologies that allow the Group to take advantage of its global scale. In 2020 we will successfully deliver our record £100m Iron Bridge contract, complete upgrades to ESCO's largest foundry and continue to implement new Enterprise Resource Planning software across the Minerals business.

IMPROVE SUSTAINABILITY

We have set ambitious targets to reduce our impact on the environment and in 2020 we will execute against our new sustainability strategy. This will include: developing division-wide programmes to help us achieve our aim of reducing our emissions by 50% by 2030. This will involve assessing how we can use renewable energy sources to power our facilities including our foundries, which are the heaviest consumers of energy.

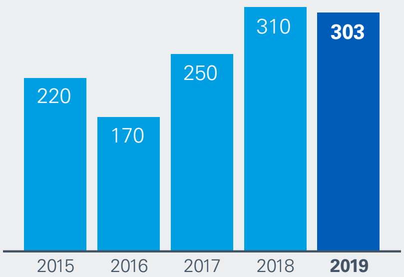
Strategic Report

OUR KEY PERFORMANCE INDICATORS

FINANCIAL AND NON-FINANCIAL MEASURES ALIGNED TO 'WE ARE WEIR'

FINANCIAL

PROFIT BEFORE TAX AND AMORTISATION (PBTA) AND EXCEPTIONAL ITEMS (CONTINUING OPERATIONS)



2019 performance

Continuing operations reported profit before tax, amortisation and exceptional items of £303m was down by £7m or 2%, with strong profit growth in both Minerals and ESCO more than offset by the challenging conditions in North American oil and gas markets.

You can read more in the Financial Review on page 32 and the Operating Review sections on pages 38-49

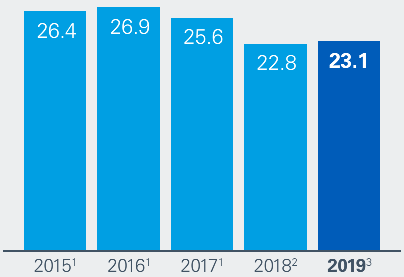
Link to Remuneration

70% of Executive Director remuneration is directly linked to progress against financial KPIs. In 2019, the Remuneration Committee awarded 12% out of a possible 50% for progress against PBTA targets. You can read more in the Remuneration report on page 117.

Associated risks

- Market volatility
- Contract risk
- Political and social risk
- Technology and innovation
- Value Chain Excellence
- Competition

WORKING CAPITAL AS A PERCENTAGE OF SALES



1 Total Group
2 From continuing operations excl. ESCO
3 From continuing operations

2019 performance

Our working capital as a percentage of sales increased 0.3% reflecting investment in the growth in Minerals and the impact of the market downturn in Oil & Gas in North America.

You can read more in the Financial Review on page 32.

Link to Remuneration

70% of Executive Director remuneration is directly linked to progress against financial KPIs. In 2019, the Remuneration Committee awarded 0% out of a possible 20% for progress against working capital targets. You can read more in the Remuneration report on page 117.

Associated risks

- Market volatility
- Contract risk
- Political and social risk
- Technology and innovation
- Value Chain Excellence
- Competition

NON-FINANCIAL

PEOPLE

2019 performance

We continued to make good progress towards becoming a zero-harm workplace with a 40% reduction in our underlying Total Incident Rate to 0.27. As part of our programme to build a higher performance culture we developed organisational effectiveness metrics that will inform future development programmes.
We also completed a strategic workforce planning process to identify key skills gaps and support future recruitment and training initiatives in addition to completing the initial design of a new HR management system.

Link to Remuneration

30% of Executive Director remuneration is directly linked to progress against strategic priorities including people. The Remuneration Committee awarded 6.9% out of a possible 7.5% for progress against People priorities. You can read more in the Remuneration Report on pages 118-120.

Associated risks

- Safety, Health and Environment
- Staff recruitment, development and retention
- Political and social risk
- Technology and innovation

CUSTOMER

2019 performance
We extended our leading global service network to new territories and increased the number of engineers embedded in our remote facilities. ESCO and Minerals leveraged each other's customer relationships to grow market share making good initial progress towards a $50m revenue synergy target over the medium-term. Oil & Gas strengthened its position in the Middle East, expanding in Saudi Arabia and signing pressure pumping distribution agreements. All three divisions worked in partnership with customers to develop new technologies and extend their field trial programmes.

Link to Remuneration
30% of Executive Director remuneration is directly linked to progress against strategic priorities including Customer. The Remuneration Committee awarded 6.8% out of a possible 7.5% for progress against Customer priorities. You can read more in the Remuneration Report on pages 118-120.

Associated risks
- Safety, Health and Environment
- Staff recruitment, development and retention
- Political and social risk
- Technology and innovation
- Value Chain Excellence
- Competition

TECHNOLOGY

2019 performance
The Group focuses its technology agenda on making customers operations smarter, more efficient and sustainable. This included developing new materials to increase wear life. Minerals signed an agreement with a customer to develop their Terraflowing® technology that enables tailings waste to be recycled or repurposed. Oil & Gas introduced an electric frack pump that significantly reduces the operating footprint of frack sites and the Group started work on redesigning a selection of its products using additive manufacturing.

Link to Remuneration
30% of Executive Director remuneration is directly linked to progress against strategic priorities including Technology. The Remuneration Committee awarded 6.4% out of a possible 7.5% for progress against Technology priorities. You can read more in the Remuneration Report on pages 118-120.

Associated risks
- Safety, Health and Environment
- Staff recruitment, development and retention
- Political and social risk
- Technology and innovation
- Environment & sustainability

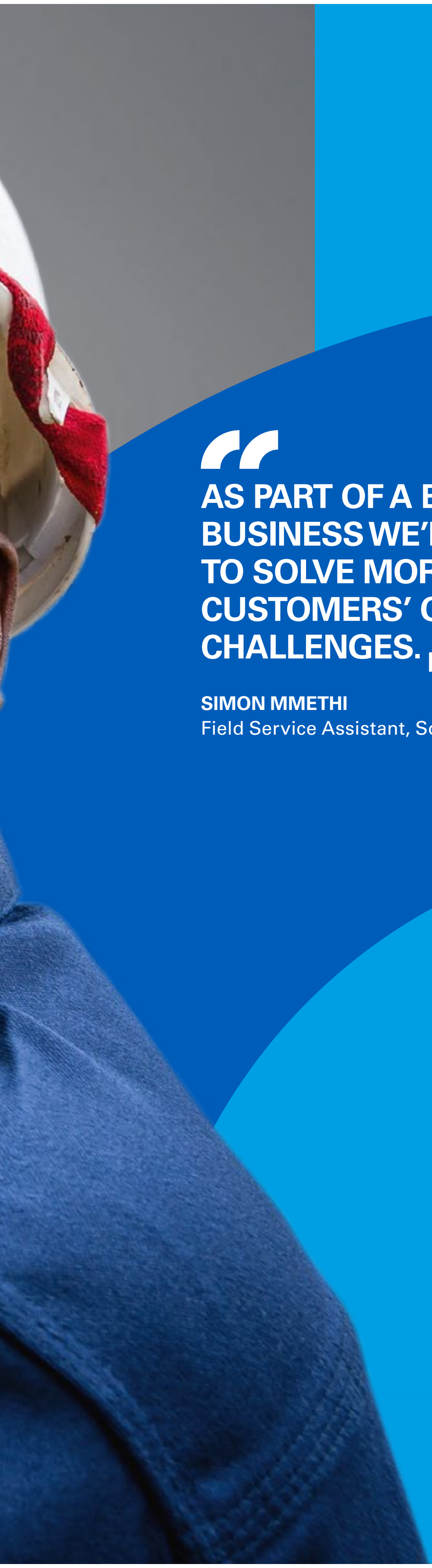
PERFORMANCE

2019 performance
The Group achieved $25m in cost synergies from the integration of ESCO, ahead of the original schedule. It also completed the successful sale of Flow Control for an Enterprise Value of £275m. Operational improvements included exiting lower margin comminution markets and improving on-time delivery. The Group also completed a new sustainability strategy including setting ambitious targets for emissions reductions.

Link to Remuneration
30% of Executive Director remuneration is directly linked to progress against strategic priorities including Performance. The Remuneration Committee awarded 6.3% out of a possible 7.5% for progress against Performance priorities. You can read more in the Remuneration Report on pages 118-120.

Associated risks
- Safety, Health and Environment
- Staff recruitment, development and retention
- Political and social risk
- Technology and innovation
- Value Chain Excellence

We are
SUCCESSFULLY DELIVERING OUR STRATEGY



"AS PART OF A BIGGER BUSINESS WE'RE ABLE TO SOLVE MORE OF OUR CUSTOMERS' OPERATING CHALLENGES."

SIMON MMETHI
Field Service Assistant, South Africa

In 2018, the Group made its largest ever acquisition, purchasing ESCO for an enterprise value of $1.3bn. ESCO's leading positions in Ground Engaging Tools (GET) for mining markets coupled with their aftermarket-intensive business model meant that the acquisition was one that perfectly matched the Group's criteria.

Over 2019, the Group has made strong progress in integrating ESCO into the Group and leveraging key synergies between our two mining-focused divisions. In 2018, ESCO increased operating margins by 170 bps post acquisition whilst delivering operating profits of £66m. This strong performance continued in 2019 as the division increased operating profits by 25% to £83m with operating margins up 240bps on a constant currency pro-forma basis.

The division has made great strides in embedding our 'We are Weir' strategic framework, with improvements made in safety performance and improving employee engagement rates.

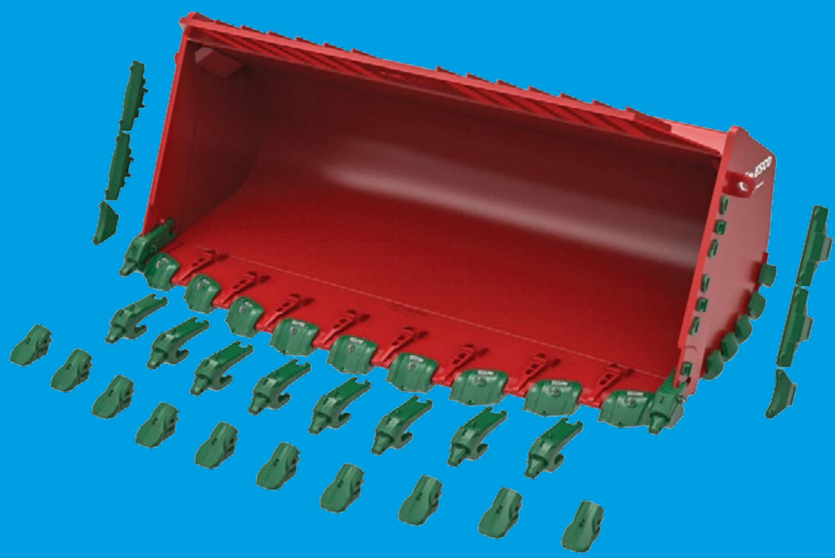


Image: An ESCO Nemisys® N70 tooth, shroud and lip system on an ESCO Wheel Loader bucket

Strategic Report

SECTION 172 STATEMENT

STAKEHOLDER ENGAGEMENT

Our success depends on forging and nurturing positive relationships with the people, communities and organisations that have an interest in our business and may be impacted by the decisions we take. These stakeholders are at the heart of 'We are Weir', the strategic framework that sets out our purpose, business model, strategic priorities, values and culture. It makes clear that we want to be a business that provides excellent outcomes for our employees, customers, Shareholders, suppliers, communities, environment, government and non-governmental organisations (NGOs).

The Group identifies its key stakeholders through its strategic planning process which is focused on delivering long-term sustainable value. Stakeholder engagement and analysis is also key to our approach to risk management. We engage with these important groups our stakeholders in a variety of ways from direct discussions to surveys and participating in community, industry and government forums.

This provides valuable insights that inform the Board's deliberations. For example, in developing the Group's new sustainability strategy the Board conducted a comprehensive materiality assessment that included input from customers, employees, investors and NGOs. There was a common consensus among these groups that improving sustainability should include both environmental and non-environmental priorities and these are reflected in our sustainability targets.

Effective engagement of stakeholder groups supports the principles of Section 172 of the Companies Act which sets out that Directors should have regard to stakeholder interests when discharging their duty to promote the success of the company.

Page 27 sets out how we engage with our main stakeholders, the issues most material to them and how the Group has responded.

You can read more about our 'We are Weir' strategic framework on page 2. Our business model sets out the value we generate for stakeholders on page 14. Further information on the Board's approach to stakeholder engagement is on page 27 and the Group's sustainability strategy is on page 60.

EMPLOYEES

How we engage

- Board member responsible for representing employee voice
- All-employee survey
- 'Meet the Board' sessions
- Monthly 'CEO Briefing'
- 'Ask Jon' CEO email address
- Global webcasts and social media channels

What do they care about most?

- Knowing their voice is heard
- Ensuring everyone is treated fairly
- No compromise on our Safety, Health or Environmental standards
- Alignment between personal and company values

How do we respond?

- Continuous prioritisation of safety above all else to become a zero harm workplace
- 'Employee Voice' strategy
- Commitment to building a truly inclusive culture
- Ongoing engagement with our 'We are Weir' framework

CUSTOMERS

How we engage

- Embedded sales and engineering teams
- Key account management
- Voice of Customer insights
- Technology partnerships

What do they care about most?

- Safety
- Efficiency
- Quality and on-time delivery
- Smart technologies
- Sustainability
- Trusted long-term partnerships
- Ever-present service

How do we respond?

- Investment in research and development
- Technology roadmaps developed through Voice of Customer processes
- Sustainability materiality assessment

SUPPLIERS

How we engage

- Clearly defined supplier quality policy
- Supplier visits
- Technology trials and collaborations

What do they care about most?

- Trusted partnerships
- Collaborative relationships
- Responsive communication

How do we respond?

- Face-to-face meetings with suppliers
- Key account support
- Equal opportunity policies for all suppliers
- Strong safety culture

SHAREHOLDERS

How we engage

- Annual Report and General Meeting
- One-to-one meetings
- Investor conferences
- Capital Markets Days
- Visits to company facilities
- Good environmental & social governance

What do they care about most?

- Clear strategy and good execution
- Financial discipline
- Strong returns and management through the cycle
- Protecting and enhancing the reputation of the Group

How do we respond?

- 'We are Weir' strategic framework
- We treat all our Shareholders equally
- Regular reporting of performance
- Growing ahead of our end markets
- Code of Conduct, risk assessments and sustainability strategy

COMMUNITIES & ENVIRONMENT

How we engage

- Local open days to better understand our operations
- Collaborations with local schools and universities
- Supporting employment and apprenticeship schemes

What do they care about most?

- Jobs and investment
- That we are good neighbours, operating safely and ethically
- That we actively help and support local communities
- Reducing environmental impact

How do we respond?

- Providing direct employment to c.15,000 people
- Investing in our facilities to provide a safe, nurturing and stretching environment
- Investing in school, graduate and PhD programmes
- Developing and executing our sustainability strategy

GOVERNMENT & NGOs

How we engage

- Direct engagement with national and local politicians and officials
- Membership of industry bodies
- Supporting NGO efforts to improve STEM education opportunities

What do they care about most?

- Creating and sustaining employment
- Investing in R&D and productivity
- Business contributing towards educational opportunities

How do we respond?

- Providing good jobs for c.15,000 people
- Investing 1.3% of sales in R&D including partnerships with universities
- Investing in programmes that support STEM education particularly amongst women and other under-represented groups

Strategic Report

CHAIRMAN AND CEO Q&A

CHARLES BERRY
Chairman

JON STANTON
Chief Executive Officer

Q.

DID 2019 PLAY OUT AS YOU EXPECTED?

A.

JS: In some ways yes, in others not quite. If we look at our strategic progress, I think there is a lot for us to be proud of, particularly in terms of safety and increasing our relevance to customers. If we look at markets, mining, our largest market, largely played out as we expected, and we delivered good growth because customers want technology partners like Weir to solve their problems more efficiently and sustainably. North American oil and gas was tougher than the industry expected at the beginning of 2019, but we are used to operating in cyclical markets and we were able to respond quickly and effectively.

CB: As Jon says we operate in cyclical markets and we need to see through short-term challenges to the long-term potential of the business. When the Board does that, we find really solid foundations, from our strong market leadership positions to initiatives such as giving our global workforce the opportunity to become co-owners of the business. To me, that's a sign of a Group that has a clear sense of its place in the world. I think we'll see other companies replicating it in the years ahead as they did when we reformed remuneration policy, moving away from inappropriate Long Term Incentive Plans to more modest restricted share awards with lengthy holding periods.

> **"WE DELIVERED GOOD GROWTH BECAUSE CUSTOMERS WANT TECHNOLOGY PARTNERS LIKE WEIR TO SOLVE THEIR PROBLEMS MORE EFFICIENTLY AND SUSTAINABLY."**
>
> **CHARLES BERRY**
> Chairman

Q.

THE GROUP HAS STEPPED UP ITS FOCUS ON SUSTAINABILITY – WHY IS THIS SO IMPORTANT FOR THE BUSINESS?

A.

CB: If you think about sustainability in its widest sense, Weir is a very sustainable business. We have been around for almost 150 years and that has been achieved by being relentlessly future-focused. It's meant that we have adapted when necessary and at every turn we have been able to successfully apply our culture of innovative engineering, whether that is to steamships, nuclear energy or mining. Among today's great challenges are how our markets respond to climate change and the need for technology transformation to provide the essential resources the world needs more sustainably. And again, innovative engineering will be a key part of the solution.

JS: We have been very thoughtful about where we can make the biggest contribution to improving sustainability. The main focus will be on technology where we can significantly reduce our customers' environmental impact but there is also opportunity internally to reduce emissions and that's why the Board approved an ambitious 50% target for 2030. But as Charles suggests we think of sustainability in a range of ways, from how we keep our people safe and ensure their voice is heard, to practicing the highest standards of corporate governance, and ensuring we make a positive difference and 'give back' to our communities around the world.

Q.

WHO DO YOU CONSIDER AS WEIR'S MAIN STAKEHOLDERS AND WHAT ROLE TO THEY PLAY IN SETTING STRATEGY?

A.

CB: Weir has never operated in isolation. We depend on lots of different groups to make Weir successful. That includes governments who provide the environment for enterprise to flourish. Employees who use their talent and passion to differentiate us from the competition. Customers who depend on us to be their technology partners. Investors who provide the capital for us to deliver long-term growth. Suppliers who are vital to supporting efficient operations, and communities who welcome Weir as a positive force in their neighbourhoods. These relationships are crucial to our success and that's why we are proactive in seeking out views of our stakeholders and factoring them into Board deliberations. It's what good partners do and Weir wants to be a business that people are proud to be associated with.

JS: In one of my first investor meetings as CEO a major shareholder told me to think of his organisation as just one of many stakeholders. It was reassuring because it resonated with the Board's view of how we realise Weir's potential. We do that by being open to new voices and challenges because we know that is how we continuously improve. I am extremely proud of how proactive we are in listening and learning from our people, customers, investors, suppliers, communities and others. It helps the Board make better decisions and it makes Weir a better business.

Q.

WHAT DO YOU SEE AS THE GROUP'S MAIN OPPORTUNITIES IN THE YEAR AHEAD?

A.

JS: I have never been more excited about our technology pipeline. We have a range of solutions in development that when fully realised will help lead the technology transformation in our industries. From a markets' perspective, the fundamental drivers of our business remain robust. More immediately we will continue to pursue growth opportunities in mining, benefiting from our unique position as the only provider of premium solutions from the pit to the processing plant.

CB: I look forward to the sustainability strategy being accelerated because I think that's an area where we can deliver real value for all our stakeholders. One of my highlights in 2019 was the introduction of our 'Meet the Board' sessions where employees get to share their views and discuss a range of topics of their choosing with the Board. It shows how open we are to challenge but more importantly is a great opportunity to learn more about the business and its people and every time we do that, the whole Board emerges even more confident about the future of this business.

The Weir Board & Group Executive teams meet colleagues in Santiago, Chile

We are WEIR


We are
DELIVERING INNOVATIVE SOLUTIONS FOR AN EVER CHANGING WORLD
WEIR

In September 2019, the Group was awarded a record £100m order to provide industry-leading energy saving solutions to the Iron Bridge Magnetite Project, located 145km south of Port Hedland in the Pilbara region of Western Australia.

The order comprised comminution and pump equipment including Enduron® High Pressure Grinding Rolls (HPGR) and GEHO® PD pumps. The innovative comminution circuit will reduce energy consumption by more than 30% compared to traditional milling technologies. It is also a dry processing solution, an important innovation in areas where water resources are scarce.

By significantly reducing energy and water consumption in the crushing of rock, not only is waste minimised, our HPGR technology offers a step change in efficiency and environmental performance. The Iron Bridge Project will be an important reference site for the industry with the potential project pipeline for HPGRs growing 40% in 2019 alone.

Our comminution offering is just one of a range of solutions aimed at making our customers smarter, more efficient and sustainable. You can read more in our operational reviews from page 38.

“BY SIGNIFICANTLY REDUCING ENERGY AND WATER CONSUMPTION OUR HPGR TECHNOLOGY OFFERS A STEP CHANGE IN EFFICIENCY AND ENVIRONMENTAL PERFORMANCE.”

PETER LEMPENS
Integrated Solutions Manager,
Weir Minerals Netherlands

Image: Enduron® high pressure grinding rolls (HPGR.) HPGR's set the benchmark for energy efficient grinding and use dynamic skewing to provide best-in-class wear life for mining applications.

Strategic Report

FINANCIAL REVIEW

DELIVERING STRONG REVENUE GROWTH

Growth in mining offset by challenging North American oil and gas market conditions.

REVENUE

£2,662m

+9%

OPERATING PROFIT [4]

£352m

+1%

REPORTED LOSS AFTER TAX

(£379m)

OVERVIEW

2019 saw continued positive momentum in our Mining businesses. At a Group level this forward momentum was offset by challenging market conditions and associated lower revenues and profits in Oil & Gas.

In Minerals, our customers continue to focus on maximising production from existing assets while cautiously progressing responsibly with expansion projects. We are aligned with these priorities and continue to see the benefit of our leading global service network with aftermarket orders at record levels while our Integrated Solutions strategy is driving strong project demand as evidenced by securing our largest ever Mining order; the £100m energy efficient crushing solution for the Iron Bridge Magnetite project in Western Australia.

ESCO sees the same market backdrop as Minerals and is benefiting from similar customer proximity with good revenue growth in the year. Integration has gone very well with cost synergies driving strong margin progress and initial revenue synergies being delivered.

North American Oil & Gas markets were challenged with an industry-wide focus on cash generation rather than growth across the value chain. This, together with excess capacity in the North American frack fleet resulted in muted demand for both our original equipment and aftermarket products and services. Orders, revenues and despite significant restructuring efforts, profits were all lower as a result. These challenging market conditions together with uncertainty about the timing of a market recovery led to an exceptional impairment charge being recognised in respect of our North American Oil & Gas business.

"IN 2019 WE SAW CONTINUED POSITIVE MOMENTUM IN OUR MINING BUSINESSES DELIVERING GOOD REVENUE, PROFIT AND MARGIN PROGRESSION, WHILE NORTH AMERICAN OIL AND GAS MARKETS WERE CHALLENGING."

JOHN HEASLEY
Chief Financial Officer

FINANCIAL HIGHLIGHTS

Continuing operations order input and revenue increased by 8% and 7% respectively on a constant currency basis with a strong performance in Minerals and full year of ESCO results (which was acquired in July 2018) being offset by the decline in Oil & Gas as a result of challenging market conditions. On a like-for-like basis, excluding ESCO, order input and revenue decreased by 4% and 6% respectively, with Minerals growth being offset by Oil & Gas. On a reported basis, including ESCO, revenues grew by 9%, benefiting from a £46m foreign exchange translation tailwind.

Continuing operations reported profit before tax, amortisation and exceptional items of £303m was down by £7m or 2%. Operating exceptional charges of £596m (2018: £158m) were incurred mainly in relation to an impairment charge in Oil & Gas North America, restructuring and rationalisation costs in Oil & Gas and Minerals and ongoing costs related to the integration of ESCO. Earnings per share before amortisation and exceptional items of 87.9p was 7% lower reflecting the downturn in Oil & Gas and the higher average number of shares in issue following the ESCO acquisition in 2018.

Cash generated from operations decreased by £3m to £408m mainly driven by the downturn in the oil and gas market and impact from disposal of Flow Control, offset by a reclassification of lease costs under IFRS 16 'Leases', stronger Minerals cash generation and full year positive impact of ESCO. Our reported net debt increased from £1,127m to £1,157m following the adoption of IFRS 16 'Leases', which resulted in £185m of lease liabilities being classed as debt, and a free cash outflow of £79m offset mainly by proceeds of £263m from the sale of the Flow Control Division. Adjusted net debt to EBITDA on a covenant basis (excluding IFRS 16) increased to 2.4[6] times (2018: 2.3[6] times).

CONTINUING OPERATIONS ORDER INPUT

Order input at £2,792m increased 8% on a constant currency basis but decreased by 4% on a like-for-like basis. Original equipment orders were £742m. Aftermarket orders were £2,050m.

Minerals orders increased by 10% on a constant currency basis to £1,647m (2018: £1,500m) with a book-to-bill of 1.11.

Original equipment orders were up 22% as a result of the record £100m Iron Bridge Project order in Australia. Excluding this landmark order, underlying original equipment orders were stable, and the division's pipeline remained strong driven by the long-term structural growth drivers and the strength and breadth of its technology offering allowing an integrated solutions approach to customers. Aftermarket orders increased by 5% to record levels, with demand for spares and services supported by structural trends including ore grade declines. Aftermarket represented 67% of total orders (2018: 70%), reflecting the strong original equipment order growth. In total, mining end-market orders accounted for 78% of the total (2018: 73%).

ESCO orders decreased 1% on a constant currency pro forma[7] basis to £557m (2018: £564m) due to phasing of capital and stocking orders with underlying mining demand strong. Aftermarket orders represented 95% of orders in line with ESCO's position as a provider of highly engineered consumables to abrasive applications. Construction markets in North America were strong in the early part of the year before slowing through the second half.

Oil & Gas orders of £588m (2018: £836m) were down 30% on a constant currency basis, reflecting the significant reduction in refurbishment and replacement activity in North America compared to the prior year period. Aftermarket orders, which represented 71% (2018: 76%) of total orders, fell 34% due to the reduced activity levels and cannibalisation of existing equipment in North America. Original equipment orders were 14% lower with declines in pump demand partially offset by increased International activity. North American orders were down sequentially in the fourth quarter as markets continued to soften. Orders from International markets were higher year-on-year.

CONTINUING OPERATIONS REVENUE

Revenue of £2,662m showed growth of 7% on a constant currency basis (down 6% like-for-like) mainly reflecting strong input performance in Minerals and a full year of ESCO, offset by lower revenue in Oil & Gas due to the challenging market conditions. Aftermarket accounted for 77% of revenues which is roughly in line with the prior year. Reported revenues increased 9%, impacted by a foreign exchange translation tailwind of £46m.

Minerals revenue was 4% higher on both a constant currency and reported basis at £1,478m (2018: £1,415m). Original equipment sales accounted for 27% (2018: 28%) of divisional revenues and were stable on the prior year. Aftermarket revenues were up 6% reflecting order trends.

ESCO revenue increased 4% on a constant currency pro forma basis to £572m (2018: £549m) reflecting previous order growth and market and structural trends consistent with those seen in our Minerals Division with declining ore grades and customers efforts focused on maximising production from existing assets.

Oil & Gas revenue reduced by 25% on a constant currency basis to £612m (2018: £817m). Original equipment and aftermarket revenues decreased by 8% and 31% respectively, with aftermarket accounting for 70% of total revenues (2018: 76%). North American revenues fell by 29% compared to the prior year reflecting challenging market conditions. International revenues were higher year-on-year due to increased project activity, particularly in the Middle East.

CONTINUING OPERATIONS PROFIT

Operating profit from continuing operations (before exceptional items and intangibles amortisation) increased by £4m (1%) to £352m. Excluding a £9m foreign currency translation tailwind the constant currency decrease was £5m.

Minerals operating profit (before exceptional items and intangibles amortisation) increased by 7% on a constant currency basis to £270m (2018: £253m), driven by good underlying revenue growth and a favourable product mix. Strong performances in our Geho business driven by copper projects in South America was partly offset by weak demand in Central Africa as customers curtailed activity significantly due to sales

RESULTS SUMMARY

Continuing operations[1]	2019	2018	As reported	Constant currency[2]	Like-for-like[1,3]
Orders[2]	**£2,792m**	£2,592m	n/a	8%	-4%
Revenue	**£2,662m**	£2,450m	9%	7%	-6%
Operating profit[4]	**£352m**	£348m	1%	-1%	-17%
Operating margin[4]	**13.2%**	14.2%	-100bps	-110bps	-160bps
Reported operating (loss) profit	**(£322m)**	£124m	-360%	n/a	n/a
Net finance costs	**(£50m)**	(£38m)	-32%	n/a	n/a
Profit before tax[4]	**£303m**	£310m	-2%	n/a	n/a
Reported (loss) profit before tax	**(£372m)**	£86m	-532%	n/a	n/a
Effective tax rate[4]	**24.4%**	25.3%	-90bps	n/a	n/a
Earnings per share[4]	**87.9p**	94.7p	-7%	n/a	n/a
Total Group					
Reported (loss) profit after tax	**(£379m)**	£18m	-2,205%	n/a	n/a
Cash generated from operations[5]	**£408m**	£411m	-1%	n/a	n/a
Net debt	**£1,157m**	£1,127m	£30m	n/a	n/a
(Loss) earnings per share	**(146.4p)**	7.4p	-2,078%	n/a	n/a
Dividend per share	**46.95p**	46.2p	2%	n/a	n/a

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.

1 Continuing operations excludes the Flow Control Division which was disposed of on 28 June 2019 and reported in discontinued operations.
2 2018 restated at 2019 average exchange rates.
3 2018 restated at 2019 average exchange rates and like-for-like excluding ESCO acquisition in 2018.
4 Adjusted to exclude exceptional items and intangibles amortisation.
5 Before exceptional cash flows. Net cash generated from operating activities was £264m (2018: £218m).
6 Calculation is on a covenant basis with net debt at average rates.
7 Pro forma figures for 2018 are provided for comparative purposes and are based on esco's adjusted, unaudited us gaap management accounts.

Strategic Report

FINANCIAL REVIEW
CONTINUED

tax changes and their own operational issues. Operating margin on a constant currency basis increased by 50bps to 18.3% (2018: 17.8%), due to product mix and benefited from some delay to phasing of lower margin original equipment order shipments.

ESCO operating profit (before exceptional items and intangibles amortisation) increased by £50m reflecting a full year of results and by £17m (25%) on a pro forma, constant currency, basis to £83m (2018: £66m), as a result of good revenue growth, operating leverage and benefits from the post-acquisition cost synergies. Cost synergies of US$25m were realised in the year with a run rate of $27m relative to our original target on acquisition of US$30m. Operating margin of 14.5% was up 240bps on a constant currency pro forma basis (2018: 12.1%).

Oil & Gas operating profit (before exceptional items and intangibles amortisation) including joint ventures was £37m (2018: £101m) on a constant currency basis. The decrease was driven by lower activity in North American markets, which also impacted pricing in some product lines and operating leverage. In response to the challenging market conditions a restructuring exercise was completed in the year which will deliver £35m of annualised savings of which £11m was realised in the year. Operating margin at 6.0% was down 640bps on a constant currency basis reflecting the challenging market conditions.

Unallocated costs increased £7m from the prior year to £38m supporting the 'We are Weir' strategy with increased investment in digital and advanced manufacturing technology as well as share based payments, including the all-employee Weir ShareBuilder plan.

Reported operating loss for the year of £322m was £446m adverse to the prior year due to the increase in exceptional items and intangibles amortisation of £450m combined with the £4m increase in underlying operating profit.

CONTINUING OPERATIONS NET FINANCE COSTS

Net finance costs were £50m (2018: £38m). The overall increase of £12m compared to 2018 was principally due to the adoption of the IFRS16 'Leases' standard which resulted in an £8m interest charge in the year.

Net finance costs (excluding retirement benefit related costs) were covered 7.9 times by operating profit from continuing operations, before exceptional items and intangibles amortisation (2018: 10.3 times).

CONTINUING OPERATIONS PROFIT BEFORE TAX

Profit before tax from continuing operations (before exceptional items and intangibles amortisation) decreased by 2% to £303m (2018: £310m). The reported loss before tax of £372m compares to an £86m profit in 2018 due to an increase in exceptional items, including a £546m non-cash impairment of our Oil & Gas North American assets.

CONTINUING OPERATIONS TAXATION

The tax charge for the year of £74m (2018: £79m) on profit before tax from continuing operations (before exceptional items and intangibles amortisation) of £303m (2018: £310m) represents an underlying effective tax rate (ETR) of 24.4% (2018: 25.3%). 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.

In terms of cash tax, the Group paid income tax of £90m in 2019 across all of its jurisdictions compared to £73m in 2018. The increase is due largely to timing differences arising where 2019 cash tax instalment payments (or refunds) are driven partly by prior year current tax liabilities.

CONTINUING OPERATIONS EXCEPTIONAL ITEMS AND INTANGIBLES AMORTISATION

Exceptional items increased to £596m (2018: £158m) with intangibles amortisation increasing to £78m (2018: £66m). The increase in amortisation reflects the impact of a full year charge for ESCO.

An impairment charge of £546m was recognised in the Oil & Gas North America cash generating unit (CGU). The current challenging market conditions and uncertainty about the timing of market recovery resulted in estimates of future cash flows featuring lower revenue and margin assumptions. This led to a review of specific assets which were considered to be at risk and resulted in impairment charges relating to brand names of £40m, customer relationships of £144m, inventory of £49m and property, plant & equipment of £25m. Subsequent testing of the remaining goodwill and intangible assets led to further impairment totalling £288m and this was charged against goodwill.

The current market conditions impacting our Oil & Gas North America business result in significant estimates being required in the impairment testing of the intangible assets associated with the Oil & Gas North America cash generating unit. It is considered appropriate to disclose this as an area of significant estimation due to the size of the balance, the relatively low discount rates applied compared to recent years (due to market driven bond yield data) and the current levels of market uncertainty. Changes to these areas of significant estimation could reasonably lead to changes in the carrying value as a result of future events within the next five years.

Exceptional items include costs of £11m associated with the continued integration of ESCO. These costs and associated benefits are in line with our plans at the time of acquisition.

Restructuring and rationalisation charges in the year of £31m comprise £15m in Oil & Gas and £16m in Minerals. The Oil & Gas costs reflect actions taken to mitigate the challenging market conditions and include a 20% reduction in workforce and closure of a number of sites. Minerals £16m exceptional restructuring and rationalisation costs primarily reflect the decision to exit lower margin North America sand and aggregate comminution markets which included a write down of inventory and tangible assets, and a further £6m charge for the impairment of customer relationships.

The cash impact of the current year exceptional income statement charge of £596m is expected to be £24m, with £17m already incurred in the year. The overall exceptional cash outflow of £41m in 2019 includes £24m related to exceptional items booked to the income statement in prior years.

A tax credit of £92m has been recognised in relation to exceptional items and intangibles amortisation (2018: £46m).

After exceptional items and intangibles amortisation, the reported loss for the year from continuing operations is £353m (2018: profit £53m).

DISCONTINUED OPERATIONS

The reported loss for the year from discontinued operations is £26m (2018: £35m), including an underlying loss (before exceptional items and intangibles amortisation) of £4m (2018: profit £16m). The Group disposed of the Flow Control Division on 28 June 2019 for an enterprise value of £275m and a net consideration of £263m, after customary working capital and debt-like adjustments. In January 2020, the final consideration was determined, as part of the agreed completion accounts process, resulting in the Group making a full and final settlement to First Reserve of £4m. This resulted in a pre-tax loss on disposal of £8m being recognised at December 2019, an increase of around £3m from the position reported in June 2019.

The loss of £8m reflects final cash proceeds of £259m, net assets at the date of disposal of £270m, costs of disposal of £17m and a gain of £20m from the recycling of cumulative foreign exchange differences from the foreign currency translation reserve to the income statement. The income tax charge of £14m primarily relates to the gain on disposal of the US entities and assets resulting in a total post-tax loss on disposal after tax of £22m.

CAPITAL EXPENDITURE

Net capital expenditure for the Group, including intangible assets, increased from £85m in 2018 to £104m in the current year, reflecting a continued investment in our strategic priorities, together with investment to enhance safety and operational efficiency at ESCO. Net capital expenditure on property plant and equipment (owned) of £81m was 1.3 times depreciation.

CASHFLOW AND NET DEBT

Cash from operating activities decreased by £3m to £408m in the year which is mainly driven by the downturn in the oil and gas market and the (£75m) impact from disposal of the discontinued Flow Control business, offset by a reclassification of lease costs under IFRS 16, stronger Minerals cash generation and full year impact of ESCO.

Free cash flow from total operations (contained within note 2) decreased by £188m to an outflow of £79m (2018: inflow £109m), before cash exceptional items of £41m (2018: £142m). The decrease was driven by operating cash flows from discontinued operations £75m, tax £17m, capital expenditure £19m, and £42m increased dividend payment (due to a prior year scrip option and an increase in shares in issue following the ESCO acquisition).

Total Group exceptional cash items of £41m relate to ESCO integration costs, legacy warranty issues in Oil & Gas and restructuring and rationalisation actions in both Oil & Gas and Minerals.

The completion of the sale of Flow Control Division on 28 June 2019 resulted in cash proceeds, net of costs paid in the year and cash deposits at the date of disposal of £245m. In January 2020, a final payment of £4m in respect of the sale was paid to reflect the final consideration determined as part of the agreed completion accounts process.

The above movements resulted in closing Group net debt of £1,157m (2018: £1,127m), which includes IFRS 16 lease liabilities of £185m and a favourable foreign exchange movement of £35m. Excluding IFRS 16 underlying financial debt reduced by £155m. On a lender covenant basis, the ratio of net debt to EBITDA was 2.4 times (2018: including a pro forma full year of ESCO 2.3 times) compared to a covenant level of 3.5 times. Details of the Group's committed facilities are included in note 19.

IFRS 16 LEASES

IFRS 16 'Leases' became effective from 1 January 2019. At December 2019 right-of-use assets were £178m, with corresponding lease liabilities of £185m resulting in an increase in net debt.

In the Consolidated Income Statement, for continuing operations, the lease charge previously included in operating profit, is replaced in the year by depreciation on the right-of-use asset of £42m, an operating expense of £17m relating to short-term leases and low value assets which are exempt from capitalisation, and an interest charge of £8m included in Finance costs. The total lease charge recognised in the Consolidated Income Statement has increased to £67m (2018: £54m) following growth in underlying activity and the full year impact of ESCO.

There is also a change in presentation of cash flows due to IFRS 16. Cash flows in respect of leases for the total Group, now recognised on the Consolidated Balance Sheet, totalling £52m in the year, are included in financing activities rather than operating activities. Those leases exempt from capitalisation result in cash outflows from operating activities of £18m in the year, resulting in a total cash outflow from leases of £70m (2018: £59m).

PENSIONS

The Group has a mixture of defined benefit pension plans and other employee compensation or medical plans in both the UK and North America.

The deficit of £139m compares to £149m in 2018. For the legacy Weir Schemes, the deficit decreased by £3m primarily due to actuarial gains of £74m on the asset side, updates to the mortality assumptions (£21m gain) and the payment of £9m in deficit reduction and one-off contributions, including a special contribution following the disposal of Flow Control. These gains are largely offset by actuarial losses of £98m on the liability side resulting from changes in financial assumptions, primarily the discount rate, plus a charge to the income statement of £2m.

For the ESCO schemes, the deficit decreased by £7m due to gains of £15m on the asset side, contributions of £10m in the year, updates to the mortality assumptions (£3m gain) and exchange rate movements (£3m gain) offset by charges to the income statement of £4m and changes in market conditions, primarily relating to the discount rate, leading to a £20m loss on the liabilities.

Insurance policy assets held for the two largest UK schemes now cover 41% (2018: 43%) of the Group's total funded obligation across all schemes, excluding ESCO, reducing the Group's exposure to actuarial movements.

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 2019, there were 1,551 asbestos-related claims outstanding in the US (2018: 1,383).

Following our triennial review of estimated future indemnity and defence costs in 2017, we have continued to monitor our claims experience and recognise a US asbestos provision of £44m (2018: £48m) in line with the actuarial decay model and the projected claims. The Group has comprehensive insurance cover in place for claims with a pre-1981 date of first exposure and as a result recognises a corresponding insurance asset. Full details of the provision, plus related insurance receivable, are provided in note 21.

KEY ACCOUNTING AND POLICY JUDGEMENTS

The key accounting and policy judgements are contained within note 2 to the Group financial statements on page 144.

EARNINGS PER SHARE

Earnings per share from continuing operations (before exceptional items and intangibles amortisation) decreased by 7% to 87.9p (2018: 94.7p). Reported loss per share including exceptional items, intangibles amortisation and loss from discontinued operations was 146.4p (2018 earnings per share: 7.4p). The weighted average number of shares in issue increased to 259.5m (2018: 244.1m) following the issue of 34.9m shares during 2018 in respect of the ESCO acquisition and scrip dividends.

DIVIDEND

The Board is recommending a final dividend of 30.45p resulting in a total dividend of 46.95p for the year, a 2% increase on 2018. Dividend cover (being the ratio of earnings per share from continuing operations before exceptional items and intangibles amortisation, to dividend per share) is 1.9 times (2018: 2.1 times). If approved at the Annual General Meeting, on 28 April 2020, the final cash dividend will be paid on 5 June 2020 to Shareholders on the register as at 24 April 2020.

John Heasley

JOHN HEASLEY
Chief Financial Officer

26 February 2020

We are WEIR

We are WORKING TOWARDS BECOMING A ZERO-HARM WORKPLACE

“IT’S GREAT TO WORK FOR A COMPANY THAT PUTS SAFETY AS ITS NUMBER ONE PRIORITY.”

SUZANNE HARRISON
Iron Inspection Supervisor,
Weir Oil & Gas, Canada

At Weir, we want every one of our people to have a safe start, a safe finish and a safe journey home to their family or loved ones. This will always be an area where we strive for continual improvement and where we are making good progress towards our ultimate goal for becoming a zero-harm organisation. Our underlying total injury rate is now 0.27 which makes us among the safest industrial companies to work for in the world.

During 2019, there were some exceptional safety performances across our business, including our Oil & Gas Division which recorded no lost time incidents over the year and recorded a 49% reduction in its TIR.

Image: Weir Oil & Gas colleagues on site in Canada in January 2020.

OPERATIONAL REVIEW
WEIR MINERALS

HIGHLIGHTS

- +5% aftermarket orders; original equipment +22%
- Operating margins of 18.3%; +50bps reflecting product mix
- Record £100m Iron Bridge order demonstrates strength of differentiated technology offering

RICARDO GARIB
Division President, Weir Minerals

2019 MARKET REVIEW

Mining markets were positive in 2019 supported by commodity prices with copper up 5%, iron ore up 29% and gold up 19%. To take advantage of these conditions, miners remained focused on productivity improvements and cash generation. There was also increased demand for more sustainable solutions that reduce mining's environmental impact while also contributing towards lower total costs. A number of large greenfield developments were given final approval although the majority of expansion projects were focused on brownfield extensions of current assets. All regions saw good growth although Africa was impacted by subdued demand in Central Africa. Macro concerns led to some project delays in the third quarter, but these abated towards the end of the year as the US and China reached a trade agreement.

These market trends were reflected in demand for original equipment which was principally from brownfield opportunities, with particular demand for energy-saving solutions. Aftermarket demand remained robust, supported by long-term structural trends including ore grade declines that mean that miners need to process increased volumes of harder rock to extract the same amount of ore, increasing wear on equipment. Oil sands demand remained robust.

In non-mining markets, industrial, power and infrastructure markets were more challenging.

> **"THE DIVISION LEVERAGED ITS STRONG MARKET POSITIONS TO TAKE FULL ADVANTAGE OF THE GROWTH OPPORTUNITIES IN 2019."**

RICARDO GARIB
Division President, Weir Minerals

2019 OPERATING REVIEW

The division leveraged its strong market positions to take full advantage of the growth opportunities in 2019. This included its Integrated Solutions Strategy, which utilises its engineering expertise and broad product portfolio to improve customer productivity, delivering £155m in orders in 2019.

The division also continued to extend its leading global service network with new openings focused on high growth areas including Russia, Central America, Central Asia, Africa and Asia Pacific. The service network gives the division the ability to rapidly respond to demand for spares and services and is a key differentiator in need-it-now mining markets. The effectiveness of this business model can be seen in the record aftermarket orders received in 2019.

Technology development continued to focus on expanding the product portfolio and working with our customers in developing smarter, more efficient and sustainable solutions. This included the division's energy-saving Enduron® HPGR technology which saw strong growth in demand through the year including the record £100m Iron Bridge order. The division is also working with customers to develop innovative ore hoisting technology that has the potential to significantly improve the efficiency and safety of transporting ore from underground to the processing plant, reducing energy consumption and costs. In addition, the division signed an agreement with a major customer to pilot its Terraflowing® solution that reduces the water content of tailings waste in a cost-effective manner enabling it to be safely stored.

A Cavex® hydrocyclone cluster

The division continued to optimise its operating footprint including investment in its larger foundries in Europe, South America and Asia Pacific. It rationalised its comminution offering, closing a number of smaller facilities and exiting lower margin segments to focus on higher margin, hard rock mining opportunities. Longer-term plans continued to be developed to optimise global manufacturing and foundry capacity to take full advantage of positive market conditions and to support future growth and margins. The division also implemented a new customer relationship management system and further automated tracking of its extensive installed base.

2020 OUTLOOK

While the long-term fundamentals of mining markets remain positive there is currently uncertainty over the macro outlook for the global economy, which is heightened by the recent coronavirus (COVID-19) outbreak. Assuming underlying demand does not change, we expect the division to deliver good growth in constant currency revenues supported by delivery of the record Iron Bridge order, with operating margins slightly lower, reflecting product mix.

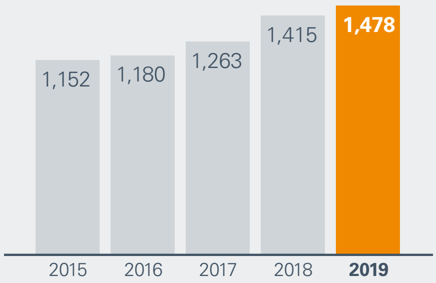
CAVEX® 800CVX HYDROCYCLONES IMPROVE FLOW RATE BY 15% AT MINERA CENTINELA, CHILE

Working with the team at Minera Centinela, part of the Antofagasta Minerals Group, Weir Minerals was challenged to increase the mineral recovery in the grinding area as competitor hydrocyclones were underperforming. Cavex® 800CVX hydrocyclone clusters, to be powered by the incumbent Warman® MCR® 650 slurry pump, were installed by the team. After the installation, the Cavex® hydrocyclones operated with a higher flow rate of 5480m3/h, equating to a 15% improvement in mineral recovery over the competitor hydrocyclones.

REVENUE[1] £m

£1,478m

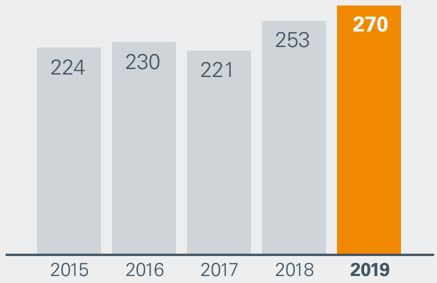
+4%



OPERATING PROFIT[1,2] £m

£270m

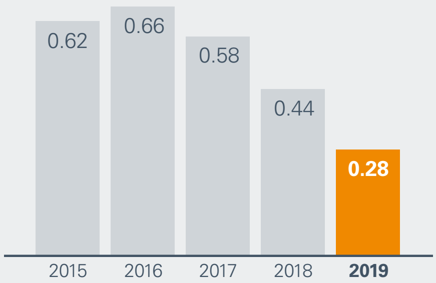
+7%



TOTAL INCIDENT RATE

0.28

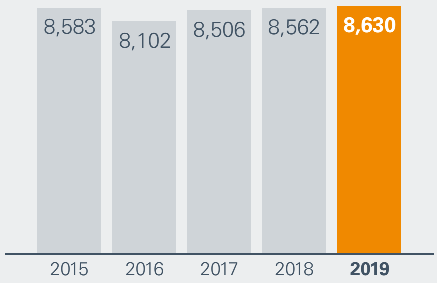
36% improvement



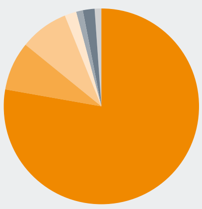
HEADCOUNT (AVERAGE)

8,630

+1%

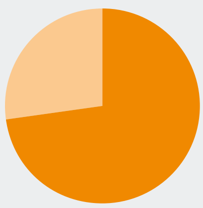


DIVISIONAL ORDERS BY END MARKET %



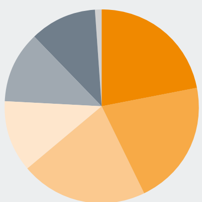
Mining	78%
Industrial	8%
Oil & Gas	8%
Naval & Marine	2%
Power Generation	2%
Infrastructure	1%
Water & Sewage	1%

REVENUE BY ORIGINAL EQUIPMENT/ AFTERMARKET %



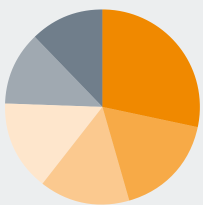
Aftermarket	73%
Original Equipment	27%

DIVISIONAL ORDERS BY GEOGRAPHY %



North America	22%
South America	21%
Australasia	21%
Asia Pacific	12%
Africa	12%
Europe	11%
Middle East	1%

NUMBER OF FACILITIES



Europe	51
Asia Pacific	31
Australia	27
Middle East & Africa	27
South America	22
North America	22

1 Prior years restated at 2019 average exchange rates.

2 Adjusted to exclude exceptional items and intangibles amortisation.

OPERATIONAL REVIEW
WEIR MINERALS
CONTINUED

SYNERTREX® ENABLED WARMAN® MCR® 550 IMPROVES PUMP WEAR LIFE BY 140%

INDUSTRY
Gold Mining

CUSTOMER
Evolution Mining,
Cowal Gold Operation

APPLICATION
Primary Cyclone Feed Pump

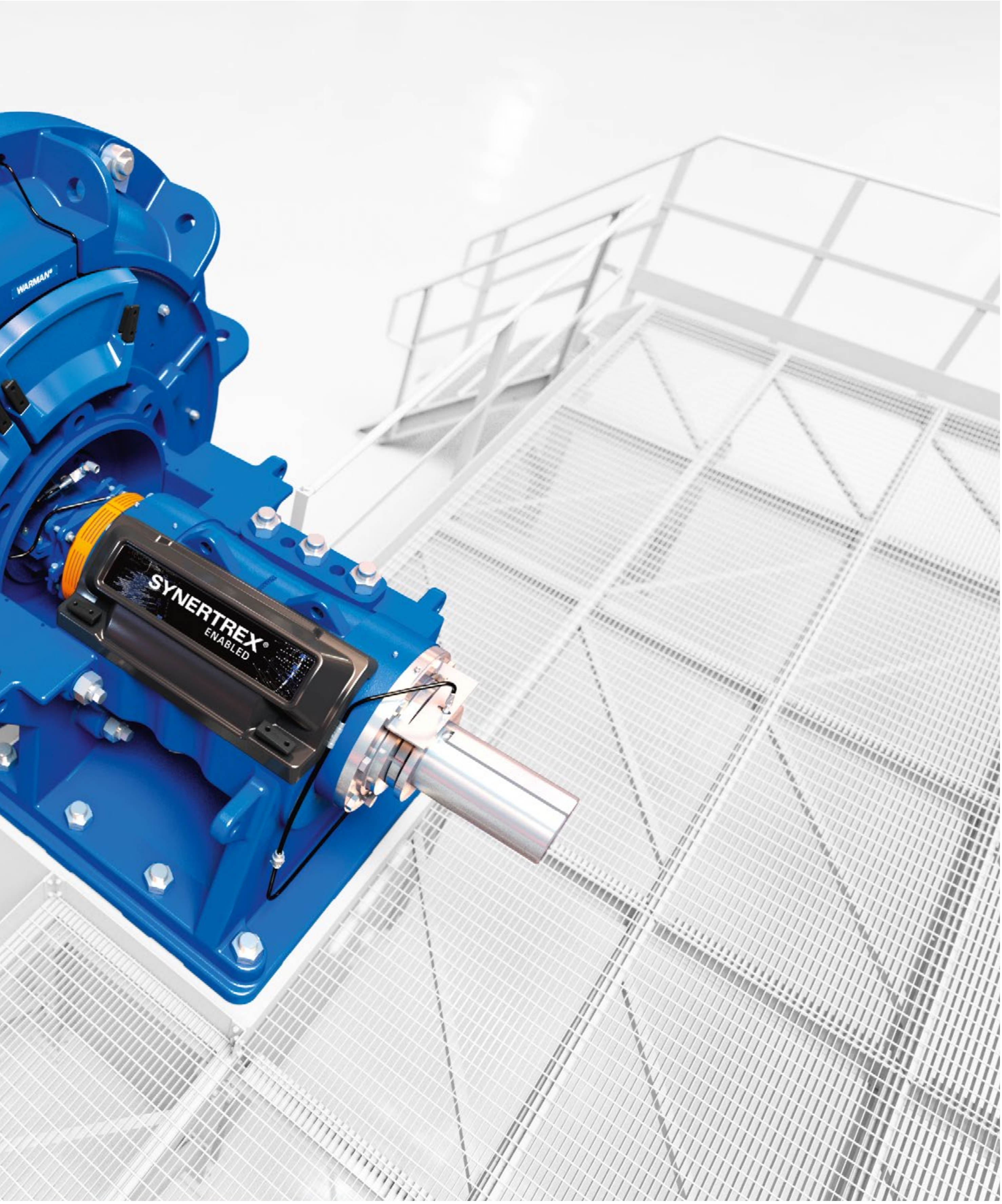
EQUIPMENT
Synertrex® enabled Warman® MCR® 550 pump

Evolution Mining is a leading Australian gold producer. The Cowal Gold Operation (CGO) is an open-pit gold operation located 350km west of Sydney. Working with CGO who were looking to increase production, Weir Minerals suggested installing a second mill-pump to increase availability and a Synertrex® enabled Warman® MCR® 550 was recommended as the best solution. After 29 weeks of operation, analysis showed that the pump would achieve more than 40 weeks of operation, an over 200% increase from the incumbent pump and of over 60% from the customer's original goal of 24 weeks.

"THIS RESULT ALLOWED CGO TO REDUCE SHUTDOWNS BY EXTENDING THE LIFE OF THE CYCLONE FEED PUMP TO 40 WEEKS. IMPROVED RECOVERIES CONTRIBUTE TO THE OVERALL PROFITABILITY OF THE CGO OPERATION."

RICARDO GARIB
Division President, Weir Minerals

The Synertrex® enabled Warman® MCR® 550


WARMAN®
SYNERTREX®
ENABLED

Strategic Report

OPERATIONAL REVIEW WEIR ESCO

HIGHLIGHTS

- Market share gains supporting 4% increase in pro forma revenues
- Delivered annualised run rate cost synergies of $27m, ahead of original schedule
- Operating margins of 14.5%; 340bps improvement post acquisition

JON OWENS
Division President, Weir ESCO

2019 MARKET REVIEW

The division benefited from the same macro mining trends as Minerals including increased ore production and the focus by mining customers on optimising productivity. This supported demand for differentiated technology that is proven to sustainably increase efficiency. Regionally, there was good demand growth in North America and Asia Pacific, with most other markets relatively stable with the exception of Africa which was more subdued due to political uncertainty and some customer-specific operational challenges.

In infrastructure markets, North American construction slowed as the year progressed and dredge activity was also reduced.

2019 OPERATING REVIEW

The division continued to focus on differentiating its offering through technology leadership and close customer proximity. This included market share gains by extending its Nemisys® technology to smaller machine classes including front end loaders. The N70 improves customer productivity by increasing wear life by more than a third compared to competitor systems, lowering fuel consumption and reducing maintenance costs.

Additional new technology introductions included GET Detect® which enables customers to better monitor their G.E.T in the field using digital sensors, helping prevent costly unplanned downtime when teeth become detached and enter downstream processing operations. Operator safety is also a big priority for its customers and the division is developing GET Toolhead® an innovative solution that automates G.E.T change-outs reducing the need for personnel to be in the pit, one of the most hazardous parts of the mine.

Investment has been focused on improving safety and upgrading foundry capacity to meet future demand. The division encountered some operational challenges at our Newton, Mississippi, facility during this upgrade process. These are temporary and are being resolved, with significant production improvement seen in Q4.

Annualised run rate cost synergies reached $27m by the end of 2019, well on track to deliver the division's $30m target in 2020, significantly ahead of the original schedule. Good progress was also made toward the medium-term $50m revenue synergy target. This included expanding into new markets, building on Mineral's global network, with both ESCO and Minerals collaborating to grow market share in new or under-served territories.

> **"THE DIVISION CONTINUED TO FOCUS ON DIFFERENTIATING THROUGH TECHNOLOGY LEADERSHIP AND CLOSE CUSTOMER PROXIMITY."**
>
> **JON OWENS**
> Division President, Weir ESCO

ESCO's new automated toolhead

2020 OUTLOOK

ESCO shares many of the same market drivers as Minerals. Assuming underlying demand does not change, we currently expect the division to deliver good growth in constant currency revenues. Further full year margin progression will be supported by the ongoing delivery of cost and revenue synergies and operational improvements.

TAKING WORKERS OUT OF HARM'S WAY

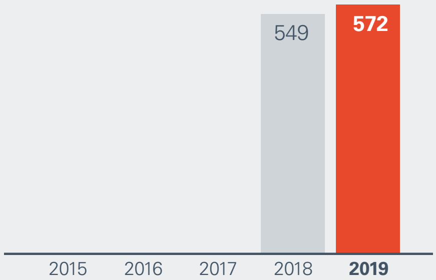
Safety is a key priority for our customers and our technology is helping take workers out of harm's way. Our new automated toolhead does exactly that, turning a hydraulic manipulator into a robot arm.

It can securely grip and move GET, allowing it to replace parts weighing up to 500kg. The movement of the toolhead is controlled remotely by a single operator, compared to teams of up to three people who would normally be required for a manual change out.

REVENUE[1,3] £m

£572m

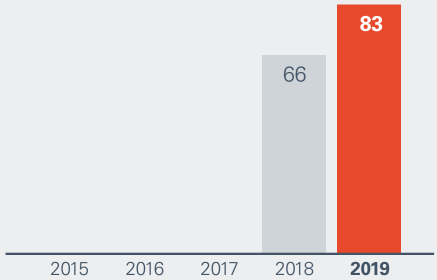
+4%



OPERATING PROFIT[1,2,3] £m

£83m

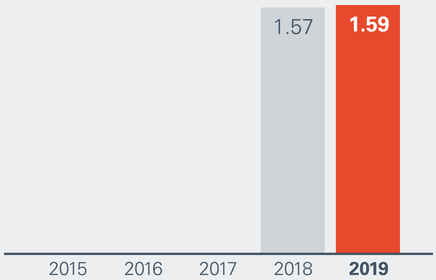
+25%



TOTAL INCIDENT RATE[3]

1.59

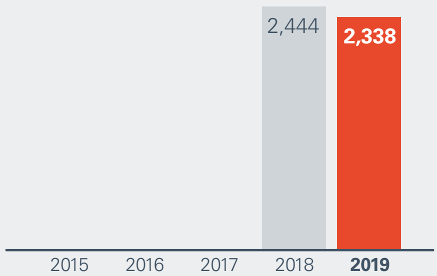
1% increase



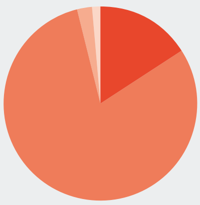
HEADCOUNT (AVERAGE)[3]

2,338

-4%



DIVISIONAL ORDERS BY END MARKET %

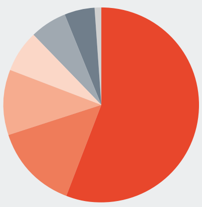


Mining	58%
Infrastructure	28%
Oil & Gas	9%
Industrial	5%

REVENUE BY ORIGINAL EQUIPMENT/ AFTERMARKET %

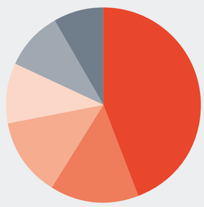
Aftermarket	96%
Original Equipment	4%

DIVISIONAL ORDERS BY GEOGRAPHY %



North America	56%
South America	14%
Australasia	11%
Europe	7%
Africa	6%
Asia Pacific	5%
Middle East	1%

NUMBER OF FACILITIES



North America	27
South America	9
Asia Pacific	8
Australasia	6
Africa	6
Europe	5

1 2018 restated at 2019 average exchange rates and reported on a proforma basis.

2 Adjusted to exclude exceptional items and intangibles amortisation.

3 ESCO was acquired in July 2018 and fully comparable data is not available.

OPERATIONAL REVIEW
WEIR ESCO
CONTINUED

ESCO's field proven Nemisys® N70 tooth system for wheel loaders

NEMISYS® N70: LASTS UP TO 36% LONGER THAN THE COMPETITION

INDUSTRY
Mineral extraction

CUSTOMER
Iron ore, North America

APPLICATION
Extreme duty-hard rock, large boulders

EQUIPMENT
Nemisys® N70 tooth system

Weir ESCO's new Nemisys® N70 system is focused for the wheel loader market. In 2019, the technology was trialled on a mine site with the success of the trial resulting in the mine's loader fleet being upgraded to N70. The N70 lasted 4 times longer than the legacy competitor system and because of ESCO's unique locking technology, change outs are far simpler and quicker.

Analysis shows that the N70's tooth system is, on average, up to 21% harder than the competition, while lasting up to 36% longer and weighing less. Such results have seen the division make 31 conversions, against a target of 25, with the system in 2019.

"THE N70 TOOTH SYSTEM REPRESENTS A STEP CHANGE IN THE MARKET AND OUR 31 CONVERSIONS IN 2019 REFLECT THE VALUE IT CREATES FOR OUR CUSTOMERS."

JON OWENS
Division President of Weir ESCO

OPERATIONAL REVIEW
WEIR OIL & GAS

HIGHLIGHTS

- Uncertainty and market volatility led to £546m impairment of North American Oil & Gas
- International markets continued to show further improvement
- H2 modestly profitable supported by a £35m annualised costs saving programme

PAUL COPPINGER
Division President, Weir Oil & Gas

2019 MARKET REVIEW

In 2019, despite WTI oil prices increasing from $48 to $62 and averaging $57, the North American land rig count fell 27%. E&P operators in North American shifted their focus to cash generation over growth, with constrained capex budgets being exhausted earlier in the year than usual as operators priorities shifted to cash flow. This led to an accelerated downturn in the second half of the year which compounded already over-supplied pressure pumping markets with frack fleet utilisation estimated to be c.55%. In contrast to the first half of 2018, when oilfield service companies were refurbishing and replacing their frack fleets, 2019 saw significant levels of excess capacity, with fleets being cold-stacked and cannibalised for consumables, impacting both original equipment and aftermarket demand. As a result of these market conditions a number of major oilfield service companies announced they were significantly reducing their frack fleets with an estimated 5m horsepower (c.20%) withdrawn from the market.

International markets continued their steady recovery with increased demand for services and well-heads.

2019 OPERATING REVIEW

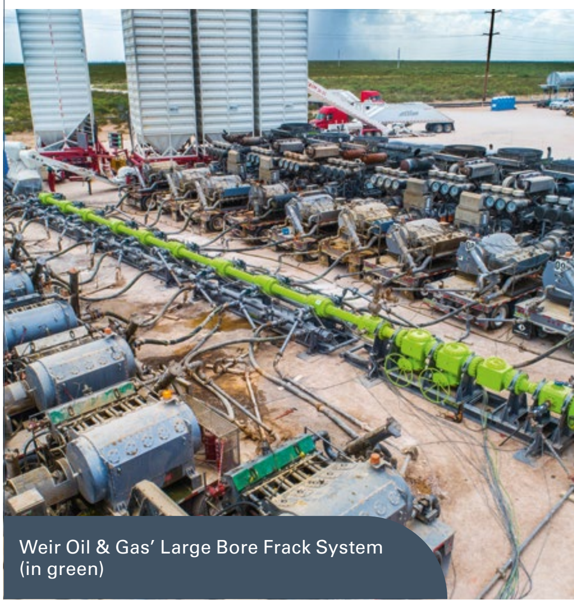
In response to these challenging market conditions, the division completed a £35m annualised cost savings programme. This included reducing its workforce by c.600 people or approximately 20%, facility consolidations and asset write downs.

The division continued to extend its technology leadership with market share gains including its Simplified Large Bore Frac System that significantly reduces the complexity and improves the safety of frack sites and delivered more than £20m in revenues. It also benefited from its Weir EDGE service offering to extend share in pump consumables. The division also launched the SPM® QEM 5000 pump which is capable of supporting the development of electric and gas turbine frack sites which have the potential to reduce required fleet sizes by 60%.

Internationally the division made good progress with order wins from international and national oil companies including a four-year contract in Oman to provide well-head equipment and services. It is also developing plans to further expand its well-head offering in the Middle East, including increased manufacturing capability in Saudi Arabia.

Operational improvements focused on supply chain enhancements and leveraging shared services to drive increased efficiencies across the division. The division also opened its Permian basin, Texas super centre providing Pressure Pumping and Pressure Control assembly, repair and testing facilities.

> **“WHILST RIGHT SIZING THE BUSINESS, WE CONTINUED TO EXTEND OUR TECHNOLOGY LEADERSHIP IN 2019.”**
>
> **PAUL COPPINGER**
> Division President, Weir Oil & Gas



Weir Oil & Gas’ Large Bore Frack System (in green)

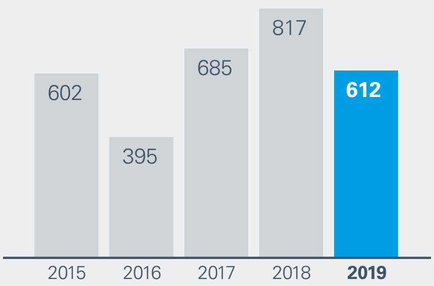
2020 OUTLOOK

There is currently uncertainty over the macro outlook for the global economy and demand for oil which is heightened by the recent coronavirus (COVID-19) outbreak. In North America, industry expectations are for a further reduction in Exploration & Production expenditure in 2020, as operators continue to focus on capital discipline over growth. International markets are currently expected to continue their steady recovery. While visibility is limited, and assuming no significant impact from coronavirus, we expect the modest levels of profitability seen in the second half of 2019 to continue in 2020, with lower demand and pricing pressure being offset by the benefits of our restructuring actions.

REVENUE[1] £m

£612m

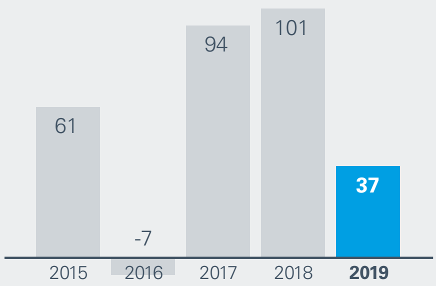
-25%



OPERATING PROFIT[1,2] £m

£37m

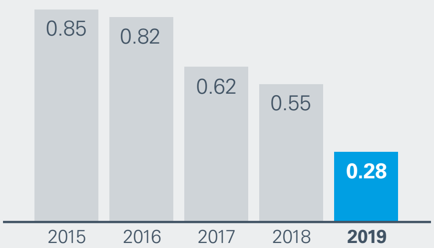
-64%



TOTAL INCIDENT RATE

0.28

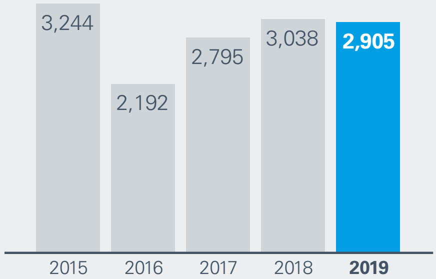
49% improvement



HEADCOUNT (AVERAGE)

2,905

-5%



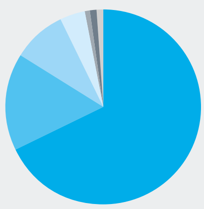
DIVISIONAL ORDERS BY END MARKET %

Oil & Gas	99%
Other	1%

REVENUE BY ORIGINAL EQUIPMENT/ AFTERMARKET %

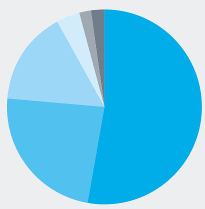
Aftermarket	70%
Original Equipment	30%

DIVISIONAL ORDERS BY GEOGRAPHY %



North America	68%
Middle East	16%
Asia Pacific	9%
Europe	4%
South America	1%
Australasia	1%
Africa	1%

NUMBER OF FACILITIES



North America	27
Asia Pacific	12
Middle East & Africa	8
Australia	2
Europe	1
South America	1

1 Prior years restated at 2019 average exchange rates.

2 Adjusted to exclude exceptional items and intangibles amortisation.

GAINING MARKET SHARE THROUGH OUR LARGE BORE FRACK SYSTEM

The division saw good growth in its large bore frack system which reduces rig set-up time from up to 12 hours to just two, compared to legacy systems. It does this through equipment with fewer leak paths providing a much safer footprint.

Customised for any basin or condition, this system is designed to improve safety and performance, minimise pressure-drop and erosion – thus extending equipment life – reducing non-productive time, rig-up time, and material and labour costs.

OPERATIONAL REVIEW
WEIR OIL & GAS
CONTINUED

SPM® QEM 5000 E-FRAC PUMP GIVES A C. 60% REDUCTION IN OPERATING FOOTPRINT

INDUSTRY
Oil & Gas

APPLICATION
Hydraulic Fracturing

EQUIPMENT
SPM® QEM 5000 e-Frac Pump

Frac site demands have dramatically expanded since 2014, lateral lengths are 43% longer, the number of stages has increased 94%, sand usage is up 85% and horsepower-hours per well have increased 200%. These factors push conventional frac fleets to their limits. Frac pumps are needed to provide ever-increasing durability and performance, but with the industry's goal to reduce its environmental impact, adding horsepower alone doesn't fully meet operators' needs. The SPM® QEM 5000 E-Frac Pump's compatibility with non-standard drivers, including electric and natural gas turbines, gives operators the flexibility of tapping into the electrical grid, remote power generation or a natural gas turbine generator. The pump minimises up-front capital investment as it can reduce a frac fleet from 20 conventional pumps to just eight pumps. Engineered to reduce maintenance, operators can experience millions of dollars in maintenance savings per year of use and reduce maintenance personnel costs by potentially 40%.

"THE SPM® QEM 5000 E-FRAC PUMP IS DESIGNED WITH THE FUTURE IN MIND, DELIVERING CUSTOMERS A LOWER TOTAL COST OF OWNERSHIP WHILE INCREASING SUSTAINABILITY."

PAUL COPPINGER
Division President, Weir Oil & Gas

The SPM® QEM 5000 E-Frac Pump in testing in Texas

RISK MANAGEMENT

MANAGING RISK EFFECTIVELY

We operate in a complex global environment, where opportunities come with corresponding risks. Because our markets are dispersed and decentralised, 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 approved that the risk management process be reviewed to ensure its effectiveness and relevance in the current climate. An external benchmarking exercise to align with industry best practice was carried out and input from the key stakeholders was sought both resulting in enhancements to the process.

Following this, the Board ran a workshop to review the key principal risks and performed horizon scanning to identify emerging risks. These activities meet the Board's responsibilities in connection with Risk Management and Internal Control set out in the UK Corporate Governance Code 2018.

The aim of the Risk Appetite Statement remains to highlight the risks that we should be willing to take, as well as those that 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 the risk assertions and the parameters taken together. The parameters can apply to more than one risk assertion; therefore, the individual risk assertions should not be read in isolation. As part of the aforementioned risk management process review the risk appetite of specific key principal risks were reviewed, resulting in some updates to the risk appetite.

Compliance with the Risk Appetite Statement is monitored through the Group's functional and front-line controls, including oversight and reporting mechanisms. The Board will continue to review and update the Risk Appetite Statement annually.

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 95.

RISK MANAGEMENT

Risk management 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. Also, it allows the business to avoid expending 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; investors and funding. The risk management policy includes defined criteria for each risk impact all the way up to Group level assessments, thereby providing an integrated bottom-up and top-down approach to risk management.

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 and 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 77.

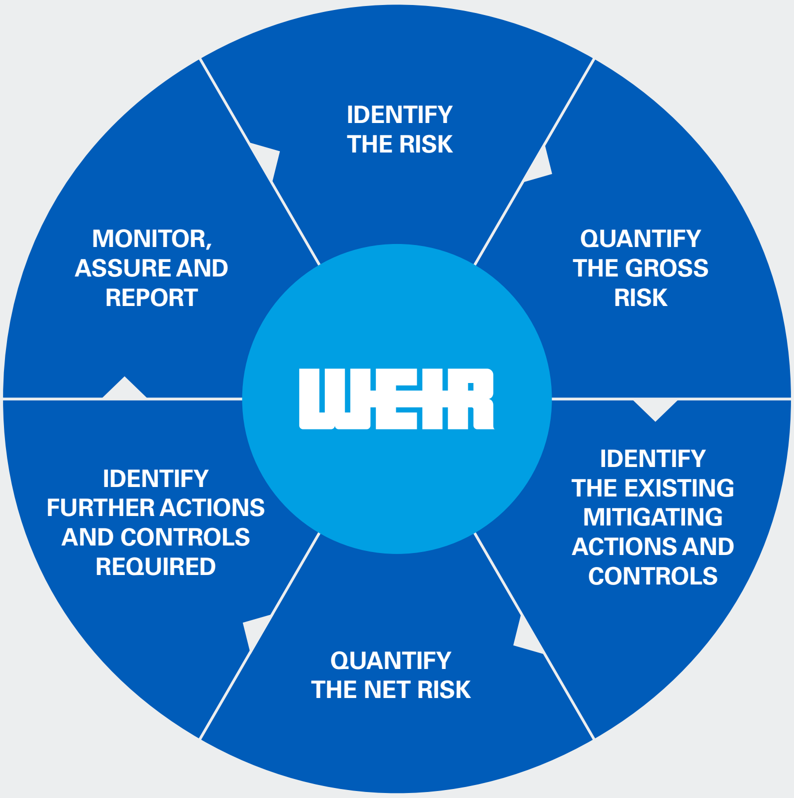
The bottom-up risk reporting approach requires key risks identified and reported at project level to be escalated to the operating company management, which in turn may be escalated to divisional management, and ultimately to the Risk Committee and the Board. This is achieved through risk dashboard reports, which are maintained at divisional and Group levels. The gross 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 resulting net risk, and any further control actions required. The dashboards themselves have been enhanced as part of the greater risk management process review.

The Risk Committee monitors quarterly risk dashboard reports from the divisions. It 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. 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 89 and within the Audit Committee Report on page 95.

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

RISK RESPONSIBILITIES & REPORTING

RISK MANAGEMENT CYCLE



RISK UNIVERSE

Strategic risk

- Industry and market volatility
- Technological advances or disruption
- Pricing pressures
- Acquisitions and mergers
- Planning and resource allocation

Hazard risk

- Political and social instability
- Natural disasters and other major incidents
- External and internal fraud and corruption

Operational risk

- People
- Delivery and supply chain
- Quality
- Commercial
- IT

Compliance risk

- Laws and regulations
- Code of Conduct
- Safety, Health and Environment
- Governance
- Intellectual property

Financial risk

- Financial management
- Credit
- Debt and interest rates
- Foreign exchange
- Accounting and reporting
- Taxation

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

RISK MANAGEMENT
CONTINUED

RISK APPETITE STATEMENT

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

Risk assertions	Risk parameters
1. Organic growth We will rigorously pursue divisional organic growth strategies to meet our market growth objectives.	Investment of resources will be consistent with divisional strategies and expected divisional compound annual growth rates over five year plans.
2. Mergers and acquisitions (M&A) We will actively pursue M&A opportunities that enhance our strategic platform subject to meeting investment criteria.	Post-tax returns should exceed our cost of capital within three years of the acquisition.
3. Returns and profitability We will not pursue growth at all costs, however, we expect high margins, strong returns on capital and working capital discipline together with cash generation.	Short-term margin dilution is acceptable in gaining market entry but over the cycle we aim for top quartile operating margins and returns on capital.
4. Capital allocation We will encourage capital expenditure in pursuit of our growth ambitions subject to Internal Rate of Return (IRR) hurdles and capital structure targets.	Local country cash flow projections for investment appraisal purposes discounted at country specific rates to account for risk weighted returns.
5. Capital structure 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 cyclicality in our end markets, will maintain significant headroom against our financial covenants.	We will seek to maintain the ratio of net debt/EBITDA below two times (current financial covenants 3.5 times) and will retain adequate headroom within our debt facilities at all times.
6. Reputation and stakeholders We will avoid/manage situations or actions that could have a negative impact on our reputation and stakeholders. We aim to be transparent with all of our stakeholders unless prejudicial to our collective interests.	No tolerance for breaches of: • Legislative/statutory requirements. • Weir Code of Conduct. • International sanctions. • Delegated authority levels. • Group and divisional policies.
7. Safety, Health and Environment (SHE) 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.	• No tolerance for breaches of Weir Group Safety, Health and Environment Charter. • Active community and environmental engagement is expected. • Target zero harm through continuous improvement.
8. Country presence We are prepared to enter new countries which offer opportunities for growth consistent with our overall strategy. We will not enter, or will exit, countries which present a high risk of harm to our people, damage to our reputation, or breach of international sanctions.	No tolerance for breaches of: • Legislative/statutory requirements. • Weir Code of Conduct. • International sanctions. • Delegated authority levels. • Group and divisional policies.
9. Innovation We will invest in technology, research and development to innovate our customer offering allowing us to maintain and expand our market share.	Target research and development spend of 2% of revenues.

ROLE AND RESPONSIBILITIES

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

Line of defence	Group	Risk management responsibilities
THIRD LINE OF DEFENCE	**Board** Overall responsibility for the Group's risk management and internal control frameworks, and strategic decisions within the Group.	• Annual review and ongoing monitoring of the effectiveness of the risk management and internal control frameworks. • Annual review of the Group's risk appetite. • Principal risks presented three times a year. • On a bi-annual 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. • Taking decisions in accordance with the delegated authority matrices.
THIRD LINE OF DEFENCE	**Audit Committee** Delegated responsibility from the Board to review the effectiveness of the Group's risk and internal control frameworks.	• Annual assessment of the effectiveness of the risk management and internal control frameworks. • Review of reports from the internal and external auditors. • Review of the results from the six-monthly self-assessment compliance scorecards.
SECOND LINE OF DEFENCE	**Group Executive** Executive Committee with overall responsibility for managing the Group to ensure it achieves its strategic objectives.	• Managing risks which have the potential to impact the delivery of the Group's strategic objectives. • Monitoring business performance, in particular key performance indicators relating to strategic objectives. • Taking strategic decisions in accordance with the delegated authority matrices. • Escalating issues to the Board as required.
SECOND LINE OF DEFENCE	**Risk Committee** Management Committee responsible for governance of the Group's Risk Management Policy and Framework.	• Review of the design and operation of the Group's Risk Management Policy and Framework. • Identification and assessment of the key risks facing the Group, identification of the key controls mitigating those risks and identification of further actions where necessary. • Review of the Divisional Risk Dashboards, considering the appropriateness of management's responses to identified risks and assessing whether there are any gaps. • Reporting key Group and divisional risks to the Board.
SECOND LINE OF DEFENCE	**Chief Executive's Safety Committee** Safety Committee with responsibility to set and monitor the Group's SHE principles, priorities and actions.	• Executive Committee representation to drive improvements in our safety performance throughout the Group.
SECOND LINE OF DEFENCE	**Excellence Committees** • Engineering • Safety, Health and Environment • Finance • HR • Group Information Services • Group Compliance (sub-function of Legal) 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.	• Monitoring the management of key risks across the Group associated with the respective remits of the Excellence Committees. • Monitoring performance and compliance with Group objectives, policies and standards related to the respective remits of the Excellence Committees. • Taking decisions in accordance with the delegated authority matrices. • Escalating issues to the Group Executive as required. • Reviewing the results from relevant assurance activities. • Design and administration of the Group's compliance programme covering core areas including anti-bribery, anti-corruption, anti-trust, privacy, trade controls and human rights.
FIRST LINE OF DEFENCE	**Divisional management** Responsible for managing the businesses within the divisions to ensure divisional strategic objectives are achieved and there is compliance with Group policies and standards throughout their division.	• Managing risks which have the potential to impact the delivery of the division's strategic objectives. • Monitoring performance and compliance with Group objectives, policies and standards within the divisions and with regard to the outputs from the Excellence Committees. • Taking decisions in accordance with the delegated authority matrices. • Escalating issues to the Group Executive as required. • Reviewing the results from relevant assurance activities.
FIRST LINE OF DEFENCE	**Operating company management** Responsible for ensuring company objectives are achieved and business activities are conducted in accordance with Group policies and standards.	• Managing risks which have the potential to impact the delivery of their company's strategic objectives. • Monitoring performance and compliance with Group objectives, policies and standards within their company. • Taking decisions in accordance with the delegated authority matrices. • Escalating issues to divisional management and Excellence Committees as required. • Reviewing the results from relevant assurance activities.

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. The Group's risk management and assurance framework is designed to make this less likely by clearly identifying and seeking to mitigate these keys risks.

The Board has conducted a robust assessment of the principal risks, alongside the Risk Appetite Statement set out on page 52 meeting the Board's responsibilities in connection with Risk Management and Internal Control details 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 a detailed review of each principal risk has been completed in the year.

The Group's risk registers were reviewed and validity of the existing prior year principal risks were reassessed and consideration was given as to whether any new principal risks have emerged, or certain risks are no longer considered to be a principal risk. This review resulted in changes being made to the principal risks in 2019.

The identified principal risks were subjected to a detailed assessment based on the following considerations:

- Severity of each risk relative to the Group's stated risk appetite;
- 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 weakness; and
- The extent to which each of the principal risks could impact 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 on pages 54 to 59 are those which we believe to have the greatest potential to impact our ability to achieve the Group's strategic objectives or which have the greatest potential impact on the Group's solvency or liquidity.

KEY

Strategy

- People
- Technology
- Customers
- Performance

Risk Trend

- Increasing
- No change
- Decreasing

Viability Statement

V Viability Statement

READ MORE
PAGE 90

MARKET VOLATILITY V

Changes in key markets, including commodity prices affecting mining and oil and gas, have an adverse impact on customers' expenditure plans. Fundamental market structure changes could alter the long-term economics of the business.

Impact on strategy

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.

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.

Improved demand planning and forecasting including Sales and Operations Planning within VCE.

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

We maintain contingency plans for downturns.

Changes during 2019

We continue to focus on customer relationships, technology development and Value Chain Excellence to manage this risk. The risk trend is increased to reflect the shorter cycle nature of our North American oil and gas markets and the associated challenging market conditions. We have responded to this with a £35m cost saving programme and our intention to seek to maximise value from our Oil & Gas Division at the right time.

Risk trend

TECHNOLOGY V

Failure of the Group to embrace technology and innovate and continue to develop and invest in both our core product offering and technologically advanced next generation, sustainable solutions and services for our customers, leaves the Group exposed in the defence of its market leading positions and ability to deliver on its growth ambitions.

Impact on strategy

Why we think this is important

We need to continue to drive innovation across the Group and collaborate with research partners to ensure there is a sustainable and evolving product offering leveraging new and adjacent technologies.

This can result in failure to achieve and maximise the expected sales opportunities from new product launches and technological advances.

Failure to adapt our business model to capture economic value from technological advances or prevent economic loss from other technological advances.

Failure to develop products meeting the sustainable needs of our customers and other stakeholders.

How we are mitigating the risk

The Technology Vision & Strategy is in place defining the strategic technology innovation arenas and Weir Innovation Network strategic approach. External partnering to provide horizon technology scanning service.

Advanced Manufacturing Centres established at key manufacturing site to develop new intellectual property.

Changes during 2019

This risk was updated and expanded to reflect the risk of failure to embrace technology.

Risk trend

↔

DIGITAL TRANSFORMATION

Failure to adapt to the digital transformation & changing business models in our end markets and adopt established digital foundations across the Group, results in an uncompetitive, underperforming or an incompatible digital product offering which negatively affect the Weir brand and loses connection with our customers.

Impact on strategy

Why we think this is important

The rapidly changing digital landscape, rate of technological advances and ever increasing levels of automation will impact the business, if we fail to anticipate these changes and keep pace with market and customer expectations.

Failure to manage this risk can result in loss of market share due to disruptive technologies and advances in technology offerings from competitors.

How we are mitigating the risk

Our existing research and development initiatives within the business, at Weir Advanced Research Centre, 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 and respond to their changing needs.

We devote skilled resource to reviewing and responding to developing technologies, with our agreements with specialist external parties to develop Internet of Things (IoT) technology.

Engineering strategies are in place at Group and divisional levels with strategic innovation areas defined as part of the innovation strategy.

Changes during 2019

Technological innovation continues to be at the forefront of the business due to the increasingly competitive market and the pressure to provide customers solutions to improve the efficiency of their operations.

Further information on progress made in this area is set out on page 21.

Continued execution of the Technology Vision and Strategy through the year. The Innovation Strategy process has been defined, organisational structures established, and Group and divisional engineering strategies are in place.

Risk trend

↑

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

COMPETITION V

Increasing presence of low cost competitors with improving quality in our end markets leads to significant pricing pressure and margin deterioration. Disruptive technologies or new entrants with alternative business models could also reduce our ability to sustainably win future business, achieve operating results and realise future growth opportunities. Continuing threat from third-party replicators.

Impact on strategy

Why we think this is important

Increasing presence of low cost competitors with improving quality in our end markets can lead to significant pricing pressures and market deterioration.

Increased competition forces a continual release of longer wear life products resulting in reducing our sales volumes with difficulty in realising commercial benefits.

Disruptive technologies or new entrants with alternative business models could also reduce our ability to sustainably win future business, achieve operating results and realise future growth opportunities.

How we are mitigating the risk

Horizon scanning for competitor threats including patent searches and applications.

Continued development of operational efficiency and improvement plans.

Technology solutions with differentiation on engineering expertise, aftermarket service and price.

Changes during 2019

This risk is new in the current year.

Risk trend

VALUE CHAIN EXCELLENCE V

Failure to achieve Value Chain Excellence improvements and the associated reduction in costs and enhanced capital efficiency.

Impact on strategy

Why we think this is important

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

- Failing to meet our customer needs in terms of product volume, quality and delivery, through a failure in internal and external supply chains resulting in a loss of reputation and sales;
- Failure to optimise our inventory thus inhibiting the Group investment strategy and creating slow moving and obsolete inventory ultimately impacting our results;
- Failure to manage potential above inflationary increases in procurement costs as commodity prices increase thereby reducing our cost competitiveness and margins; and
- Failure to develop organisational capability to sustain and improve operational performance results.

How we are mitigating the risk

Regular KPI monitoring of the value chain throughout the organisation.

Value Chain Excellence initiatives have been operating throughout the Group to drive value chain improvements including expanding production in best cost countries.

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 2019

Value Chain Excellence is a key area of strategic focus for the Group with Value Chain Excellence initiatives continually developing and the Group realising the benefits of these.

Value Chain Excellence is embedded into the divisions allowing for Global and divisional supply chain communities to share best practice and leverage economies of scale.

Risk trend

ENVIRONMENTAL SUSTAINABILITY

Adverse effect of climate change and environmental events including extreme weather impacting our business, our customers and our supply chain. Failure to adapt to changes in legal, technological, social or market dynamics could affect our competitiveness, reputation, and ability to attract and retain talent.

Impact on strategy

Why we think this is important

Failure to manage this risk could have significant impacts on us, our customers and our supply chain. These impacts could be both physical and transitional.

Furthermore, failure to manage these risks may have political and legal implications following increased governmental focus.

There are also wider implications of this risk including loss of market share, negative impact on reputation and failure to attract talent into the organisation.

How we are mitigating the risk

Our Technology Strategy in place has a significant environmental focus and our new sustainability roadmap further underpins our strategic priorities with clear and appropriately stretching goals.

We are continuing strong engagement with stakeholders in this area.

We evolve our environmental reporting processes and governance, including external rating submissions FTSE4Good, CDP, DJSI, etc to ensure robust foundations.

Changes during 2019

This is a new risk in 2019.

A new Chief Strategy and Sustainability Officer position appointed to the Group Executive.

Risk trend

INFORMATION SECURITY AND RESILIENCE V

Failure to maintain the critical business systems and IT infrastructure required to meet the operational needs of the business. Failure to minimise disruption to business operations because of changes to business systems, including during planned transformation activities. Failure to adequately protect core business and stakeholders from cyber crime and other information security risk.

Impact on strategy

Why we think this is important

Failure to adequately protect and preserve the confidentiality, integrity and availability of information and systems from accidental, adversarial or environmental threats could lead to operational, reputational, regulatory or financial impact.

How we are mitigating the risk

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

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.

All security related incidents are reported to the Group Executive.

Security Incident Responder teams monitor our various security systems.

There is also a continued focus on the area from Internal Audit.

Changes during 2019

IT security and continuity continues to be a matter of strategic priority for the Group in an environment of increasingly sophisticated cyber security threats. Progress to strengthen the Group's defences in this respect is being made through our IT transformational programme.

A new Chief Information Officer position was appointed to the Group Executive. We continually review the effectiveness of our key IT security controls in consultation with external experts. We report upon any unplanned outages and potential security breaches, with lessons learned across the Group.

Risk trend

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

SAFETY, HEALTH AND ENVIRONMENT (SHE) V

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

Impact on strategy

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.

The Chief Executive's Safety Committee meets monthly and is committed to achieving the highest of SHE standards.

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

Changes during 2019

The Group continued to drive its safety agenda in 2019 which included the prioritisation of ESCO being fully integrated and aligned to the Weir global SHE standards.

SHE also featured prominently in the Group's global employee engagement survey programme which was rolled out in 2019.

The Group continues to monitor the potential impact of the Coronavirus (COVID -19), on its operations and people.

Risk trend

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.

Impact on strategy

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 of 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.

We 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 2019

The Talent Development and Succession Planning process is being further developed.

Global employee engagement surveys were completed.

All-employee share ownership plan was launched globally. Global HR management system being deployed.

Risk trend

POLITICAL AND SOCIAL V

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.

Impact on strategy

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 in accordance with the Weir Group travel policy.

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.

Continued assessment of global tariffs.

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

Changes during 2019

The geopolitical risk landscape remained unsettled throughout 2019 resulting in an increase in the frequency and rigour of the Group's monitoring over a range of exposures including the political situation in the Middle East and the potential business impact of Brexit.

Risk trend

ETHICS AND GOVERNANCE V

Interactions with our people, customers, suppliers and other stakeholders are not conducted with the highest standards of integrity which devalues our reputation and/or introduces a level of contractual risk above our appetite.

Impact on strategy

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;
- Exclusion from markets important for our future growth;
- Failure to meet required social standards to maintain licence to operate in our communities; and
- Failure to comply with Group's process may lead to businesses committing to onerous contract terms or conditions.

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 procedures, 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.

The compliance 'sub- function' within Group Legal continues to enhance global focus on compliance.

A whistleblower hotline is available to all members of staff. Reports are investigated on a timely basis and summary reports provided to Group Executive and Board.

Changes during 2019

The governance and legislative environment in which the Group operates continues to evolve and become more complex. We routinely review operations in geographies where ethical standards may not be as well established as in other countries.

Policies continue to be updated and rolled out including Data Privacy and Anti-Corruption.

Compliance risk assessments have been completed in several high risk locations.

Risk trend

SUSTAINABILITY REVIEW

EMBEDDING SUSTAINABILITY

Weir Group's purpose is to enable the sustainable and efficient delivery of the natural resources essential to create a better future for the world. This ensures that sustainability is at the very core of our strategy.

> **SUSTAINABILITY IS AT THE VERY CORE OF OUR STRATEGY.**

PAULA COUSINS
Chief Strategy and Sustainability Officer

WHY SUSTAINABILITY MATTERS TO WEIR

Embedding sustainability throughout our organisation protects and creates long-term value for all our stakeholders, both internal and external, and will secure the long-term future of Weir.

We have a meaningful role to play in making our markets more sustainable through innovation and technology. The positive impact we can enable our customers to achieve is significantly greater than that of our own and is therefore where we can be truly game changing.

OUR APPROACH TO SUSTAINABILITY

Sustainability is a wide, and expanding, subject so we have chosen to focus diligently on where we can create the biggest impact. By aligning our organisation around clear priorities and goals, we believe we can deliver significant positive outcomes for all our stakeholders.

We will continue to mature these priorities and goals over time but will maintain this focused approach to ensure maximum impact.

SUSTAINABILITY ROADMAP

In early 2019, we started on our journey to develop our first Sustainability Roadmap. Our objective was to identify and embed our most material sustainability priorities into our core business strategy.

To achieve this we first conducted a materiality assessment, consulting a range of internal and external stakeholder groups. This extensive engagement included interviews and surveys with some of Weir Group's key customers, investors, employees and senior leadership team.

The consultation allowed our stakeholders to prioritise a set of 12 sustainability issues. These issues were spread across three thematic areas:

- Environmental & Technology
- Social & Human
- Governance & Economic

The stakeholders each assessed the most significant actual or potential impacts for Weir from their perspective.

The result of this materiality assessment identified four clear strategic sustainability priority areas for Weir Group where we can deliver the most significant value.

The remaining issues formed the basis of our sustainable foundations.

This enabled us to develop our sustainability roadmap with transparent defined ambition and goals for each strategic priority underpinned by robust and transparent sustainable foundations.

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

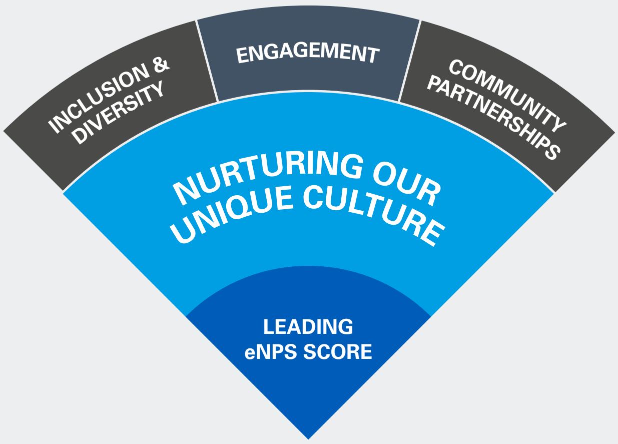
We support the UN Sustainable Development Goals and our sustainability priority areas can meaningfully support the achievement of eight of the seventeen SDGs.

In 2019 we co-created our sustainability roadmap engaging all our key stakeholders to identify the highest business value Group-wide priorities that will deliver tangible value across the Group, these are explained in more detail on pages 62-65.

Strategic Report

SUSTAINABILITY REVIEW
CONTINUED

NURTURING OUR UNIQUE CULTURE



OUR GOALS

ENGAGEMENT
- Sustain leading eNPS in our all employee surveys

INCLUSION AND DIVERSITY
- Foster equal opportunities for all

COMMUNITY PARTNERSHIPS
- Make a positive contribution to the communities in which we operate

IN SUPPORT OF UN SDGs

KEY ACTIONS IN 2019

Engagement

We launched our first ever global survey in late 2018, meaning that we entered into 2019 with valuable insights from our global employee population on the areas they think we do well on, and on what else we can do to become an even better place to work. We repeated the survey in June 2019, receiving an excellent response rate with some 86% of employees taking part. That's almost 12,700 Weir voices telling us what they think about working here.

In total, across both surveys, we now have over 200,000 comments from employees which we've spent time exploring and acting upon in our local teams across the globe. To support this effort, we equipped leaders with a range of resources to support them in putting in place sustainable action plans that will lead to positive changes for their teams.

We introduced 'Meet the Board' sessions, in 2019 which we held in Fort Worth, US (June) and in Santiago, Chile (October). This allowed deep and honest conversations between local employees and Board members on the issues that matter the most to our employees. Furthermore, we introduced a regular Employee Insights Report which identifies key trends across all employee voice channels. This Insights Report included insights for Board consideration on a range of topics including inclusion and diversity, safety, sustainability and on a number of other broader aspects relating to the overall employee experience, such as our working environments and our culture.

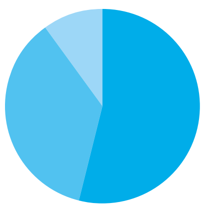
Inclusion and Diversity

One of the key areas of feedback from employees, both in the survey and other employee voice channels, is their desire to see Weir become an even more inclusive culture. In response, we created Weir's first global Inclusion & Diversity (I&D) Steering Committee to help shape our approach to diversity going forward. The Committee comprises 15 diverse employees, who represent many of Weir's regions and businesses. We also considered the insights from a range of listening and learning opportunities on I&D which allowed us to develop strategic aims and objectives and the creation of our first global I&D strategy. In 2019, we had 2,245 female employees and 12,442 male employees[1]. Our gender pay information can be found on page 117.

Community Partnerships

We believe that any investment in a community should create a meaningful and sustainable positive impact on that community. It should be relevant to the local needs, aligned with our business and carried out in partnership with local organisations. We are committed to focusing on projects with strong educational, health and community themes. In 2019 the total amount of charitable donations made was £577,770.

CHARITABLE DONATIONS 2019



Community	54%
Education	36%
Health	10%

1 Continuing operations only.

We support local communities through charitable contributions and by encouraging employees to donate their time to community and charitable initiatives. To engage with our wider communities, we hold family and community days where we invite our local community to join us on site so we can share with them what we do. Some of our facilities also run 'Take Your Child to Work' events where we create an engaging, hands-on experience for our employees' children, introducing them to Weir, and showing them what it's like to work at a global engineering company, and the possibilities available for a STEM based career.

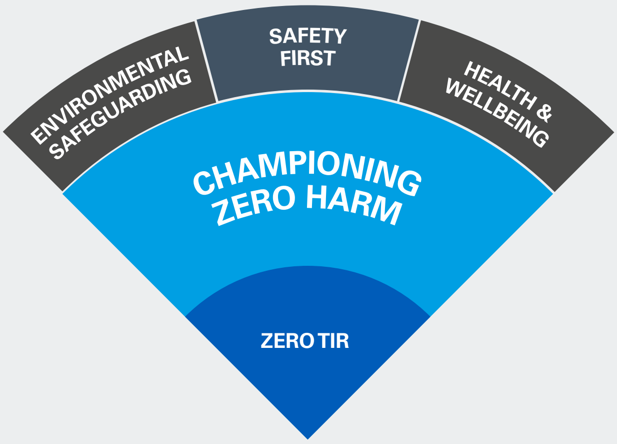
NEXT STEPS

Engagement
- Continue to foster genuine and meaningful dialogue with employees
- Global roll-out of evolved 'We are Weir'
- Continue to develop and implement Weir ShareBuilder

Inclusion and Diversity
- Create a diverse workforce and truly inclusive culture where all people have equal opportunity
- Launch I&D engagement and training campaign

Community Partnerships
- Develop local community partnership plans

CHAMPIONING ZERO HARM



OUR GOALS

SAFETY FIRST
- Aspire to Zero TIR

HEALTH AND WELLBEING
- Promote Health and Wellbeing in line with local needs

ENVIRONMENTAL SAFEGUARDING
- Drive continuous environmental improvement

IN SUPPORT OF UN SDGs

3 GOOD HEALTH AND WELL-BEING

KEY ACTIONS IN 2019

Safety First

2019 has seen Weir make significant progress towards our vision for a Zero Harm workplace. A particular focus has been on accelerating the maturity of ESCO Division's Safety Health and Environment (SHE) culture. The Minerals and Oil & Gas Divisions have delivered exceptional results, which given the Group's focus on ESCO, is a ringing endorsement of the strength of our safety culture and the overall effectiveness of our SHE management system in delivering continuous improvement. The year's achievement has been further reinforced by the results of our Employee Engagement Survey, in which the two SHE related drivers were the highest scoring for the Group and demonstrated the belief our people have in this priority.

The Group's underlying Total Incident Rate (TIR) fell by 40% to 0.27 in 2019. This included reductions in numbers of both types of recordable injuries (Lost Times and Medical Treatments). A key component of this was an exceptional performance by the Oil & Gas Division which had zero Lost Time Injuries and almost halved their TIR. Thankfully, this was another year without fatality in our operations.

87% of our key businesses are accredited to both OSHAS 18001/ISO45001 and ISO14001.

Engagement is a key part of our SHE strategy and we continued to develop an environment where people at all levels talk about safety and speak up if they are not comfortable with the way something is being done.

Health and Wellbeing

This year we more than doubled the number of safety conversations recorded. The topics of conversations went beyond safety with a particular increase in conversations about people's health and wellbeing.

"Are you OK?" That's the question at the heart of an annual national day of action in Australia dedicated to suicide prevention. Born from a personal tragedy, R U OK? Day is based on the idea that a conversation can change a life. On 12 September, Weir ESCO held R U OK? Day events across Australia, including in Brisbane, Rutherford, Perth and a joint event with Weir Minerals. Training was conducted on how to recognise the signs that someone may be struggling, and employees received conversation cards outlining the steps for starting an R U OK? conversation – ask, listen, encourage action and check in. Participants also learned how to respond appropriately and safely to anyone who says, "No, I'm not OK."

Environmental Safeguarding

Managing environmental risk is key to our operations. Weir SHE standards detail our minimum standards for controlling risks to air, land and water.

No significant environmental incidents, penalties or fines were reported at sites under the operational control of the Group during the year ending 31 December 2019.

Across our sites we achieved an average score of 73% across the environmental section of our SHE management system audit[1].

NEXT STEPS

Safety First

- Support ESCO to further improve its safety performance and integration into the Weir SHE management system
- Continue to develop safety conversations
- Transition from OSHAS18001 to ISO45001 an international Health and Safety Standard

Health and Wellbeing

- Develop Group wellbeing framework
- Support local health and wellbeing initiatives

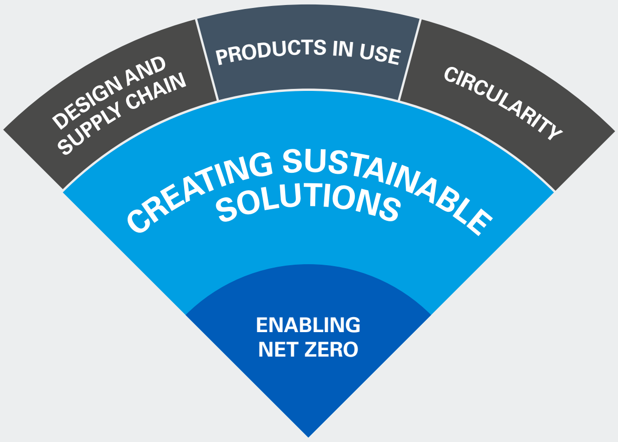
Environmental Safeguarding

- Continuous improvement in safeguarding our local environments
- Maintain local accreditation to ISO14001

1 Continuing operations only.

SUSTAINABILITY REVIEW
CONTINUED

CREATING SUSTAINABLE SOLUTIONS



OUR GOALS

PRODUCTS IN USE
- Enable net zero through innovative solutions

DESIGN AND SUPPLY CHAIN
- Embed sustainable product design and procurement

CIRCULARITY
- Drive and capture opportunities to shift from linear to a circular model

IN SUPPORT OF UN SDGs

KEY ACTIONS IN 2019

Products in use

Our smart, efficient and sustainable technology strategy ensures that our innovations are always relevant to our customers.

In 2019 we focused on helping our customers meet both their operational cost reduction goals and their goals on reducing climate-related impacts during product usage. For instance, our technology helps customers to reduce use phase energy consumption, waste and associated GHG emissions. An example of this is our High-Pressure Grinding Rolls, which not only require up to 30% less energy than traditional methods, but their wearable components last much longer than those in ball and rod mills.

A second example is our Terraflowing® technology for tailings management. From dewatering to transport, disposal, and the conversion of tailings into a resource, we can provide customers with an end-to-end tailings and pipeline solution. This holistic, solutions-based approach to tailings management strengthens our relationship with customers and adds value to their operation beyond pumping. Considering demand for water conservation, operational sustainability and safe deposition of tailings, we have invested in this area to help solve crucial issues within the mining sector.

Our Oil & Gas Division in 2019 launched the SPM® QEM 5000 E-Frac Pump representing two firsts: a frac pump designed from the ground up for electric or gas turbine and 5,000-horsepower capacity in a single unit, rated for service at 100% of rod load, 24 hours a day, even in extreme conditions. With only eight SPM® QEM 5000 e-frac pumps needed to match the output of 20 conventional pumps, maintenance, noise pollution, safety hazards, emissions and overall footprint are reduced.

Design and Supply chain

Our ESCO Division launched the GET Detect smart product solution. It solves one of our customer's biggest challenges – the loss of Ground Engaging Tools. This is important because if a part makes its way to the crushing circuit it can become stuck, stopping production, causing expensive downtime and putting people in harm's way as they try to retrieve it. The team developed exclusive algorithms that identify if a part has become detached and then alerts the machine operator for early intervention to prevent further damage.

Circularity

Products embody carbon due to the energy involved in their design, production, distribution, use, maintenance and disposal across their life cycle. Therefore, if we can extend the wear lifetimes of our products or find alternative uses then we can reduce their environmental impacts. The Vulco® R67 mill lining rubber compound increases product efficiency and delivers a 20% increase in wear life over comparable composite lifter bars.

Our service centre network supports the refurbishment of our products to continue to increase the lifespan of our products.

Our Industrial Internet of Things (IIoT) Synertrex® platform offers predictive maintenance feedback which can further enhance the life of our products and reduce environmental impacts. We are also improving our recycling processes by purchasing our scrap from customers and integrating those materials back into our production process.

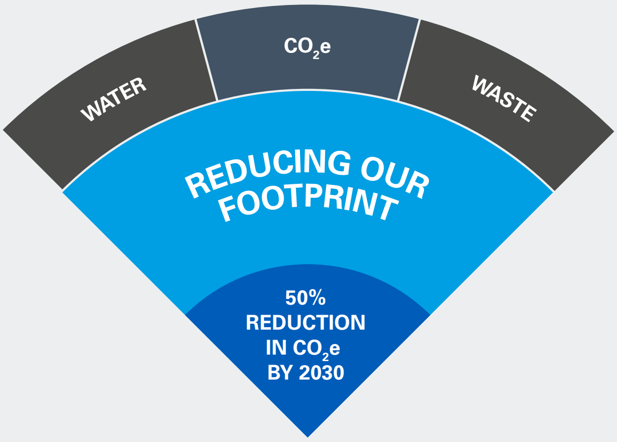
NEXT STEPS

Products in use
- Improve energy efficiency of products
- Improve water efficiency of products
- Increase safety of products

Design and Supply Chain
- Review and integrate sustainability into the new product design process
- Deliver sustainable product design training
- Work with supply chain partners to ensure sustainability across the supply chain

Circularity
- Continue to extend wear life
- Optimise circularity performance
- Review end of life product treatment opportunities

REDUCING OUR FOOTPRINT



OUR GOALS

CO_2e
- 50% reduction in Scope 1 & 2 CO_2e by 2030

WASTE
- Deliver against division specific zero waste targets

WATER
- Develop water stewardship programmes in all water stressed locations

IN SUPPORT OF UN SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

KEY ACTIONS IN 2019

CO_2e and Energy

As an energy and carbon intensive business operating 11 foundries worldwide in 2019, we recognise the importance of measuring and minimising our Greenhouse Gas (GHG) emissions.

The Group's total annual GHG emissions, measured in tCO_2e for the year ending 31 December 2019 were 226,292. This total showed an absolute reduction of 8.3% in comparison to 2018[1]. The total includes continuing and discontinued operations. Our total GHG emissions from continuing operations were 220,810 tCO_2e, a reduction of 6.9% from 2018[1]. During 2019, our total GHG emissions for our 11 foundries[1] were 136,289 tCO_2e which represented an absolute reduction. Our full GHG emissions breakdown can be found on page 70.

We conducted advanced metering energy efficiency pilots at sites that make up 17% of the Group's total CO_2e footprint. These locations identified energy reductions of between 11% and 25% per site that collectively add up to ~£1m per annum savings.

We completed the UK government required Energy Saving Obligation Scheme audits and identified potential energy costs savings of 10% which required little to no investment.

Across the sites we have seen emissions reduction projects including:

- Lighting upgrades
- Heat recovery assessments
- Behavioural change campaigns
- Fuel switching for both heat and power in buildings, process and transportation
- Renewable generation and energy purchasing reviews

Waste

Over 52,000 tonnes of scrap metal was reused within our foundry operations during 2019, comprising 42% of all metal poured in the foundries.

We conducted our No Time to Waste Innovation Challenge (NTTW). Hundreds of ideas were generated from the NTTW challenge and shared across the Group. The winning idea resulted in investigation into the feasibility of converting Mature Fine Tailings (MFT), a necessary but unwanted by-product of the oil sands extraction process, into an environmentally friendly material. This is a pervasive issue in the oil sands with over a trillion litres of unprocessed MFT held in large tailings ponds.

In 2019 we worked in collaboration with Natural Energy Systems (NES) to successfully complete a Phase 1 study.

Water

Our Oil & Gas Division have reduced water consumption at their sites in the Middle East, one of the most highly water stressed regions in which Weir operates.

By implementing a three step process of removing oil contamination, solids and sludge from steam remnants we allow this water to be reused within the sites. Our sites within Africa have continued to implement water saving projects including water continuity, harvesting and recycling.

NEXT STEPS

CO_2e and Energy

- Expand advanced metering and data collection
- Deliver further energy efficiency projects
- Launch behavioural change campaigns
- Develop renewables supply strategy

Waste

- Develop the phase 2 MFT study
- Conduct waste data detailed analysis
- Focus on highest impact waste reduction and redirection projects

Water

- Pilot water stewardship programme

1 The 2018 figures have been recalculated to include the ESCO Division for the whole of the 2018 year in order to provide a like for like comparison across the years.

Strategic Report

SUSTAINABILITY REVIEW
CONTINUED

OUR SUSTAINABLE FOUNDATIONS

OUR SUSTAINABLE FOUNDATIONS
In addition to our four sustainability roadmap strategic priorities we aspire to have the best in class corporate governance across all areas of sustainability.

Climate Change
We are committed to taking action to tackle climate change. We have created goals to support this commitment as a key component of our Roadmap, within the Creating Sustainable Solutions and Reducing Our Footprint priorities. In addition to mitigating climate change we are taking action to better understand and prepare for the climate related risks and opportunities that will and are affecting our businesses.

We welcome and support efforts, such as the Task Force on Climate-related Financial Disclosures (TCFD), to increase transparency and to promote investors' understanding of companies' strategies to respond to the risks and opportunities presented by climate change.

We believe that companies should be transparent about how they plan to mitigate and be resilient in the face of climate change.

In 2019, we established Environmental Sustainability as a principal risk across the Group. This risk focuses on the potential physical and transitional risks from climate change and environmental events which may impact our business, our customers or our supply chain. In 2020 we will conduct our first TCFD assessment and align with the reporting requirements.

2019 CDP Climate Change Score
B

CDP DISCLOSURE INSIGHT ACTION

We submit annually to CDP – Climate Change to share our risk management approach to climate change and our greenhouse gas (GHG) emissions performance. In 2019, we achieved a score of B.

As a business with operations around the world we can be exposed to a wide range of extreme weather events. In 2019, this has included heavy rain, flooding and tornadoes across South and Midwest USA, Cyclone Fani in India, Cyclone Ann in Australia, extreme flooding in China, severe heat-waves in India and Europe, and heat-waves, bush-fires and dust storms in Australia.

We were fortunate that none of our employees have been harmed and very little disruption has occurred at our sites due to these incidents. In the case of such an event occurring, we have put in place measures to ensure operational resilience for ourselves and our customers. We do recognise that climate change will impact upon our business.

We will continue to develop our approach to climate change relating to business strategy, risk disclosure, opportunity disclosure and emissions reduction initiatives aligning with the TCFD recommendations.

Code of Conduct
We are dedicated to doing business in an ethical and in a transparent manner, this commitment has driven our legacy for more almost 150 years. The Group's Code of Conduct (Code) is based on this simple, fundamental value. The Code sets out the Group's commitment to promoting and sustaining a strong ethical culture throughout its operations, and provides direction on and a framework for how we expect our people to conduct themselves on a day-to-day basis. All employees are expected to make decisions in line with our values and behaviours as set out in the Code of Conduct.

In May 2019, we published an updated version of the Code that incorporates the 'We are Weir' framework. The updated Code sets out our standard and expectations for conducting business with integrity and transparency; treating each other with respect; promoting safe working conditions; safeguarding the environment; and protecting our data and assets.

Following the launch of the updated Code, we provided online and in-person training modules on the new Code, and over 9,000 employees have completed the training.

To accompany the updated Code, in 2019 we also updated the Group's Anti-bribery and Corruption Policy (ABC Policy) which sets out in more detail than the Code the Group's position that it does not allow bribery or corruption in any form, whether by Group personnel or third parties acting on the Group's behalf.

Both the Code and the ABC Policy are available to the public on the Weir Group internet site, and to all employees on the Weir intranet. Both the Code and the ABC Policy have been translated into ten languages.

Tax transparency
Our approach to tax is governed by five key principles which are set and adopted by the Board and are stated as follows:

- We are committed to compliance with all applicable tax laws and regulations, including timely submission of tax returns and tax payments.
- We aim to develop and maintain effective, collaborative and co-operative working relationships with tax authorities in all territories where we operate based on both openness, honesty and transparency, and by providing all relevant information in a timely manner with a view to resolving any disputes early.
- Our businesses make use of legitimate tax incentives, exemptions and statutory alternatives offered by governments. Tax planning is undertaken only where it is consistent with the substance of our business and with full regard to the aims of our stakeholders, our reputation and our broader commercial and economic goals.
- We adhere to the standards for the disclosure of tax information in our published financial statements, in accordance with industry and generally accepted practice; and
- We ensure compliance with our tax obligations by maintaining appropriate tax management arrangements including the roles and responsibilities taken on by our people. These five principles are reflected and more information about our approach to tax are set out in our tax strategy which can be found on our website.

www.global.weir/investors/ corporate-governance/matters-reserved-to-the board/

Human Rights
We 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 exploit anyone, wherever in the world we are working. We will not do business with companies, organisations or individuals that we believe are not working to comparable human rights standards. Our Human Rights Policy communicates to our customers,

suppliers, investors, employees and the communities where we operate the ethical and social values we respect and our commitment to uphold human rights.

Ethics Hotline

The Group maintains processes for persons to raise concerns regarding unethical behaviour. This includes the ability to conduct whistleblowing through our Ethics Hotline. The Ethics Hotline is a 24-hour, multilingual service accessible via telephone or online which allows concerns to be raised confidentially and anonymously.

The Compliance function has responsibility for acknowledging and investigating as appropriate all matters raised through the Ethics Hotline. The Group takes appropriate action in respect of any matters raised via the Hotline which are substantiated.

Weir does not tolerate retaliation against anyone who raises concerns about ethical behaviour, whether via the Ethics Hotline or otherwise.

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 the best performance, product delivery, service and total cost in an ethical and sustainable manner.

We recognise that our 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:

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

Modern Slavery

We understand our role in trying to eradicate slavery or forced labour of any kind. Each year, we publish on our website our Modern Slavery Statement which details the steps we have taken and are taking to try to ensure that slavery and human trafficking do not take place in any of our supply chains or in any part of our business.

www.global.weir/site-information/modern-slavery-statement.pdf

FTSE4Good

We have been a member of the FTSE4Good index series for nine years. FTSE4Good is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. We are proud to have been able to meet the rigorous requirements to be included within this series and to have improved upon our previous years' score. This year we have put in place mechanisms to be able to obtain and publish greater levels of data related to our ESG actions and are committed to further improving our performance in 2020 and beyond.

Information Systems and Technology

Having robust, secure and efficient Information Systems & Technology (IS&T) capabilities are vital to effective operations across the Group.

In 2019, as part of our continual improvement programme, we looked in detail at how our IS&T services and support were being delivered. This resulted in the development of the IS&T Transformation Programme which will:

- deliver an Operating Model which ensures divisional teams can focus on delivering Business Systems Transformation while Group teams focus on Strategy, Policy & Governance;
- mitigate operational and security risks; and
- implement a robust IT infrastructure delivering secure, reliable and cost-effective IS&T services across Weir.

Initial changes include reforms to IS&T security practices including improved monitoring, risk management and response capabilities which have already significantly increased our security rigour and preparedness. These will be followed by the introduction of a network operations centre and 24x7 security monitoring across the business, providing improved response capabilities and visibility. Over the next two years the IS&T Transformation Programme will deliver improved network performance, the implementation of more standardised user experiences, consolidation of data centres and the introduction of more collaborative tools to leverage information and knowledge sharing across the Group.

Safety Governance

The CEO's Safety Committee was established in 2016 to give Board-level leadership to the Group's ambition of becoming a Zero-Harm workplace. The Committee consists of senior leaders from across the Group, including the three divisional presidents and the Chief People Officer and embodies the priorities of our Safety, Health and Environment Charter. The Committee oversees Safety, Health and Environment (SHE) performance, ensuring the Group systems and processes are best set up to deliver our Zero Harm vision.

The Safety, Health and Environment (SHE) Excellence Committee supports the CEO's Safety Committee and provides leadership, co-ordination and support for the delivery of the Group SHE objectives. It is tasked by the Board to drive continuous SHE improvement across the Group through setting and assessing rigorous standards that are comprehensive, risk-based, deliverable and built on the best practice of our peers, customers and professional bodies. This applies equally to existing operations and new projects. The progress towards an increasingly behavioural safety culture has been the priority of the SHE Excellence Committee and is evident in the focus on the engagement elements of our Zero Harm strategy.

Building Organisational Capability

Our aspiration is to build a sustainable workforce which enables employees and leaders to continuously grow. This is our vision at the heart of our learning and development strategy which was developed during 2019. We identified four priorities to deliver this vision over the next three years:

- **Build organisational capability:** To develop the five core capabilities identified as being critical to the successful delivery of 'We are Weir': leadership, technical, digital, solutions-selling and operational excellence. In 2019, over 1,500 employees graduated from the Minerals Technical Learning Programme which aims to build customer-facing employees' knowledge of our products and solutions.
- **Help employees grow their own way:** To provide all employees with tools and resources to learn, develop and grow their careers at Weir, enabling them to do the best work of their lives.
- **Doing the right thing today and everyday:** Ensuring that Weir employees are trained appropriately in SHE, legal and regulatory obligations to ensure they always do the right thing.
- **Brilliant basics (learning governance, policies and systems):** Learning governance, policies and systems will be the key enablers to delivering our strategy. 2020 will see us deliver a new learning platform through our Workday implementation.

Strategic Report

SUSTAINABILITY REVIEW
CONTINUED

SUPPORTING OUR COMMUNITIES

Weir Oil & Gas' North American Pressure Control facility in Houston donated 27,000 bottles of water to support replenishing Salvation Army reserves recently used during Tropical Storm Imelda. Major Zach Bell, Area Commander for The Salvation Army of Greater Houston. "As recovery efforts continue across the region, their donation will help The Salvation Army provide a much-needed resource to families and individuals working to put their homes and lives back together".

In response to the severe weather that inundated the midsection of the US in spring 2019, Weir ESCO made a $5,000 donation to the American Red Cross to help the agency provide comfort and support to disaster victims as more storms and flooding threatened the region. The Red Cross is a long-time partner of Weir ESCO and we are proud to support their humanitarian efforts.

Weir Minerals India donated temporary roofs valued at £1,000 to families that were impacted by cyclone Fani in the state of Odisha.

"AS RECOVERY EFFORTS CONTINUE ACROSS THE REGION, THEIR DONATION WILL HELP THE SALVATION ARMY PROVIDE A MUCH-NEEDED RESOURCE TO FAMILIES AND INDIVIDUALS WORKING TO PUT THEIR HOMES AND LIVES BACK TOGETHER."

MAJOR ZACH BELL
Area Commander for The Salvation Army of Greater Houston

Strategic Report

NON-FINANCIAL REPORTING

In the table below we outline our GHG emissions in line with the reporting requirement of the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013. We have separated our continuing operations in order to provide a like-for-like emissions profile comparison moving forward.

TOTAL ANNUAL GHG EMISSIONS

	Global Annual GHG emissions tCO_2e		GHG emissions intensity (tCO_2e per £m revenue)	
	2019	2018	**2019**	2018
Scope 1 emissions: fuel combustion and operation of facilities	**81,631**	89,002	**29.0**	29.0
Scope 2 emissions: purchased electricity and heat	**144,661**	157,693	**51.4**	51.4
Total (continuing and discontinued operations)	**226,292**	246,696	**80.5**	80.5
Total (continuing operations)	**220,810**	237,127	**83.0**	87.1
Total (discontinued operations)	**5,482**	9,569	**36.5**	27.9

ANNUAL GHG EMISSIONS FROM FOUNDRIES

	Annual GHG emissions (tCO_2e)		Proportion of Global (continuing operations) annual emissions (%)		GHG emissions intensity (tCO_2e per tonne of metal poured)	
	2019	2018	**2019**	2018	**2019**	2018
Scope 1 emissions: fuel combustion and operation of facilities	**46,725**	52,469	**21.2**	22.1	**0.4**	0.4
Scope 2 emissions: purchased electricity and heat	**89,564**	95,915	**40.6**	40.4	**0.7**	0.8
Total	**136,289**	148,383	**61.7**	62.6	**1.1**	1.3

Notes: Scope 1 emissions: fuel combustion and operation of facilities. Scope 2 emissions: purchased electricity and heat.

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 2018 have been restated as they were materially different due to the acquisition of ESCO, to reflect the collation of more accurate consumption data and the correction of emissions factors which had resulted in an understatement. The need to restate was identified during our standard review process.

We have included within the 2018 data the full year 2018 ESCO GHG emissions, revenue and tonnes of metal poured, our ESCO Division was only acquired in July 2018, to allow for like-for-like comparison between the two years. We have provided data which separates our continuing and discontinued operations. Our continuing operations consists of our three remaining divisions (Minerals, Oil & Gas and ESCO) and Group entities emissions. Our discontinued operations comprises our Flow Control Division which was sold in June 2019. For the total (continuing and discontinued), total (continuing) and total (discontinued) emissions, the emissions for our Flow Control Division are only included up to the point of sale in June 2019.

Our Foundry GHG emissions do not contain any discontinued operations so no differentiation is required. Totals may not sum due to rounding.

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 2019' and other region-specific emissions factors where available.

The Non-Financial Reporting table below meets the requirement of the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. The required information about the business model can be found on pages 14-15.

Non-Financial Reporting Requirement	Policies and standards which govern our approach and due diligence	Relevant Group Principal Risk	KPIs[3]	Outcomes and additional information
Environmental matters	Code of Conduct[1] SHE Charter[1] SHE Management System[1] Sustainability Roadmap[1] SHE Excellence Committee Risk Committee	Safety, Health and Environment (SHE)[2] Environmental Sustainability[2]	Rating within the SHE performance measurement process GHG Emissions CDP score	Sustainability Review Pages – 60,61,63, 64,65,66 and 67
Employees	Code of Conduct[1] SHE Charter[1] SHE Management System[1] Sustainability Roadmap[1] Diversity and Inclusion Policy[1] Board Diversity Policy[1] Inclusion and Diversity Committee SHE Excellence Committee Risk Committee	Staff recruitment, development and retention[2] Safety, Health and Environment (SHE)[2]	Rating within the SHE performance measurement process. Total Incident Rate Organisational effectiveness measure Gender pay gap results Employee engagement survey participation rates Employee engagement eNPS	Sustainability Review Pages – 60,61,62,63, 66,67 and 117
Human rights	Code of Conduct[1] Human Rights Policy[1] Modern Slavery Statement[1] Sustainability Roadmap[1] Risk Committee	Ethics, governance & control[2]	FTSE4Good score Code of Conduct Training completion	Sustainability Review Pages – 60,61,66 and 67
Social matters	Code of Conduct[1] Gifts & Hospitality Policy[1] Anti-Corruption and Bribery Policy[1] Sustainability Roadmap[1] Risk Committee	Ethics, governance & control[2]	Charitable Giving FTSE4Good score	Sustainability Review Pages – 60,61,62,66 and 67
Anti-corruption and anti-bribery	Code of Conduct[1] Anti-Corruption and Bribery Policy[1] Gifts & Hospitality Policy[1] Sustainability Roadmap[1] Risk Committee	Ethics, governance & control[2]	FTSE4Good score Code of Conduct Training completion	Sustainability Review Pages – 60,61,66 and 67

1 These policies are available on our website https://www.global.weir/sustainability/policies/.
2 More information about our principal risks can be found on pages 50-59.
3 More information about medium-term Key Performance Indicators and priorities which are aligned to our 'We are Weir' strategic framework and the Group's remuneration policy can be found on page 106.

The Strategic Report covering pages 1-71 of the Annual Report and Financial Statements 2019, 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

GRAHAM VANHEGAN
Chief Legal Officer and Company Secretary

26 February 2020

Corporate Governance

OVERVIEW OF GOVERNANCE

Leadership and purpose

Overview of the Board of Directors and Group Executive biographies.

Division of responsibilities

Explains the roles of the Board and its Directors, including:

Effectiveness, evaluation and succession

Sets out Board activities during the year, key processes of the Board and its Committees.

Audit, risks and internal controls

Explains the role of the Board and the Audit Committee.

Relations with Shareholders

Provides an overview of the activities undertaken to maintain an open dialogue with the Company's Shareholder's.

Remuneration

Describes the Company's remuneration arrangements in respect of its Directors, and how these have been implemented:

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

READ MORE
PAGE 73

BOARD ACTIVITIES

READ MORE
PAGE 82

BOARD PERSPECTIVES

READ MORE
PAGES 79
AND 88

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

CHARLES BERRY
Chairman

DEAR SHAREHOLDERS,

I am pleased to present the Corporate Governance Report for 2019. Under my Chairmanship, I continue to ensure that the Board leads by example to demonstrate the values of the Company and to promote a culture of transparency, sustainability and accountability. The Board is committed to the highest standards of integrity and oversees a robust and effective system of Corporate Governance controls to protect stakeholder value.

This report describes our Corporate Governance framework and explains how the Board works with its Committees to ensure that the framework remains appropriate and effective. This prudent oversight is essential to deliver the strategy and to create long-term value for our stakeholders.

The Board continues to ensure ongoing engagement with stakeholders throughout the year and acknowledges the clear responsibility it has to promote the long-term success of the Company for its stakeholders. This long-term approach defines how the strategy is set and allows the Board to assess risk and deliver sustainable value for stakeholders. We have also continued to focus on assessing and monitoring our Company culture in order to ensure that the voice of our employees is heard in the Boardroom.

The Board operates effectively and each Director continues to contribute the correct balance of skills, experience, independence, knowledge and the ability to commit sufficient time to undertake their responsibilities.

The Board also ensures an open and transparent remuneration policy for the effective recruitment and retention of Board members and employees. A formal procedure exists to ensure the alignment on remuneration with the culture and the strategic plan.

UK CORPORATE GOVERNANCE CODE 2018

The UK Corporate Governance Code is published by the Financial Reporting Council and sets out the 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 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 (SI 2008/410). 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 126-128.

The following Corporate Governance Report, including the Committee Reports and the Directors' Report, set out how we apply our governance standards in practice and demonstrates our compliance with the UK Corporate Governance Code 2018.

"THE BOARD IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND ACCOUNTABILITY. OUR ROBUST CORPORATE GOVERNANCE FRAMEWORK ENSURES PRUDENT OVERSIGHT TO PROTECT STAKEHOLDER VALUE."

CHARLES BERRY
Chairman

OUR PURPOSE
We are here to enable the sustainable and efficient delivery of the natural resources essential to create a better future for the world.

The Company has complied in full during 2019 and to the date of this report with the provisions of the UK Corporate Governance Code published in 2018.

The Code is publicly available at the website of the Financial Reporting Council at www.frc.org.uk.

Corporate Governance

BOARD OF DIRECTORS

The Board considers that each Director standing for re-election at the AGM in 2020 continues to promote the long-term sustainable success of the Company by contributing a specialist skill set that is valuable to the Company, its stakeholders and is complementary to the Board as a whole.

You can read more about the Directors individual skill sets in the Nomination Committee Report on page 93.

CHARLES BERRY
Chairman N

Date of appointment:
Chairman since January 2014 and Non-Executive Director since 1 March 2013

Independent:
Yes

Key strengths and experience

Charles brings extensive governance and leadership experience to the Board gained in senior management positions held within a variety of sectors. Prior to joining Weir, Charles was an Executive Director of Scottish Power plc and Chief Executive of its UK operations. He is a former Non-Executive Director and Chairman of Eaga plc, Drax Group plc, Senior plc and Thus Group plc, and a former Non-Executive Director of Impax Environmental Markets PLC and Securities Trust of Scotland plc.

His vast leadership and management experience is critical to lead the Board and ensure it remains effective, to monitor and uphold the values and purpose of the Company and to ensure that a robust and effective framework of Corporate Governance exists to protect stakeholder value.

Key external appointments

- Chairman and Nomination Committee Chair of Centrica plc
- Member of the steering group of the Hampton-Alexander Review

JON STANTON
Chief Executive Officer

Date of appointment:
Chief Executive Officer since October 2016. Finance Director from April 2010 – October 2016

Independent:
No

Key strengths and experience

Jon became CEO in 2016 and contributes a wealth of experience to the Board. Since becoming CEO, he has led the Weir portfolio transformation and oversees the delivery of the 'We are Weir' strategic framework to create long-term sustainable performance improvement.

He provides leadership to deliver the strategy and ensure it aligns with our purpose and values. Jon is committed to regular engagement with stakeholders and to ensuring stakeholder views and concerns are heard, understood and considered.

Jon joined the Board as Finance Director in 2010. Prior to this he was a partner with Ernst & Young, where he led global board-level relationships with a number of FTSE-100 multi-national companies.

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

Key external appointments

- Non-Executive Director of Imperial Brands PLC

JOHN HEASLEY
Chief Financial Officer

Date of appointment:
Chief Financial Officer since October 2016

Independent:
No

Key strengths and experience

John is a seasoned professional with significant financial and operational experience gained in financial practice, energy and mining sectors.

He contributes financial expertise and significant management, commercial and operational skills to execute the strategy across each of the divisions, while ensuring a robust and effective financial control environment which is compliant with regulations.

John is also our Group Executive Sponsor for Inclusion & Diversity, chairing the Group Inclusion and Diversity Committee. John is a Chartered Accountant and a member of the Institute of Chartered Accountants of Scotland.

Key external appointments

- Non-Executive Director of Royal Scottish National Orchestra Society Limited

BARBARA JEREMIAH
Senior Independent Director A N R

Date of appointment:
1 August 2017

Senior Independent Director since 1 January 2020

Independent:
Yes

Key strengths and experience

Barbara contributes considerable experience to the Board having spent over 30 years in a number of senior leadership roles within Alcoa Inc., the global aluminium producer and as the Chairwoman of Boart Longyear Limited.

Barbara's leadership and governance experience allows her to effectively contribute to the Board as Senior Independent Director by providing support to the Chairman in his duties where necessary and engaging with a range of major Shareholders in order to help develop a balanced understanding of their views.

Barbara has a BA in political science and is a qualified lawyer.

Key external appointments

- Non-Executive Director and Remuneration Committee Chair of Aggreko plc
- Non-Executive Director of Russel Metals Inc
- Non-Executive Director and RemCo Chair of Premier Oil plc

CLARE CHAPMAN
Non-Executive Director R

Date of appointment:
1 August 2017

Independent:
Yes

Key strengths and experience

Clare brings a wide range of people, governance and large scale business transformation skills to the Board which allow her to contribute effectively in her role as Remuneration Committee Chair. She has vast experience of Human Resource Management gained during her time as Group People Director of BT Group plc and Tesco Plc and as Director General of Workforce for the NHS and Social Care. Clare was also previously a Non-Executive Director of Kingfisher plc and TUI Travel plc and Chairman of their Remuneration Committees. Clare was Group HR Director of Tesco plc from 1999 to 2006 and HR Vice President of Pepsi Cola's European operations from 1994 to 1999. Clare also has experience of working outside the UK with over ten years as an executive based in the USA and mainland Europe.

Clare's considerable experience and expertise allows her to contribute and challenge as well as to engage with stakeholders to ensure that there is an appropriate and transparent Remuneration Policy which is aligned with the Weir culture and strategy.

Key external appointments

- Non-Executive Director of Heidrick & Struggles International, Inc.
- Non-Executive Director and Chair of the Remuneration Committee of G4S plc
- Commissioner on the Low Pay Commission
- Steering Group Member and Co-Chair of Purposeful Company

CAL COLLINS
Non-Executive Director

Date of appointment:
12 July 2018

Independent:
No

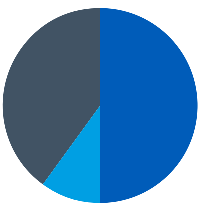
Key strengths and experience

Cal was previously Chairman and Chief Executive Officer of ESCO Corporation which Weir acquired in 2018. He contributes a wealth of international resource markets experience which allows him to support the delivery of the strategy and to work with the Board to ensure that the Company fulfils its purpose to enable the sustainable and efficient delivery of the natural resources essential in creating a better future for the world.

Key external appointments

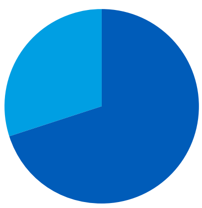
- Non-Executive Director of Stimson Lumber Company
- Non-Executive Director of ENTEK International LLC

BOARD DIVERSITY BY TENURE



0-3 years	5
Male	3
Female	2
3-5 years	2
Male	2
Female	0
5-10 years	4
Male	3
Female	1

BOARD DIVERSITY BY GENDER



Male	8
Female	3

BOARD OF DIRECTORS

EBBIE HAAN
Non-Executive Director
A R

Date of appointment:
18 February 2019

Independent:
Yes

Key strengths and experience

Ebbie contributes considerable Oil & Gas and engineering expertise to the Board. He spent 26 years working on global projects for Royal Dutch Shell including holding senior leadership positions in the Middle East, Africa, Europe, Asia and the US, where he gained extensive international management experience. He was previously Managing Director of Sasol Petroleum International before being appointed as Chief Growth Officer for Maersk Oil, in 2015. Since 2018 Ebbie has run his own advisory firm.

Ebbie's valuable knowledge of the Group's core markets assists the Board to ensure that the Group operates in an efficient way to maximise long-term growth for its stakeholders. His experience of SHE best practice and commitment to safety is also extremely valuable to the Company.

Ebbie has both an undergraduate degree and a Masters in Geology from Utrecht University in the Netherlands.

Key external appointments

- Non-Executive Director of Orca Exploration Group Inc
- External Energy Adviser for AP Møller Capital
- Visiting lecturer at Witts Business School in Johannesburg

MARY JO JACOBI
Employee Engagement Non-Executive Director
N R

Date of appointment:
Non-Executive Director since 1 January 2014. Employee Engagement Non-Executive Director since April 2018

Independent:
Yes

Key strengths and experience

Mary Jo is an expert adviser on international affairs and reputation management and contributes a unique skill set to the Board. 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 & Lyle plc and Mulvaney Capital Management. Mary Jo was Special Assistant to President Ronald Reagan, Assistant US Commerce Secretary for President George H.W. Bush, a British Civil Service Commissioner and a Member of the Advisory Committee on Business Appointments. Her vast experience, trusted adviser credentials and excellent communication skills allow her to effectively perform her duties as Employee Engagement Non-Executive Director. Mary Jo ensures engagement with employees and that their voice is heard in the Boardroom.

Key external appointments

- Advisory Board of Rothermere American Institute at Oxford University.
- Board of Directors of Foundation to Restore Accountability
- International Advisory Board, IE University

SIR JIM MCDONALD
Non-Executive Director
A N

Date of appointment:
1 January 2015

Independent:
Yes

Key strengths and experience

Sir Jim is a highly regarded expert in engineering and technology and therefore contributes specialist technical knowledge to the Board. He is currently the 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 and co-chairs the Scottish Energy Advisory Board with the First Minister. Sir Jim draws on his extensive experience to assist the Board to approve the development of the Group's technology agenda and to provide oversight and guidance on the sustainable engineering solutions that promote the success of the Company and build on its legacy of engineering excellence.

He is Chairman of the Royal Academy of Research Committee and Chairman of the Scottish Engineering and Energy Research Pools. He is FREng, FRSE, FIET, FInstP, FEI.

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
- President of the Royal Academy of Engineering
- Member to the Prime Minister's Council for Science and Technology

RICK MENELL
Non-Executive Director

Date of appointment:
1 April 2009

Independent:
Yes

Key strengths and experience

Rick contributes extensive mining, international, leadership and governance skills to the Board. He was Senior Independent Director from February 2015 until January 2020. As previously announced, he will step down from the Board after the 2020 AGM.

Rick was previously Chief Executive of Anglovaal Mining and became 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 Adviser 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.

Key external appointments

- 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

STEPHEN YOUNG
Non-Executive Director
A R

Date of appointment:
1 January 2018

Independent:
Yes

Key strengths and experience

Stephen is a skilled and experienced financial professional. He was previously Chief Executive of Meggitt PLC between 2013 and 2017, having previously served as Group Finance Director from 2004. Prior to joining Meggitt, Stephen was Group Finance Director of Thistle Hotels plc and the Automobile Association.

Stephen's financial background and his leadership experience allow him to contribute effectively both as a Board member and as Chair of the Audit Committee. His oversight of the Group's Audit function helps the Board to ensure the ongoing integrity of the financial information, internal controls and risk management frameworks.

He is a Fellow of the Royal Aeronautical Society and a council member of The University of Southampton.

Key external appointments

- Non-Executive Director, and Audit Committee Chair of Mondi PLC

GRAHAM VANHEGAN
Chief Legal Officer and Company Secretary
S

Date of appointment:
1 May 2018

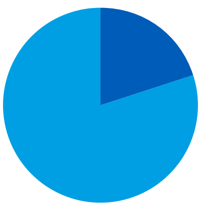
Independent:
N/A

Key strengths and experience

Graham joined Weir as Chief Legal Officer and Company Secretary in 2018. He brings extensive international legal experience and is a trusted adviser to the Board on all Corporate Governance matters. During his 24 year career with international exploration and production company ConocoPhillips, he held a number of senior positions for the company in Asia and North America.

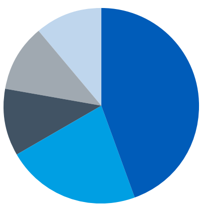
A graduate of the University of Glasgow, Graham is a solicitor qualified to practice in both Scotland and England and is an attorney-at-law before the State Bar of New York, USA.

EXECUTIVE/NON-EXECUTIVE



Executive	2
Non-Executive	9

NON-EXECUTIVE NATIONALITY



British	4
American	2
British/American	1
South African/American	1
Dutch	1

COMMITTEE MEMBERSHIP KEY

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

Corporate Governance

GROUP EXECUTIVE

PAUL COPPINGER
President of Weir Oil & Gas

Experience:

Paul is the President of the Oil & Gas Division, based in Fort Worth, Texas, USA. He has held this position since January 2015.

Paul 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 has served as the Association's Chairman. Paul is presently a Non-Executive Director and Nominating/Corporate Governance Committee Chair of Now Inc.

He holds a Bachelor of Science degree in Petroleum Engineering from Texas Tech University.

PAULA COUSINS
Chief Strategy and Sustainability Officer

Experience:

Paula joined the Group Executive in January 2020 as Chief Strategy and Sustainability Officer.

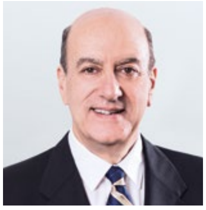
She joined Weir in 2015 and prior to this held a number of strategy, commercial, and engineering leadership roles with Petroineos, BP, McKinsey & Company, ExxonMobil and Unilever.

Paula has a BEng Hons in Chemical and Process Engineering and an MPhil in Chemical Engineering Research, both from the University of Strathclyde.

GARRY FINGLAND
Chief Information Officer

Experience:

Garry joined Weir in April 2019 as Chief Information Officer (CIO). He has more than 25 years' experience with leadership roles in complex global technology organisations. Before Weir he was CIO for healthcare provider Bupa, serving on its executive committee. He has also held senior roles with Serco PLC and Diageo. A graduate of the University of Glasgow, he also holds an MBA from the University of Strathclyde. Garry joined Weir's Group Executive team on 1 January 2020 retaining his title as CIO.



RICARDO GARIB
President of Weir Minerals

Experience:

Ricardo joined the Group Executive in January 2016 and is President of Weir Minerals.

Ricardo 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. He holds a Bachelor of Science degree in Petroleum Engineering from Texas Tech University.

ROSEMARY MCGINNESS
Chief People Officer

Experience:

Rosemary joined Weir as Chief People Officer in 2017.

Rosemary was Group HR Director of William Grant & Sons, the international premium spirits group, for 12 years. Having started her career in line management with Forte Hotels, Rosemary has held a range of positions covering all aspects of Human Resources across the globe, including being based in New York in her role as Senior Vice President of HR for document management company Bowne Business Solutions.

Rosemary is an Advisory Board Member to the School for CEOs and an Advisory Board Member of the University of Strathclyde Business School. She is also a Fellow of the Chartered Institute of Personnel and Development.

JON OWENS
President of Weir ESCO Division

Experience:

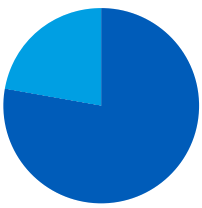
Jon joined the Group Executive in July 2018 on completion of the acquisition of ESCO Corporation and is President of Weir's ESCO Division.

Jon joined ESCO in 1986 and during his career with the company held a number of senior operational and management roles including responsibility for the company's European division, Global Operations, Global Supply Chain, Mining Business Unit and Asia Pacific Region. Jon became Chief Operating Officer of ESCO in 2014 and President in 2016.

Jon is also a Non-Executive Director of Columbia Machine Inc.

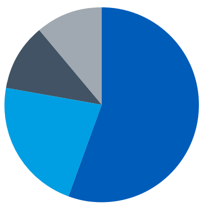
Jon Stanton, John Heasley and Graham Vanhegan are also members of the Group Executive. Their biographical information can be found on the previous pages.

GROUP EXECUTIVE BY GENDER



Male	7
Female	2

GROUP EXECUTIVE BY NATIONALITY



British	5
American	2
Chilean	1
British/American	1

GOVERNANCE FRAMEWORK

GRAHAM VANHEGAN
Company Secretary

COMPANY SECRETARY

The Company Secretary plays a leading role in ensuring the highest standards of governance within the Company and ongoing compliance with the UK Corporate Governance Code 2018. He works with the Chairman to monitor and review the governance processes of the Company to ensure that they remain fit for purpose and to consider any improvements that could strengthen the existing governance framework to align with best practice and to support the delivery of the strategy. The Company Secretary is also the Secretary to the Board Committees and provides oversight and support to allow them to function to the highest standards and to consistently apply the provisions and principles of the UK Corporate Governance Code 2018. The Board and Committee Framework is shown below.

BOARD OF DIRECTORS

Board Committees

The Board has a number of Committees to assist in discharging its responsibilities. The principal Committees are the Nomination, Audit and Remuneration Committees. The work of the Committees is essential to the effective operation of the Board. The Committees consider matters in greater depth and detail on behalf of the Board. The Committee Terms of Reference are reviewed annually to ensure their continuing appropriateness. No one other than the Committee members are entitled to attend a meeting, but others may be invited by the Committee to attend all or part of a meeting as and when appropriate and necessary. 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

The composition of the various Committees along with their accompanying Terms of Reference, the matters reserved to the Board 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.

Nomination Committee
You can read more in the Nomination Committee Report on pages 91-93.

Audit Committee
You can read more in the Audit Committee Report on pages 94-101.

Remuneration Committee
You can read more in the Remuneration Committee Report on pages 102-125.

Disclosure Committee
The Disclosure Committee is a sub-committee of the Board which comprises the Chief Executive Officer, the Chief Financial Officer and the Chief Legal Officer and Company Secretary.

General Administration Committee
The General Administration Committee is a sub-committee of the Board which comprises any two Directors of the Company, at least one of whom must be an Executive Director.

CHIEF EXECUTIVE OFFICER

GROUP EXECUTIVE

The Group Executive is responsible for ensuring that each of the Group's businesses and functions are managed effectively and that the key performance indicators of the Group, as approved by the Board, are achieved. Biographical details of the members of the Group Executive can be found on page 76. The Group Executive is chaired by the Chief Executive Officer. 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. In the period ended 31 December 2019, the Group Executive met 12 times.

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.

- Risk Committee
- Finance Excellence Committee
- Engineering Excellence Committee
- CEO's Safety Committee
- SHE Excellence Committee
- Group Information Services Excellence Committee
- HR Excellence Committee

Corporate Governance

DIVISION OF RESPONSIBILITIES

ROLES AND RESPONSIBILITIES

The Board of Directors has a collective duty to promote the long-term success of the Company for its stakeholders. The Board sets the strategic aims of the Group and provides entrepreneurial and effective leadership. The Board provides oversight 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 responsibilities not just to Shareholders but to all the Company's 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.

BOARD COMPOSITION

During 2019, the Board was comprised of two Executive Directors, and nine Non-Executive Directors including the Chairman. Engelbert Haan was appointed to the Board on 18 February 2019. More than half of the Board are Non-Executive Directors who are considered to be independent in character and judgement. The roles and responsibilities of the Chairman, Chief Executive Officer and Senior Independent Director are set out in writing and available on the Company's website. Biographical information on the Board of Directors, including their relevant experience, continuing contributions to the Company, expertise and significant appointments, can be found on pages 74 and 75. The key responsibilities of the Board and the Company Secretary are set out below.

CHAIRMAN

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

CEO

Jon Stanton

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

CFO

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
- Day-to-day management of the Company

SENIOR INDEPENDENT DIRECTOR

Barbara Jeremiah

- 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

Clare Chapman, Cal Collins, Ebbie Haan, Mary Jo Jacobi, Professor Sir Jim McDonald, Rick Menell, Stephen Young

- Contributing independent challenge and rigour
- Assisting in the development of the Company's strategy
- Ensuring the integrity of financial information, controls and risk management processes
- Monitoring the performance of the Executive Directors against agreed goals and objectives
- Advising Senior Management
- Supporting succession planning for the Board and Senior Management

COMPANY SECRETARY

Graham Vanhegan

- Advising the Board on governance, legislation and regulatory requirements
- Ensuring the presentation of high quality information to the Board and its Committees, in a timely manner
- Ensuring best practice in Board procedures
- Facilitating induction and development programmes
- Supporting the Chairman and other Board members as necessary, including the management of the Board and Committees and their evaluation

SENIOR INDEPENDENT DIRECTOR OVERVIEW

BARBARA JEREMIAH
Senior Independent Director

Q.
HOW DOES THE ROLE OF THE SENIOR INDEPENDENT DIRECTOR HELP TO ENSURE BOARD EFFECTIVENESS?

A.
My role is a combination of providing support to the Chairman and an independent ear for my fellow Non-Executive Directors for any issues that can't be addressed through direct conversations with the Chairman or CEO. As such, it is an important role in making the Board more effective through having multiple lines of communication regarding Board issues. For example, supporting the Chairman includes providing assistance with the annual Board evaluation process and by developing effective working relationships among Board members.

This support ensures that there is a division of responsibilities within the Board and that the decision-making process is collaborative with the full participation of all Directors. I also ensure that at least once a year, there will be a meeting of the Non-Executive Directors without the Chairman present to review the Chairman's performance and on such other occasions as are deemed appropriate.

You can read more about our Board's effectiveness and the evaluation process on page 86.

Q.
THE UK CORPORATE GOVERNANCE CODE 2018 INTRODUCED NEW REQUIREMENTS FOR LISTED COMPANIES. HOW DOES WEIR ENSURE ONGOING COMPLIANCE WITH THE NEW CODE?

A.
We take good corporate governance very seriously and Weir has been quietly leading the way in this area in recent years. We welcomed the changes introduced by the UK Corporate Governance Code 2018 including its focus on purpose and ensuring stakeholders views are appropriately considered as part of the decision-making process. As Senior Independent Director, I also work to ensure that there is effective and transparent engagement with our Shareholders in order to listen to their views and to help to develop a balanced understanding of any issues or concerns. This engagement allows any potential issues to be communicated to the Board and addressed accordingly and in a timely manner.

You can read more about how we ensure ongoing compliance with the UK Corporate Governance Code 2018 on pages 72-90.

Q.
HOW DOES THE BOARD USE THE COMPANY'S EMPLOYEE ENGAGEMENT MECHANISMS TO MONITOR CULTURE?

A.
We have a range of ways of monitoring our culture including employee surveys, 'Meet the Board' sessions, our ethics hotline and SHE data, including reports of any near miss incidents. We use these to check on the organisational health of the business, ensuring we uphold our integrity and demonstrate ethical values and leadership. The Board also visits two Weir locations each year which allows us to have direct informal engagement with the workforce on a regular basis. The Board defines the culture of the organisation and communicates the behaviours which are expected throughout the Group, as you can see in the 'We are Weir' strategic framework. That has included redefining our purpose in 2019 but more generally nurturing a culture of continuous improvement, innovation and inclusion to ensure a successful and sustainable business. We understand not only the importance of engaging with employees but of also reviewing the engagement mechanisms themselves to ensure that they function effectively. The Board uses the feedback from our people to assist our decision-making processes and to ensure that the culture and the strategy are aligned. This allows us to understand the culture of the Company and to determine if the desired behaviours and the 'We are Weir' framework are being adopted throughout the organisation. Our Employee Engagement Non-Executive Director, Mary Jo Jacobi also regularly updates the Board on the effectiveness of our engagement tools and any potential areas of improvement. The Board also ensures that its workforce policies and practices are aligned with our values and are implemented in order to promote the long-term success of the Company.

You can read more about how we engage with employees and other Stakeholders in the Strategic Report on pages 26-27.

Corporate Governance

BOARD MEETINGS

The Board meets regularly in order to effectively discharge its duties. Board meetings are held in person or by video-conferencing. During 2019 there were eight scheduled meetings. The table below details the attendance at Board meetings of each Director during their term of office for the period to 31 December 2019. Due to business requirements, on occasion unscheduled Board meetings are required to be called at short notice. This can result in some Directors being unable to attend due to prior commitments. Directors who are unable to attend still have the opportunity to review the relevant Board papers and provide their feedback accordingly. In October 2019, the Board meeting was held in Santiago, Chile. Full details of the Board's visit to Chile can be found on page 85.

In addition to 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 met during the year without Executive Directors present. 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 2020 annual timetable was discussed at the Board meeting in 2018 and circulated as soon as it was finalised. The 2021 timetable was reviewed during 2019. 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.

During the year, the Chairman, supported by the Chief Executive Officer and 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 Chair 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.

BOARD MEETING ATTENDANCE 2019

Scheduled Board meetings

	23-Jan-19	25-Feb-19	30-April-19	25-Jun-19	25-Jul-19	05-Sep-19	24-Oct-19	16-Dec-19	Total
Charles Berry (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	100%
Jon Stanton	✓	✓	✓	✓	✓	✓	✓	✓	100%
John Heasley	✓	✓	✓	✓	✓	✓	✓	✓	100%
Rick Menell	✓	✓	✓	✓	✓	✓	✓	✓	100%
Clare Chapman	✓	✓	✓	✓	✓	✓	✓	✓	100%
Cal Collins	✓	✓	✓	✓	✓	✓	✓	✓	100%
Ebbie Haan	–	✓	✓	✓	✓	✓	✓	✓	100%
Mary Jo Jacobi	✓	✓	✓	✓	✓	✓	✓	✓	100%
Barbara Jeremiah	✓	✓	✓	✓	✓	✓	✓	✓	100%
Sir Jim McDonald	✓	✓	✓	✓	✓	✓	✓	✓	100%
Stephen Young	✓	✓	✓	✓	✓	✓	✓	✓	100%
	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	100%
Location	Glasgow	London	Glasgow	Fort Worth	Video-conference	Glasgow	Chile	London	100%

BOARD INDUCTIONS, DUTIES AND RE-ELECTION

BOARD APPOINTMENTS

New appointments to the Board are subject to a formal, rigorous and transparent appointment procedure. Directors are recommended and considered on merit against objective criteria and with due regard for the benefits of diversity on the Board and their existing time commitments to ensure they can effectively discharge their duties.

BOARD INDUCTIONS AND TRAINING

When a new Director is appointed to the Board, they receive a tailored induction programme which is designed to reflect the Non-Executive Director's background, experience, knowledge and their appointment to the relevant Board Committee. The induction covers the Company's history, culture, strategy, structure, operations, policies and other relevant documentation.

The induction process also covers the Corporate Governance Framework, the Board and Committee process, Board calendars and training on the Code of Conduct and Directors' Duties. As part of their induction, new Directors also meet with Senior Management of the Company, receive a formal briefing on legal and governance matters from the Company Secretary or his Deputy, and undertake visits to the Company's 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 as appropriate. Following on from the induction period, the Board receives additional training and development opportunities at regular intervals throughout the year. These include deep dives, site visits, Board dinners and breakfast meetings, training and information sessions, briefing materials on the Board portal and meetings with Senior Management on key topics affecting the Company. In addition to their duties enshrined in the Companies Act 2006, Directors are informed of important changes to laws and regulations affecting the Group's businesses and their duties as Directors. The Board is supplied with information in a timely manner 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 that Non-Executive Directors have the ability to communicate with the Chairman at any time.

DIRECTORS AND THEIR OTHER INTERESTS

The Board recognises that it is important for Directors to have a diverse range of experience and the benefit that external appointments in other companies can provide for both the individual Director and to the Board as a whole. In light of this, Directors may be permitted to take up external appointments and directorships in other companies upon having requested and received prior written approval from the Board. When considering new external appointments for existing Directors, the Board takes into account a range of considerations, including the Directors' current commitments, the time requirement involved, the role and responsibilities of the external position and the potential impact on the Company. The Board also considers the benefits that the external appointment may bring such as greater commercial experience, gaining expanded Board level experience and a broader perspective from being in a new environment. If the external appointment is considered to be beneficial to the Company's stakeholders by allowing the Director to gain experience and new skills which will ultimately promote the success of the Company, it may be approved by the Board.

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 with, 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. Overall, the Board is satisfied that there are appropriate procedures in place to deal with conflicts of interest and that they operate 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.

RE-ELECTION TO THE BOARD

The Board was pleased that the resolution put forward at the 2019 AGM to re-appoint Rick Menell received votes in favour of over 75%, but noted that support for his re-election was not as strong as that shown for other Directors. The reasons behind the decision to propose Rick's re-election beyond the nine-year term were explained in our 2018 Annual Report which highlighted the benefits of his continued service during a time of change to both Board composition and portfolio transformation. As required by the Corporate Governance Code 2018, the Board thought very carefully about Rick's independence when assessing whether to propose that he serve a further year and specifically considered the matter of Rick's tenure in considering the extension of his appointment as Senior Independent Director. The Board maintains a programme of active engagement with our Shareholders and will continue to take their views into account. Board Committee composition and succession planning for the role of Senior Independent Director was already a pre-planned agenda item to be discussed at the June 2019 Nomination Committee meeting, prior to the AGM 2019 results. As previously announced, Rick Menell stepped down from all Board Committees on 25 June 2019, as Senior Independent Director in January 2020 and will step down from the Board at the 2020 AGM.

In accordance with the Company's Articles of Association and good practice, all other Directors on the Board at 31 December 2019 will seek re-election at the Company's AGM in April 2020, in compliance with the Code. 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 the Director must have to the Company. Further details can also be found in the Directors' Remuneration Report on pages 102-103. 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 102-125.

Corporate Governance

BOARD ACTIVITIES

The undernoted timeline summarises the Board's activities during the course of the year ended 31 December 2019. Although this is by no means exhaustive, the timeline provides a flavour of our Boardroom activities, discussions and debates.

The 'We are Weir' framework was launched in 2016 and in light of learnings and the new governance standards, this was re-evaluated in 2019 ready for relaunch in 2020. The Board was extensively engaged throughout the process of this redevelopment.

The Board also had two 'Meet the Board' sessions during the year to engage with employees, in Fort Worth, USA and in Santiago, Chile. The Non-Executive Directors also carried out site visits during the year. Barbara Jeremiah visited our facilities in Dubai, UAE, in June 2019 and Ebbie Haan visited our facilities in Venlo, Netherlands in August 2019. The Board Agenda is split between standing items, which are discussed at the start of every meeting and the timeline below shows the other items for discussion during the year.

Standing items at the start of every Board Meeting:

- Updates from the relevant Committee Chairs
- Business Reports from the CEO and CFO
- Conflicts
- Reminder of s.172 duties
- Balanced Scorecard Report
- Corporate Services Report (this is where the Board routinely reviews the reports arising from the whistleblowing mechanism – the ethics hotline)
- Shareholder & Market Analysis

READ MORE ABOUT OUR GOVERNANCE IN ACTION **ON PAGE 85**

BOARD ACTIVITY TIMELINE 2019

JANUARY

Safety
- SHE Update

Governance
- Annual Report Update
- Gender Pay Report

Finance
- Dividend Considerations

Risk
- Risk Committee Update

FEBRUARY

Finance
- Q1 Forecast Update

Governance
- Annual Report and Financial Statements
- Notice of Meeting
- 2018 Annual Results Announcement
- Global Compliance – Updated Code of Conduct – Ethics Hotline Annual Review – Modern Slavery Statement Update

Employee Engagement
- Employee Engagement Survey Results

APRIL

Strategy
- Technology Update
- Investor Perception Study

Governance
- AGM

Employee Engagement
- Employee Voice
- Employee ShareBuilder

JUNE

Strategy
- Q1 IMS Update

Governance
- 2021 & 2022 Board Calendar

Stakeholder Engagement
- Divisional Reviews
- Investor Perception Survey

Employee Engagement
- People/Succession Planning
- 'Meet the Board' session in Fort Worth, USA

JULY

Safety
- SHE update

Strategy
- Group Executive Strategy Outputs

Governance
- Sir John Parker Review
- Board Calendar 2020

Finance
- Interim Dividend Proposal

Risk
- Risk Reporting Framework
- Global Insurance Programme Update

SEPTEMBER

Strategy
- Intellectual Property Strategy

Governance
- ABC policy and outline of policy framework
- Employee Engagement
- Legal and Governance Education Session

Stakeholder Engagement
- IR Feedback on 2019 Interims

OCTOBER

Strategy
- Q3 IMS
- Strategy Session

Risk
- Risk Workshop

Stakeholder Engagement
- 'Meet the Board' session in Santiago, Chile
- 'Meet the Board' session feedback

DECEMBER

Strategy
- 'We are Weir'
- Sustainability Roadmap
- People/Succession/Inclusion/Diversity

Governance
- Conflicts of Interest Annual Review
- Board Evaluation
- Balanced Scorecard 2020 priorities

Finance
- Viability Statement
- 2020 Budget
- NED fees

Stakeholder Engagement
- Q3 IMS feedback

Corporate Governance

ENGAGEMENT WITH OUR SHAREHOLDERS

SHAREHOLDER ENGAGEMENT

The Board recognises that the ongoing success of the Group depends on developing establishing and maintaining strong relationships with all our 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 289 investors in 2019 either face-to-face or via telephone or video-conferencing.

The Company also engages with its Shareholders through its attendance at investor conferences held by the financial community and roadshows and investor relations events held by the Company, of which there were 21 during the year, held in The Netherlands, Canada, Finland, France, Germany, Sweden, the UK and the USA.

The primary means of communicating with the Company's Shareholders are the Annual and Interim Reports. Both are available on the Company's website. The website also contains information on the business of the Company, Corporate Governance, Group press releases, Company news, key dates in the financial calendar, investor factsheets and other important Shareholder information.

The Board is committed to the constructive use of the AGM as a forum to meet with Shareholders and to hear their views and answer their questions about the Group and its business. The Board including the Senior Independent Director and Chairs of the Board Committees will be available to answer questions relevant to the work of the Board and the Committees. During 2019 the Chairman, Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Chair of the Remuneration Committee 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. During the year, the Group appointed Rothschild & Co to complete an Investor perception study on its behalf. The survey covered both existing Shareholders and potential holders, providing the Group with detailed feedback on how investors perceive it across a broad number of key areas including strategy, financial performance and structure, valuation, corporate governance and ESG, management, investor relations and communications.

The results of this feedback have now been incorporated back into the Group's strategy, planning and investor communications.

WHAT WE DID IN 2019

2019

FEBRUARY
- Full Year results
- Investor roadshow London
- Equity sales force meetings x2

MARCH
- Investor roadshows in Edinburgh, New York, Boston and Toronto
- Conference Bank of America Merrill Lynch (London)

APRIL
- Q1 IMS
- Annual General Meeting

MAY
- Sell side analysts lunch with CFO
- Equity sales force briefing

JUNE
- Investor roadshows Helsinki, Paris and Frankfurt
- Conference JP Morgan (London)

JULY
- Half year results
- Investor roadshow, London
- Equity sales force briefing

AUGUST
- Investor roadshow, London
- Equity sales force briefing

SEPTEMBER
- Investor roadshows in Edinburgh, Toronto, Boston and New York
- Conference Morgan Stanley, London

NOVEMBER
- Q3 IMS
- Investor roadshows in Frankfurt, Paris and Stockholm
- Sell side analysts dinner with CEO and CFO

DECEMBER
- Capital Markets Day, Venlo

GOVERNANCE IN ACTION: 'MEET THE BOARD' SESSION

Meet the Board, Chile

At the core of our 'We are Weir' framework lies our commitment to developing and sustaining mutually-successful relationships with all our stakeholders.

As a global organisation, creating environments where equal opportunities can be fostered and shared is of the utmost importance. We seek to continuously build engagement with our people and promote an open and transparent culture, fostering genuine and meaningful dialogue.

We already have in place a broad range of ways to engage with employees and we continue to develop and enhance these channels on an ongoing basis to ensure employees feel that their voice counts and that they can make a positive impact both on their individual and our collective success at Weir.

The most recent channel to be introduced is 'Meet the Board'; an opportunity for a face-to-face discussion between employees and the Board, where participating employees can discuss the most important topics to them.

The first 'Meet the Board' session was held in Fort Worth, Texas in June 2019 with 20 colleagues from across the USA taking part. This was led by Mary Jo Jacobi, our Non-Executive Director with Board responsibility for employee engagement and was also attended by our Chairman (Charles Berry), our Senior Independent Director (Rick Menell) and our Chief Executive Officer (Jon Stanton).

In October 2019, our second 'Meet the Board' session took place in Santiago, Chile. Led again by Mary Jo Jacobi, 18 employees from our site in Santiago engaged with a selection of the Weir Board Members.

During both sessions, Board Members and participants spent two hours in discussions, with the employees getting the chance to share insights and ideas with the Board. Participants found the session highly engaging and the Board Members valued the insights provided. The key insights gathered are currently being considered both locally and at Board level.

Further 'Meet the Board' sessions will be rolled out in 2020, including a UK-based session amongst others across the globe, in line with the Board meeting schedule.

Meet the Board, Chile

Corporate Governance

EFFECTIVENESS AND EVALUATION

BOARD EFFECTIVENESS

The review of the Board's effectiveness helps the Board continuously improve its own performance and in turn the performance of the Company. The Board is committed to performing to a high standard and it considers that it has the right combination of skills, experience, independence and knowledge to be effective in meeting the needs of the Group. The combination of individuals' skills and style 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 and accountabilities within the Board and its Committees.

BOARD EFFECTIVENESS REVIEW

The Board Effectiveness Review operates on a three-year cycle. This year, we carried out an internal evaluation of the Board and its Committees led by the Chairman and the Company Secretary and facilitated by The Effective Board LLP. The process is detailed in the table below. The findings of this year's Review have been positive and confirmed that the Board and its Committees operate effectively and that each Director contributes to the overall effectiveness and success of the Group.

Year 1 – 2018 Internal Evaluation	Year 2 – 2019 Internal Evaluation	Year 3 – 2020 External Evaluation
• Circulate findings report from previous year • Online confidential bespoke questionnaire • Analysis and discussion at Board meeting	• Circulate findings and review recommendations from previous year • Online confidential bespoke questionnaire • Analysis and discussion at Board meeting	• Interviews • Observation • Analysis and discussion at Board meeting • Individual meetings with Chairman and Directors post evaluation

The process was divided into four stages:

Stage 1	Stage 2	Stage 3	Stage 4
The questionnaire was split into various categories; Success, Strategy, Board Composition, Executive Team, Financial and Operational Resources, Communication with Employees, Shareholders and other Stakeholders, Performance Measurement Systems, Risk Management Systems and Board's processes, procedures and resources.	The online questionnaire was completed by the Board and the Company Secretary.	The Board Effectiveness report was sent to the Chairman and the Committee Effectiveness reports were provided to each of the Committee Chairs. The effectiveness reports of the Chairman and Company Secretary were sent to the SID and Chairman respectively. Follow up meetings were held with the Chairman.	The Chairman presented the findings from the Review to the Board at the December 2019 Board meeting and actions for the forthcoming year agreed. The Committee Chairs presented the Committee Effectiveness Reports at their Committee meetings in December 2019 and January 2020.

Outcomes from 2018

- Continue to focus on Succession Planning below Executive level.
- Support the further enhancement of Diversity.

Findings from 2019

- There was an increase in positive views of the Board's effectiveness overall. In particular, the positive relationship between Board members and Board discussions are viewed as open, rigorous and constructive.
- The Board has made significant efforts on Diversity, but further scope to improve ethnicity remains work in progress.
- The Board currently supports and monitors the development and implementation of the Sustainability Strategy however it should consider a new Committee of the Board for the oversight of the Sustainability Strategy.
- It was agreed that there was a marked improvement in the Board's employee engagement, with processes for listening to employees' views and appropriate response procedures and action plans.

Progress against outcomes from 2018

- The talent development and succession planning processes were further developed. Succession Planning is a standing item on every Nomination Committee Agenda and regular Board Agenda item.
- The Board has made significant efforts on diversity, but further scope to improve ethnicity remains work in progress. You can read about our progress on Diversity on page 92.

Key Areas of Focus for 2020/2021

- Increasing improvements on succession planning for Group Executive and Senior Management.
- Increasing focus on wider aspects of Diversity.

BOARD STATEMENTS

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The Company has fully complied with all the principles of the Code for the year ended 31 December 2019, and from that date to the date of approval of this Annual Report.

READ MORE IN OUR CORPORATE GOVERNANCE REPORT **PAGES 72-90**

VIABILITY STATEMENT

In accordance with provision 31 of the UK Corporate Governance Code 2018, 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 50-59 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 2022.

READ MORE IN OUR RISK REVIEW: HOW WE MANAGE RISK **PAGES 50-59 AND IN OUR VIABILITY STATEMENT ON PAGE 90**

GOING CONCERN BASIS

The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial statements. 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 29 to the Group financial statements on pages 190-196. Each of these items has been considered in relation to the Group's banking facilities described in note 19 on pages 174-175.

READ MORE IN OUR DIRECTORS' REPORT **PAGES 126-128**

ROBUST ASSESSMENT OF THE PRINCIPAL RISKS FACING THE GROUP AND ANNUAL REVIEW OF SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL

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 2018.

READ MORE IN OUR RISK REVIEW: HOW WE MANAGE RISK **PAGE 50**

FAIR, BALANCED AND UNDERSTANDABLE

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's performance, business model and strategy.

READ MORE IN OUR STATEMENT OF DIRECTORS' RESPONSIBILITIES **PAGE 129**

MODERN SLAVERY STATEMENT

As a Company, we understand our role in eradicating modern slavery. Following an extensive review of our existing policies and practices in light of the Modern Slavery Act, the Company prepares an annual Modern Slavery Statement and has developed a training programme.

A COPY OF THIS STATEMENT CAN BE FOUND **ON OUR WEBSITE**:
www.global.weir/site-information/modern-slavery-statement.pdf

Corporate Governance

FIRST YEAR AS NON-EXECUTIVE

EBBIE HAAN
Non-Executive Director

Q.
HOW WOULD YOU SUM UP YOUR FIRST YEAR AS A NON-EXECUTIVE DIRECTOR AT WEIR?

A.
In two words, excited and energised.

I am excited about what Weir stands for, it is rich in history, and to be part of the Group's ongoing transition is very exciting. I was energised from my first interview, when I researched Weir and learned about the 'We are Weir' framework. My specific attention was drawn to the place people play in that framework as I believe people create and give energy. Weir has a large pool of human talent to leverage, with different backgrounds, different skills and this is something that energises me as well as Weir's ability to adapt itself to continuing change.

With our heritage and history, we should continue to be reflective, careful, and don't just change for change sake, but be thoughtful about our change. With Weir's 150th anniversary coming up, we must continue to keep our eye on the future and the present.

Q.
AT WEIR WE CONTINUE TO FOCUS ON ESG, WHAT ARE YOUR THOUGHTS AROUND GOVERNANCE?

A.
Governance is fundamental and it can sometimes be used as a buzz word, however, I like to keep it simple. I believe sticking to the rules and doing the right thing is the simplest form of governance. That means having the processes and procedures in place that guide decision-making, and on the 'softer' side, having social, ethical and cultural frameworks, which are all part of governance. It is about doing the right thing in all areas. Good governance starts with the Board, and just like safety, is everyone's responsibility.

We are a global company with a UK listing and we need to find a balance with governance. Given the cultural diversity in Weir, where we are operating in over 50 countries, we should always ensure we do the right thing and that rules are not broken whilst also making sure we keep governance in the correct context. For me Governance is not about a tickbox or a checklist, in a world that is adaptive we should seek open dialogue to make things better, be open and chat about it and make it an even better place.

Q.
WHAT DO YOU THINK THE CHALLENGES ARE FOR WEIR?

A.
The biggest challenge for any business is to stay relevant to its customers. If you do that success will follow. It is something I know Jon Stanton and the management team spend a lot of time thinking about as you can see in the 'We are Weir' strategy. Fundamentally, Weir is in the business of finding solutions to customers' toughest challenges. That's what engineers do and Weir has been doing it successfully for almost 150 years. But no business should ever get complacent. For me, the key to longevity is leading the change in your markets because standing still is rarely an option. And that's where we go back to Weir's culture. If challenging the status quo is part of your DNA, you have an excellent chance of long-term success.

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 94-101. 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 2019. More information on how the Group seeks to manage risk can be found on pages 50-59.

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 2019, as detailed on page 95.

Functional and front line controls

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

Monitoring and oversight controls

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

OUR INTERNAL CONTROL FRAMEWORK HAS FOUR KEY LAYERS:

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.

As shown in the Board and Committee structure set out on page 77, various internal and external sources of assurance report to the Board and to management. These sources of assurance were reviewed by the Board during the year, and principally comprise external audit, internal audit, SHE audits, legal and intellectual property audits, engineering audits and IT 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 on page 59 within the Risk Review provides more details on the Group's activities to promote ethical behaviour.

The Group's internal control procedures described on page 95 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.

VIABILITY STATEMENT

LONG-TERM PROSPECTS AND VIABILITY

In accordance with provision 31 of the UK Corporate Governance Code 2018, 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 54-59 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 2022.

The Directors have determined that a three-year period to 31 December 2022 is an appropriate period over which to provide its Viability Statement. The Group's key markets are by nature cyclical and therefore, while the Group operates a five-year strategic planning process, market cyclicality 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.

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 analysis, in conjunction with the current year results and 2020 Budget, provides the basis for the viability model on which we have overlaid a number of severe but plausible events to reflect our risk assessment and then further stress-tested that scenario. The Audit Committee, on behalf of the Board, have reviewed the underlying processes and key assumptions underpinning the Viability Statement.

In making this statement, in addition to considering the work of the Audit Committee, the Board considered the longer-term prospects of the Group, as detailed in the Strategic Report, and carried out a robust assessment of the principal risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity.

While the review has considered all the principal risks identified by the Group, the following risks were focused on for enhanced stress testing: market volatility, modelled by applying downturn scenarios and major customer shocks; technology, competition and Value Chain Excellence, modelled by significant loss of market share and pricing pressure in key markets; Value Chain Excellence and information security, modelled by major site shutdown scenarios; and, a regulatory shock scenario in response to the ethics and governance or safety, health and environmental risks. We believe that the stress-testing adequately covers risks associated with the recent outbreak of Coronavirus. We also considered, but did not model the impact of Brexit. While these situations remain uncertain, they are not expected to have a material impact on the Group's viability. Refer to pages 54-59 for the Group's principal risks, specifying those risks considered during this review.

The resulting scenarios were modelled as a series of individual one-off 'shocks', in combination with commodity price based market downturn scenarios with the assessment taking into consideration the potential impact on the Group's profits and cash flows and resulting impact on banking covenants as well as the likelihood of bank and other debt facilities continuing to be available to the Group as existing committed facilities mature over the next three years.

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 cyclicality 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 demonstrated in recent years, 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.

NOMINATION COMMITTEE REPORT

CHARLES BERRY
Chair of Nomination Committee

ROLE OF THE COMMITTEE

The Nomination Committee has responsibility for considering the size, structure and composition of the Board, for reviewing Director and Senior Management succession plans, overseeing the development of a diverse pipeline for succession, retirements and appointments of Directors and for making appropriate recommendations of candidates to the Board so as to maintain an appropriate balance of skills, experience and diversity on the Board.

NOMINATION COMMITTEE MEETING ATTENDANCE

Members	22-Jan-19	25-Jun-19	18-Dec-19	Total
Charles Berry	✓	✓	✓	100%
Mary Jo Jacobi	✓	✓	✓	100%
Barbara Jeremiah[1]	–	–	✓	100%
Sir Jim McDonald	✓	✓	✓	100%
Rick Menell[2]	✓	✓	–	100%
	Scheduled	Scheduled	Scheduled	

1 Barbara Jeremiah was appointed to the Committee on 25 June 2019.

2 Rick Menell stepped down from the Committee on 25 June 2019.

"THE NOMINATION COMMITTEE PLAYS A VITAL ROLE. THE BOARD BELIEVES THAT EFFECTIVE SUCCESSION PLANNING IS VERY IMPORTANT FOR THE LONG-TERM SUCCESS OF THE COMPANY AND THAT THERE IS A CLEAR LINK BETWEEN SUCCESSION PLANNING, DIVERSITY AND THE STRATEGY AND CULTURE OF THE COMPANY."

CHARLES BERRY
Chair of Nomination Committee

NOMINATION COMMITTEE AT A GLANCE

Main activities of the Nomination Committee during 2019

- Recommended Board and Committee changes; appointment of Barbara Jeremiah as Senior Independent Director and member of Nomination Committee, appointment of Ebbie Haan as Audit and Remuneration Committee member, extension of tenure of Rick Menell and stepping down as a member of Remuneration, Audit and Nomination Committees, and extension of appointment of Chairman.
- Undertook Board skills assessment and gap analysis.
- Ensured Board and Senior Management succession planning aligned with our strategy and culture.
- Reviewed Director re-election at forthcoming AGM in line with the UK Corporate Governance Code 2018.
- Reviewed the Nomination Committee Terms of Reference in line with the UK Corporate Governance Code 2018.
- Considered the Hampton-Alexander Review in line with our strategy, succession plans and Inclusion and Diversity policies.

Areas of Focus for 2020

- Continuing to focus on monitoring and assessing our culture.
- Further enhancing and overseeing of the leadership and talent framework and pipeline.
- Supporting the work of the team established to look at diversity across the Group.
- Monitoring the succession planning for Group Executive and Senior Management.

Committee Membership and attendance

The Nomination Committee is entirely made up of Independent Non-Executive Directors and the Chairman of the Board as Chair of the Committee. The members of the Committee are set out in the table above. The Company Secretary, Graham Vanhegan, acts as Secretary to the Committee. There were three Committee meetings held during the year. Members of Senior Management and Advisers are invited to attend meetings as appropriate. Jon Stanton, Chief Executive Officer, attended all three meetings by invitation.

Corporate Governance

NOMINATION COMMITTEE REPORT
CONTINUED

DEAR SHAREHOLDERS,

I am pleased to introduce our Nomination Committee report for 2019 which explains the Committee's focus and activities during the year, and also highlights the Committee's key priorities for 2020. I continue to ensure that the Committee focuses on Inclusion and Diversity, succession planning and on ensuring that the size, composition and structure of the Board is appropriate for the delivery of the Group's strategy and that all relevant provisions of the UK Corporate Governance Code 2018, continue to be met.

BOARD COMPOSITION AND SKILLS

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 candidate and on the time they are able to devote to the role in order to promote the success of the Company. The Nomination Committee have reviewed the Board and Committee composition and considers that the Board and Committees consists of individuals with the right balance of skills, diversity, time commitments, experience and knowledge to provide strong and effective leadership of the Group. During the year the Board consisted of up to nine Non-Executive Directors and two Executive Directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience. The Board skills and experience matrix, as detailed on page 93 is reviewed by the Nomination Committee annually, bearing in mind the future requirements of the Board. Committee membership is periodically refreshed and the Nomination Committee recommended some changes to the composition of the Board Committees, as highlighted on page 91 and in the respective Committee Reports.

BOARD APPOINTMENT AND TENURE

Engelbert (Ebbie) Haan was appointed to the Board on 18 February 2019. The details of the appointment process were published in the 2018 Annual Report. You can read more on the Board's appointment process on page 81 and Ebbie's first year as a Non-Executive Director on page 88 of this Annual Report.

SUCCESSION PLANNING

The Nomination Committee continues to give full consideration to succession planning for the Board and Senior Management, with a pro-active approach taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board. Succession Planning is an agenda item at every Nomination Committee meeting and annually reviews the schedule on the length of tenure of the Chairman and Non-Executive Directors and the mix of skills, strengths and experience of the Directors. The Committee will continue to keep under review succession planning for the Board, and Senior Management.

APPOINTMENT OF SENIOR INDEPENDENT DIRECTOR (SID)

As part of the Board succession plan Barbara Jeremiah was identified as a potential successor to the role of SID. The Nomination Committee recommended that Barbara Jeremiah, Non-Executive Director be appointed as SID on 1 January 2020. This allowed a transition prior to the retirement of the previous SID, Rick Menell, on 28 April 2020. Barbara joined the Board in 2017 and her experience and knowledge of Weir meant that she was the perfectly qualified person for the role. You can read more about Barbara in her role as SID on page 79.

INCLUSION AND DIVERSITY

The Board acknowledges the benefits that a diverse pool of talent can bring. The Committee takes an active role in meeting Inclusion and Diversity objectives. We are committed to ensuring that a third of the Board, Group Executives members and their direct reports are female. Our objective of driving the benefits of a diverse board, Senior Management team and wider workforce is underpinned by our Board Diversity Policy and our Inclusion, Diversity & Equality Policy. These policies can be viewed on our website at https://www.global.weir/investors/corporate-governance/boarddiversitypolicy. The Nomination Committee reviewed the Board Diversity Policy in light of the UK Corporate Governance Code 2018 and Board Effectiveness Guidance and recommended to the Board for approval in January 2020.

The Board keeps the policies under review to ensure that they remain an effective driver of diversity in its broadest sense, fully taking account of gender, ethnicity, social background, skillset and breadth of experience. We continue to work towards achieving the Hampton-Alexander Review targets and to improving the gender diversity in the Senior Leadership population. Goals have been incorporated into the balanced scorecard of the Company. I continue to be a member of the steering group of the Hampton-Alexander Review.

The current levels are noted below.

As at 31 December 2019

Board	27% (3 females, 8 males)
Group Executive Committee and direct reports	28% (16 females, 42 males)

Further information regarding our approach and initiatives on Inclusion and Diversity can be found on page 62.

INDEPENDENCE AND RE-ELECTION OF DIRECTORS

During the year the Committee recommended the re-appointment of the Chairman to the Board for a further three-year term, subject to annual re-election by Shareholders.

In December 2019, the Board conducted its annual review of individual Director conflict authorisations as recorded in the Conflicts of Interest Register. The Conflicts of Interest Register is maintained by the Company Secretary and sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties. This is in addition to Conflicts as a regular standing item on every Board and Committee Agenda.

In order to form a view surrounding Director independence, the Committee review the above conflict authorisations and consideration was also given to other appointments held by each Director. The Nomination Committee also reviewed and considered the independence of each Non-Executive Director in line with the UK Corporate Governance Code 2018 and Guidance on Board Effectiveness. With the exception of Cal Collins, the Nomination Committee considers that all of the Non-Executive Directors are independent.

The Nomination Committee discussed the re-election of Directors and how the Directors have contributed to the long-term success of the Company and why each Director should be re-elected. The skills matrix as well as the relevant outcomes of the annual individual Director evaluations.

COMMITTEE EFFECTIVENESS

The Committee's effectiveness was reviewed during the year as part of the internal Board Effectiveness Review facilitated by The Effective Board LLP. Their report was presented to the Board in December 2019. I am pleased to confirm it concluded that the areas of responsibility of the Nomination Committee continued to be performed well. You will find more information on the Board Effectiveness Review cycle, process and findings on page 86.

BOARD APPOINTMENT AND TENURE

Director	Length of tenure at 31 December 2019	Date of appointment	Date of Re-election
John Heasley	3 years, 2 m	3 October 2016	28 April 2020
Barbara Jeremiah	2 years, 5 m	1 August 2017	28 April 2020
Cal Collins	1 year, 5 m	12 July 2018	28 April 2020
Charles Berry[1]	6 years, 10 m	1 March 2013	28 April 2020
Clare Chapman	2 years, 5 m	1 August 2017	28 April 2020
Engelbert Haan	10 m	18 February 2019	28 April 2020
Jon Stanton[2]	9 years, 8 m	19 April 2010	28 April 2020
Mary Jo Jacobi	6 years	1 January 2014	28 April 2020
Rick Menell[3]	10 years, 9 m	1 April 2009	–
Sir Jim McDonald	5 years	1 January 2015	28 April 2020
Stephen Young	2 years	1 January 2018	28 April 2020

Previous appointment
Current appointment

Notes
1 Charles Berry was appointed to the Board as a Non-Executive Director on 1 March 2013. He became Chairman on 1 January 2014.
2 Jon Stanton was appointed to the Board as Finance Director on 19 April 2010. His tenure as Finance Director was six years, five months.
3 Rick Menell steps down from the Board post AGM on 28 April 2020.

BOARD SKILLS AND ATTRIBUTES

Director	Independence	Engineering	Mining	Oil & Gas	Governance	Environment & Sustainability	Banking and Finance	International	Leadership
Charles Berry		✓			✓	✓		✓	✓
Jon Stanton			✓	✓	✓	✓	✓	✓	✓
John Heasley			✓	✓		✓	✓	✓	✓
Clare Chapman	✓				✓			✓	✓
Cal Collins			✓			✓		✓	✓
Engelbert Haan	✓	✓		✓		✓		✓	✓
Mary Jo Jacobi	✓			✓	✓	✓		✓	✓
Barbara Jeremiah	✓		✓		✓	✓		✓	✓
Sir Jim McDonald	✓	✓			✓	✓		✓	✓
Rick Menell[1]	✓		✓		✓	✓	✓	✓	✓
Stephen Young	✓				✓		✓	✓	✓

1 Rick Menell steps down from the Board post AGM on 28 April 2020.

Corporate Governance

AUDIT COMMITTEE REPORT

STEPHEN YOUNG
Chair of the Audit Committee

> THE AUDIT COMMITTEE HAS CONTINUED TO MEET ITS PRIMARY OBJECTIVE OF PROVIDING EFFECTIVE GOVERNANCE OVER THE GROUP'S FINANCIAL REPORTING DURING THE YEAR AND ENSURING THE SYSTEMS SUPPORTING INTERNAL CONTROLS REMAIN EFFECTIVE.

STEPHEN YOUNG
Chair of Audit Committee

AUDIT COMMITTEE MEETING ATTENDANCE

Members	22-Jan-19	20-Feb-19	25-July-19	24-Oct-19	Total
Stephen Young (Chair)	✓	✓	✓	✓	100%
Ebbie Haan[1]	–	–	✓	✓	100%
Barbara Jeremiah	✓	✓	✓	✓	100%
Sir Jim McDonald[2]	✓	–	✓	✓	75%
Rick Menell[3]	✓	✓	–	–	100%
	Scheduled	Scheduled	Scheduled	Scheduled	

1 Ebbie Haan joined the Audit Committee on 25 June 2019.
2 Sir Jim McDonald could not attend the Audit Committee on 20 February 2019 due to a short illness.
3 Rick Menell stepped down from the Audit Committee on 25 June 2019 but attended subsequent meetings by invitation.

KEY MATTERS DISCUSSED BY THE COMMITTEE

Committee membership
- Ebbie Haan joined the Committee replacing Rick Menell on 25 June 2019.
- Committee members considered to provide wide range of financial and commercial expertise.

Main activities
- We reviewed and challenged interim and annual financial reporting, including the impact of the new UK Corporate Governance Code 2018 and IFRS 16 'Leases' standard.
- We reviewed processes supporting risk management including compliance scorecard and received presentations from Divisional Finance Directors and internal audit.
- We reviewed the results of internal audits in the year, including greater focus on the results for the recently acquired ESCO Division. We agreed the 2020 internal audit plan and welcomed Tayo Oyinlola, new Head of Internal Audit, to the Group.
- We approved the external audit plan presented by PwC, reviewed the effectiveness of the external audit and held independent discussions with the lead audit partner.

Independence
- We confirmed the external auditor, PwC, remains independent and that non-audit fees remain minimal.

Committee Effectiveness
- The Committee was subject to an internal evaluation and no significant areas of concern were raised.

Areas of focus 2020
- Reviewing the Group's procedures in relation to maintaining high standards across all Ethics and Compliance matters.
- Supporting the recently appointed Head of Internal Audit in her first full year in the role and increasing the use of technology in the internal audit process.

INTRODUCTION

I am pleased to present our report to Shareholders for the year ended 31 December 2019 which outlines how the Committee has fulfilled its key objective of providing effective governance over the Group's financial reporting during the year, and also highlights the Committee's key priorities for 2020.

AREAS OF FOCUS

Our key objective is achieved 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, and the framework for identification and management of business risks and related assurance activities.

MEMBERSHIP

The members of the Committee, other than myself, are Sir Jim McDonald, Barbara Jeremiah and Ebbie Haan, all of whom are independent Non-Executive Directors. Sir Jim McDonald, Barbara Jeremiah and I have been members of the Committee for the full year. Ebbie Haan replaced fellow Board member Rick Menell on the Committee on 25 June 2019. The Company Secretary, Graham Vanhegan, acts as Secretary to the Committee.

We have recent and relevant financial experience from myself as Audit Committee Chair, having been Group Finance Director of Meggitt PLC. The remaining 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. Summary biographies have been presented on pages 74 and 75.

MEETINGS

We met four times during the year 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.

We met twice with the external auditors 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 also met once with the Head of Internal Audit without any Executive management present.

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, PricewaterhouseCoopers LLP (PwC) attended the meetings by invitation as auditors to the Group.

Committee membership in 2019
Stephen Young (Committee Chair)
Ebbie Haan
Barbara Jeremiah
Sir Jim McDonald
Rick Menell

Other regular attendees (by invitation)
Charles Berry, Chairman
Jon Stanton, Chief Executive Officer
John Heasley, Chief Financial Officer
Kirsten McCargo, Group Financial Controller
Tayo Oyinlola, Head of Internal Audit
Lindsay Gardiner (PricewaterhouseCoopers LLP, Group Audit Partner)

MAIN ACTIVITIES

Over the course of the year 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, areas of significant estimate, 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 the adoption of the going concern basis of accounting and 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 Interim Report in our July 2019 meeting and Annual Report during our January and February 2020 meetings.

We received and reviewed details of the significant exceptional items in the year, including the impairment charges taken in relation to Oil & Gas North America. In addition, we received regular updates in respect of the new accounting standard, IFRS 16 'Leases', during the year and amendments to other standards where relevant.

In September 2019, as part of their regular programme of reviews, the Group received a letter from the Financial Reporting Council (FRC) requesting information in relation to specific disclosures in the Group's 2018 Annual Report. The FRC's role in such reviews is to consider compliance with reporting requirements. Due to inherent limitations in their review, these are not intended to provide assurance that corporate accounts are materially correct. However, we are pleased to report that the FRC enquiries were brought to a satisfactory close in January 2020.

The financial reporting matters discussed in the current year and recurring agenda items are summarised in the table on pages 98 to 101.

(ii) Internal control and risk management

While overall responsibility for the Group's risk management and internal control frameworks rests with the Board, the Audit Committee has a delegated responsibility to keep under review the effectiveness of the systems supporting risk management. Further details on accountability for Risk Management are provided in the Corporate Governance Report on page 89.

Our work in this area was supported by reporting from the Head of Internal Audit on the results of the programme of internal audits completed; the overall assessment of the internal control environment; and in addition, reporting, either verbal or written,

Corporate Governance

AUDIT COMMITTEE REPORT

CONTINUED

from Senior Management covering any investigations into known or suspected fraudulent activities. We continue to note the work undertaken for the Board on a review of the sources of assurance which are mapped against the principal risks (see (iii) Internal audit below) and the outputs from the Board risk workshop held during the year.

The Committee also receives regular reporting on the Group's compliance-related activities from the Chief Legal Officer and Company Secretary and also the Head of Internal Audit. This includes reviewing compliance with the Group's Ethics Helpline programme which provides a mechanism for employees with concerns about the conduct of the Group or its employees to report their 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.

The Committee also received presentations from each of the three divisional Finance Directors (DFDs). These presentations included a review of the divisional risk dashboards, 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:

1. the strength and depth of the finance team's capability;
2. 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 to share good practice; and
3. the quality of the discussion around divisional risk dashboards.

The Compliance Scorecard is a control mechanism whereby each operating company undertakes self-assessments, every six months, of their compliance with Group policies and procedures, including key internal controls across a range of categories including finance, anti-bribery and corruption, tax, treasury, trade and 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. Each operating company is expected to prepare and execute action plans to address any weaknesses identified as part of the self-assessment process.

Operating companies are required to retain evidence of their testing in support of their self-assessment responses. Internal audit has responsibility for confirming the self-assessment during planned visits. Any significant variances are reported to local, divisional and Group management. Any companies reporting low 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

In September 2019, Tayo Oyinlola was appointed as Head of Internal Audit, replacing David Kyles. Tayo is a member of the Association of Chartered Certified Accountants, has an MBA from Oxford Brookes Business School and has completed the Risk Leadership programme with Cass Business School.

She joins us from Intu Properties plc, a FTSE 250 company, where she was Head of Internal Audit.

The Committee has a responsibility to monitor the effectiveness of the Group's internal audit function. During the year, the Head of Internal Audit provides me with copies of all internal audit reports, and presents the results of audit visits and progress against the internal audit plan to the Committee, with particular focus on high priority findings and the action plans, including management responses, to address these areas.

Private discussions between myself and the Head of Internal Audit are held during the year and at least once a year with the full Committee.

The above activities provide broad coverage of the function and a good sense of the control environment. This also allows us to ensure the function is effective (which includes assessing the independence of the function), adequately resourced and has appropriate standing within the Company.

One of the main duties of the Committee is to review the Annual Internal Audit Plan and to ensure that internal audit remains focused on providing effective assurance. As part of the Group's risk management procedures, key sources of assurance are mapped against the Group's core processes and this is used to ensure internal audit planning considers wider internal assurance risk indicators. Planning is assisted by a risk modelling tool which is subject to ongoing refinement as the risk landscape changes. The resulting 2020 plan continues to focus the largest proportion of resource on financial assurance whilst incorporating wider risk assurance coverage, both financial and non-financial, as described below.

The factors considered when deciding which businesses to audit and the scope of each audit, including consideration of the number of visits to each operating company in the Group on a cyclical basis are, amongst other things, the volatility of end markets, critical system or Senior Management changes in the year, financial results, the timing of the most recent internal audit visit, assessments from 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.

For 2020, the IT assurance programme is focused on the Group's IS transformation strategy and programme assurance and IT-enabled change programmes.

Also, as part of the Annual Plan, reviews are to be undertaken to assess compliance with Weir's Code of Conduct procedures, including anti-bribery and corruption. This includes areas such as policy and procedures, employee training, relationships with agents, accounting for employee expenses and corporate hospitality and gifts. Finally, an element of the Annual Plan is reserved for assurance coverage of any emerging risk areas.

The Committee considered and approved the 2020 Internal Audit Strategy and Plan including the resource model, which will include additional resource supplemented as necessary by guest auditors from across the Group, including Group Finance, Tax and other functions as appropriate. Further progress on embedding data analytics into the audit process is included in the 2020 plan.

(iv) External audit

The Audit Committee is responsible for the appointment and role of the external auditor, for reviewing the effectiveness of the audit process and monitoring their independence. The external auditors are PwC who were first appointed for the financial year commencing 1 January 2016 following a competitive tender process.

AUDITOR EFFECTIVENESS

The effectiveness of the external audit process is highly dependent on appropriate audit risk identification at the start of the audit cycle and the quality of planning. PwC present their detailed audit plan to the Committee each year identifying their assessment of the key risks, amongst other matters.

Our assessment of the effectiveness and quality of the audit process covers a number of other matters, including a review of the reporting from the auditors to the Committee, a review of the latest FRC Audit Quality Inspection report on PwC 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 at least once 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. We also meet with the lead audit partner outside the formal committee process as necessary throughout the year. These interactions are also important in our assessment of audit quality.

Based on the work carried out, we are of the view that the quality of the audit process is satisfactory.

INDEPENDENCE POLICY AND NON-AUDIT SERVICES

A formal policy exists (see www.global.weir) which provides guidelines on any non-audit services which may be provided and ensures that the nature of the advice to be provided cannot impair the objectivity of the auditor's opinion on the Group's financial statements. 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 Chair. If non-audit fees approach £0.5m during a calendar year, the Committee will consider imposing additional restrictions on non-audit services. The auditor confirms their independence at least annually.

Fees payable to PwC in respect of audit and assurance services for 2019 of £3.3m (2018: £3.8m) 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. The reduction in level of fees in 2019 is due to the removal of Flow Control related fees and work in relation to the ESCO opening balance sheet in 2018.

Non-audit fee work conducted by PwC in the year of £0.1m (2018: £0.4m) represented 3% (2018: 10%) of the audit fee. We are of the view that the level and nature of non-audit work does not compromise the independence of the external auditor.

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 2019 year end. As a result, the Committee recommended to the Board that PwC should be reappointed as auditor at the next AGM.

COMMITTEE EVALUATION

The Committee was subject to an internal evaluation process during the year as part of the overall Board Effectiveness Review which operates on a three-year cycle. The evaluation was carried out using confidential online questionnaires in conjunction with 'The Effective Board LLP'.

The evaluation concluded that the Committee was performing well and no significant areas of concern were noted. Several recommendations were made which have since been discussed by the Committee and actions taken where necessary.

OUR FOCUS FOR 2019

In last year's report we said that, in addition to our routine business, we would increase focus on the following two areas:

1. Assurance and controls in the newly acquired ESCO Division as integration progresses; and
2. Responding to changes in the UK Corporate Governance Code 2018.

The ESCO Division was subject to three separate financial assurance focused internal audit visits during 2019 with results from each demonstrating a strong overall control environment. The vast majority of findings were of low significance and fully closed out by the end of the financial year with the remaining few actions outstanding on track for completion in 2020.

The Group applied the principles of the 2018 Code in its 2018 Annual Report and has continued to embed the changes in this report. The provisions in Section 4 of the 2018 Governance Code on audit and risk are largely the same as before. The key addition to the reporting requirements is a new obligation for companies to carry out a robust assessment of emerging risks as well as principal risks, explaining what procedures are in place to identify these risks and how these are being managed or mitigated. Further details of the Board workshop held to review the key principal risks and identify emerging risks are provided in the Risk Review on pages 50-51.

Our focus for 2020

In addition to our routine business, in 2020 our focus will be on:

1. Reviewing the Group's procedures in relation to maintaining high standards across all Ethics and Compliance matters; and
2. Supporting the recently appointed Head of Internal Audit in her first full year in the role and increasing the use of technology in the internal audit process.

STEPHEN YOUNG
Chair of Audit Committee

Corporate Governance

AUDIT COMMITTEE REPORT
CONTINUED

CURRENT YEAR MATTERS

Area of focus	Issue	Role of the Committee	Conclusion
Exceptional items (see notes 5 and 21 of the financial statements)	Management exercises judgement on the classification of certain items as exceptional.	We have received detailed reporting from the Chief Financial Officer covering the following aspects of the exceptional charges: (i) charge/credit by division, including the nature of the items; (ii) analysis of the exceptional impairment charge booked in relation to Oil & Gas North America and explanation of the work undertaken by management to assess the carrying value of the assets held; (iii) analysis of the ESCO integration costs; (iv) analysis of restructuring and rationalisation charges and related provisions; and (iv) disclosure of the amounts and related narrative reporting. Our work has focused on ensuring that these items were exceptional due to their size, nature and/or frequency. With specific regard to Oil & Gas North America, we carefully considered the total exceptional impairment charge of £546m in light of current market uncertainty and future outlook and the related impact on future revenues and profitability of the business. We considered the impairment of inventory of £49m to be reasonable given the prolonged market downturn, and uncertain timing of market recovery and the associated increased risk of technological obsolescence. We reviewed details of the property, plant & equipment impairment of £25m and considered this appropriate based on the low levels of asset utilisation due to the prolonged market downturn and uncertain timing of market recovery. We reviewed the impairment of £184m booked in relation to specific intangible assets (brand names and customer relationships) within Pressure Control North America and determined this to be appropriate based on the lower levels of revenue due to the prolonged market downturn and uncertain timing of market recovery. Finally, we reviewed the impairment of goodwill (see 'Impairment' section) before concluding that the accounting treatment in respect of Oil & Gas North America was appropriate. We noted the items reflected the way in which we, as members of the Board, reviewed the underlying performance of the Group and were disclosed appropriately. We also received confirmation from PwC that management's treatment was appropriate. Consideration was also given to the current balance sheet position of all related exceptional provisions, including both new provisions and those remaining from previous years, with management providing details of the remaining liabilities and expected utilisation.	The Committee agrees with the accounting treatment and disclosure of these items in the Annual Report.
Discontinued operations (see note 8 of the financial statements)	Following initial disclosure as a discontinued operation in 2018, the Group disposed of Flow Control in 2019 recognising a loss on sale.	We have received detailed reporting from the Chief Financial Officer covering: (i) accounting treatment of Flow Control as a discontinued operation; (ii) calculation of the loss on sale; and (iii) related presentation and disclosures in the Annual Report. We considered the accounting treatment, the loss on sale and related disclosures. PwC confirmed the treatment and related disclosures were appropriate.	The Committee agrees with the discontinued operations accounting treatment, the loss on sale calculation and the related disclosures in the Annual Report.
New accounting standards (see note 2 of the financial statements)	The introduction of new accounting standards has required changes in accounting policy, treatment and disclosures.	We have received detailed reporting from the Chief Financial Officer covering the impact of adopting IFRS 16 'Leases' and related changes to policy and disclosures in the Annual Report. We considered the impact and reviewed related disclosures in the Annual Report. We have received confirmation from PwC that they are in agreement with the disclosures.	The Committee agrees with the transition statement and related disclosures in the Annual Report.

Area of focus	Issue	Role of the Committee	Conclusion
Impairment (see note 14 of the financial statements)	Management undertakes an annual detailed, formal impairment review of goodwill and other intangible assets, with judgements made on the relevant Cash Generating Units and estimates of available headroom. Particular attention has been paid this year to the Oil & Gas North America CGU in light of current prolonged market downturn.	The most significant estimates are in setting the assumptions underpinning the calculation of the value in use of the Cash Generating Units (CGUs). We specifically reviewed: (i) the achievability of the long-term business plan numbers and macroeconomic assumptions underlying the valuation process; (ii) long-term growth rates and discount rates used in the cash flow models for all of the CGUs; and (iii) the cash flow models and market conditions supporting the goodwill impairment of £288m and resulting sensitivity analysis prepared for Oil & Gas North America CGU. Business plans and budgets were Board-approved and underpin the cash flow forecasts. We have reviewed the disclosures in the financial statements and the related narrative, including the sensitivity analysis performed for the Oil & Gas North America CGU. We also received confirmation from PwC that they are in agreement with management's conclusions.	We are satisfied that the goodwill impairment charge in the Oil & Gas North America CGU is supported by the underlying analysis and the carrying value of the underlying assets in other CGUs is maintained.

RECURRING AGENDA ITEMS

Area of focus	Issue	Role of the Committee	Conclusion
Provisions (see note 21 of the financial statements)	Significant balance sheet provisions are underpinned by management's key judgements on obligating events and timeframes over which a reliable estimate for provision values can be made.	The focus of the Audit Committee was on the exceptional provisions, including the linkage to the charges recorded in the Income Statement, and the employee-related provisions, specifically the element in respect of US asbestos-related claims. The Committee's work in relation to exceptional items is discussed in the previous section. With regard to the US asbestos-related provision, following the triennial actuarial review in 2017, the Committee's focus was centred on gaining an understanding of: (i) the actual claims and settlement data and their relation to the assumptions that underpin the discounted cash flow model; (ii) the period over which the liability can be reasonably estimated; (iii) the position with regard to availability of insurance cover; and (iv) the adequacy and transparency of the disclosures in note 21. PwC provided confirmation that management's assumptions were reasonable. With regard to other provisions (other than inventory – see below), we examined the key movements between the opening and closing provision balances and challenged management on the commercial drivers which caused them.	We are satisfied that the current provisioning levels and approach are appropriate, as is the recognition of an insurance asset in relation to the US asbestos provision.
Pensions (see note 23 of the financial statements)	The valuation of pension liabilities can be materially affected by the assumptions utilised by management on areas such as discount and inflation rates.	We received from management details of the key assumptions underpinning the valuation, taking assurance from the fact that external advice had been taken by the Company and that PwC had benchmarked these assumptions to their own internal ranges and consider them appropriate.	The Committee was satisfied with the assumptions and related pension disclosures.

Corporate Governance

AUDIT COMMITTEE REPORT

CONTINUED

Area of focus	Issue	Role of the Committee	Conclusion
Tax charge and provisioning (see notes 7 and 22 of the financial statements)	The tax position is complex, with a number of international jurisdictions requiring management's judgement with regards to effective tax rates, tax compliance and tax provisioning.	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 work done, and conclusions reached, by PwC in this area. From 2020, the Committee will in addition directly receive an annual presentation on tax strategy and risk, given by the Group Head of Tax.	Based on the work we have undertaken, we are satisfied that the position presented in these financial statements, including the disclosures, is appropriate.
Inventory valuation (see note 16 of the financial statements)	Management applies estimates on inventory valuation and provisioning.	Given the significant investment in inventory, and being cognisant of the impact of commodity cycles, this remains 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. Specific consideration was given to the exceptional provisions recognised in relation to Minerals exit from the lower margin sand and aggregates market as well as the inventory impairment in Oil & Gas North America.	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 Board is required to state that the Group's external reporting is fair, balanced and understandable. The Audit Committee is requested by the Board to provide advice to support the assertion.	The Committee received a report from management summarising the detailed approach that had been taken to ensure that the Group's external reporting is fair, balanced and understandable. This covered, but was not limited to, the following: (i) involvement of a cross section of management across the organisation during the preparation of the external reporting, including the Group Executive, Divisional Finance Directors, Group Communications, Group Finance (including Group Tax and Group Treasury) and Company Secretariat; (ii) input and advice from appropriate external advisers, including the Company's brokers and public relations agency; (iii) use of available disclosure checklists for both corporate governance and financial statement reporting; (iv) regular research to identify emerging practice and guidance from relevant regulatory bodies; (v) 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 (vi) use of three 'cold' readers; two employees independent of the preparation process (one a member of the Senior Management group) and an external, independent proof reader.	The successful completion of this work has been reported to the Board.

Area of focus	Issue	Role of the Committee	Conclusion
Going Concern	The Committee's role, as delegated by the Board, is to carry out an assessment of the adoption of the going concern basis of accounting 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: (i) assessment of borrowing facilities available to the Group; (ii) review of budget and latest forecast information, including debt covenants; (iii) liquidity and credit risk; and, (iv) the existence of contingent liabilities.	The successful completion of this work has been reported to the Board. The Group's statement on going concern is included on page 128.
Viability Statement	The Committee's role, as delegated by the Board, is to review the underlying processes and key assumptions underpinning the Viability Statement 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: (i) overview of the construct of the financial model and base case data underpinning the sensitivity and stress-test scenarios; (ii) 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; (iii) 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; and (iv) banking covenant calculations and assessment of facility headroom in each of the downside and stress-test scenarios.	The successful completion of this work has been reported to the Board. The Group's Viability Statement is reported on page 90.

Corporate Governance

DIRECTORS' REMUNERATION REPORT

CLARE CHAPMAN
Chair of Remuneration Committee

OUR REMUNERATION FRAMEWORK IS FOCUSED ON LONG-TERM VALUE CREATION, AND REWARDS EXECUTIVES FOR CREATING SUSTAINABLE VALUE.

CLARE CHAPMAN
Chair of Remuneration Committee

REMUNERATION COMMITTEE MEETING ATTENDANCE

Members	25-Feb-19	05-Sep-19	16-Dec-19	Total
Clare Chapman (Chair)	✓	✓	✓	100%
Ebbie Haan	–	✓	✓	100%
Mary Jo Jacobi	✓	✓	✓	100%
Barbara Jeremiah	✓	✓	✓	100%
Rick Menell	✓	–	–	100%
Stephen Young	✓	✓	✓	100%
	Scheduled	Scheduled	Scheduled	

DEAR SHAREHOLDER

I am pleased to introduce our Directors' Remuneration Report for the year ended 31 December 2019.

I would like to start by thanking our Shareholders for their resounding support for our Directors' Remuneration Report at the 2019 AGM. In recent years, Weir has received strong support from our Shareholders for our approach to pay. Our current Remuneration Policy was approved in 2018 with over 92% support. At last year's AGM, over 93% of votes were in favour of our Directors' Remuneration Report. In light of this strong endorsement, and as both the Committee and management are of the view that the current structure remains fit for purpose, we are not proposing to make any major changes to our pay arrangements this year.

The remuneration framework approved by Shareholders in 2018 is focused on long-term value creation by significantly reducing award sizes, extending time horizons and making executives meaningful long-term Shareholders, while also ensuring that we are able to reduce payouts if necessary to avoid paying for failure. The key parameters of the restricted share awards continue to be in line with best practice guidance:

- Significantly lower award sizes – annual restricted share awards of 125% (CEO) and 100% (CFO) – these represent a 50% discount on the LTIP awards levels that were last granted in 2017.
- Extended time horizons – for each award, 50% is released to participants after five years, 25% after six years and the final 25% after seven years from grant. This represents one of the longest holding periods for restricted share plans in the UK and is in excess of the five years recommended in investor guidance.
- Underpin: safeguarding against payment for failure – an underpin applies to the awards which includes a set of key metrics with pre-disclosed performance thresholds.
- Enhanced shareholding guidelines, including extending in post-employment – the shareholding guidelines for the CEO and CFO are 400% and 300% of salary respectively. These have also been extended into a post-employment period (at least 50% of normal level, tapering to 0% after two years).

2019 BONUS AND LTIP OUTCOMES

Full details of our key performance indicators, business performance and the link to remuneration are set out on pages 22-23 of the Annual Report.

Following consultation with Shareholders in 2018, and in order to better align our framework with the reward principles and delivery of our strategy, we changed the design of our annual incentives, with 70% of the bonus based on performance against financial measures: PBTA and working capital as a percentage of sales, and the remaining 30% aligned to improvement in Weir's strategic levers. This includes the improved percentage revenue from new solutions, services and products. One of the strengths of 'We are Weir' is that it takes our strategic framework and identifies how we will create value from it for all our stakeholders. This 30% of the annual bonus on the strategic measures provides a simple, transparent and effective way to appropriately incentivise shared success and build a business for the long-term.

For performance delivered in 2019 the Committee has awarded a bonus of 58% and 48% of salary for the CEO and CFO respectively, 30% of which will be deferred into Weir shares for three years. Full details of achievement against targets are provided on page 119.

These bonus awards are below those of last year influenced by performance within our Oil & Gas Division given the challenging market conditions in North America. Performance against the strategic measures was stronger as we build the market differentiating capabilities as demonstrated by the successful award of the order to provide energy-saving technology to the Iron Bridge magnetite project in Western Australia (the full scorecard is disclosed on pages 120-122). The Committee had the opportunity to apply positive discretion this year but chose not to on this occasion. We do, however, recognise management's flawless execution of important portfolio changes, which includes the cost savings realised following the acquisition of ESCO and the divestment of Flow Control as committed.

Whilst our remuneration framework does not include a traditional LTIP, the final LTIP award was granted under our previous remuneration policy in 2017. The vesting period for those awards ended on 31 December 2019, and 45% of the original award will vest in March 2020. Full details are provided on page 122. The first tranche of restricted share awards will vest in 2020 and will be disclosed in our 2020 Directors' Remuneration Report.

WORKFORCE REMUNERATION AND SHARING IN SUCCESS

Given the importance of fairness in working practices, the Remuneration Committee spends considerable time on matters relating to remuneration in the wider organisation. Details of pay trends for the wider employee base provide important context when making decisions regarding remuneration for Executive Directors. In 2019 we strengthened the link between employees and the Board with the appointment of our Employee Engagement Non-Executive Director and the introduction of our 'Meet the Board' sessions, giving employees an opportunity to have face-to-face discussions with the Board. Further details can be found on page 85 of the Annual Report.

We are committed to enabling all our employees to actively contribute to and have a positive impact on the success of our business. This year we granted the first award of Free Shares under our global all employee share plan, Weir ShareBuilder, as part of our ambition of making all Weir colleagues Shareholders. The Board members were in Fort Worth for our first 'Meet the Board' session at the same time employees received their Free Share Awards. We witnessed first-hand employees' positive reactions and celebrations on their first step of becoming Shareholders.

To help ensure that all our employees can have a positive influence on our future success, management have also enhanced two-way dialogue aimed at supporting organisational effectiveness. This has always been important at Weir given that employee engagement is so key to a culture of innovation. There is more rigour being brought to the process, however, and to inform decision-making at the Board an Employee Insights Report now gives us the key themes coming through from employees.

2020 DECISIONS

With effect from April 2020, the salaries for Executive Directors will increase by 3% in line with the average increase for UK employees. No other changes are being made at this time to the pay arrangements for Executive Directors. Whilst at the time the 2020 restricted share award levels were discussed by the Committee the share price movement from April 2019 restricted share award grant was not above threshold where investors typically expect companies to consider reducing awards, the Committee still considered whether any adjustments should be made to the 2020 award levels. The Committee determined that a 2020 restricted share award of 125% of salary for the CEO and 100% of salary for the CFO remains appropriate in the context of wider business performance, individual performance and the overall remuneration package.

The Committee also reviewed the Chairman's fees, and with effect from April 2020 is proposing an increase of 3%.

The Executive Directors receive a pension contribution of 12% per annum in line with other senior UK employees. The Committee is aware that a number of UK investors remain concerned about executive pensions which are significantly higher than those in the wider workforce. The average pension rate available to the UK wider workforce is c.8% of salary. At Weir, whilst the pension value of 12% is just above that of the wider workforce, it is very much at the lower end of market practice and aligns with our senior roles within the UK. I therefore believe that our pension practice is currently in line with good practice. However, we will review pension arrangements, including those for new hires, alongside the rest of the remuneration package as part of the Policy review for 2021.

70% of the annual bonus is based on two financial measures covering profit and working capital. For 2020 we have decided to change the latter measure from working capital as a percentage of sales to absolute third-party working capital. The proposed target allows for a greater focus on absolute cash generation and is actionable at all levels in the organisation. In addition, recognising that there may be the situation where we have stronger than forecast sales and need to invest in working capital, business units will have the option to apply for an exemption and be assessed on third-party working capital as a percentage of sales as an alternative to ensure there is no disincentive to growth. Both target measures will be set in advance.

LOOKING AHEAD

We welcome the FRC's publication of the new UK Corporate Governance Code, and last year the Committee undertook an initial review of the remuneration framework to ensure it was appropriate in light of the new Code. In this year's report we have provided detail as to how we comply with the remuneration provisions of the new UK Corporate Governance Code.

Under the normal three-year renewal cycle, our Remuneration Policy will be presented to Shareholders for approval at the 2021 AGM. During the year we will therefore be taking a comprehensive review of our current remuneration arrangements in light of our business goals as well as evolving market and best practice.

We are keen to maintain an open and transparent dialogue with our investors on pay matters and we intend to consult with Shareholders regarding our proposals ahead of the 2021 AGM.

The Remuneration Committee has sought to take a simple and responsible approach to executive pay, with a close focus on the strategic priorities of the business and the interests of the wider stakeholders. We hope that this approach is clear in our Remuneration Report. The Committee appreciated the strong endorsement of last year's Directors' Remuneration Report and I look forward to receiving their support at the 2020 AGM.

Clare Chapman

CLARE CHAPMAN
Chair of Remuneration Committee

26 February 2020

REMUNERATION AT A GLANCE

One of the strengths of 'We are Weir' is that it takes our strategic framework and identifies how we will create value from it for all our stakeholders. Our remuneration policy is aimed at providing a simple, transparent and effective way to appropriately incentivise shared success and build a business for the long-term.

STRATEGIC ALIGNMENT OF REMUNERATION

The Committee believes it is important that, for Executive Directors and Senior Management, a significant proportion of the remuneration package should be aligned to the business in a way that exposes executives to upside and downside risk, and that performance conditions applying to incentive arrangements support the delivery of Group strategy.

REWARD PRINCIPLES – APPROPRIATELY REWARDING THE DELIVERY OF SUSTAINABLE VALUE OVER TIME IN A CYCLICAL BUSINESS

EMPLOYEES AS SHAREHOLDERS

Encouraging and enabling substantial long-term share ownership for all employees.

REWARDING LONG-TERM VALUE CREATION

Bringing focus to sustainable improvement in the underlying business via our strategic framework.

SUPPORTING OUR CULTURE

Focusing incentives on team performance to create collective accountability and becoming an employer of choice by offering a motivating and fair package.

SIMPLIFYING & INCREASING EFFECTIVENESS

Simple and transparent reward linked to business success and delivered in a way that reduces the impact of cyclical volatility on reward outcomes and enables retention.

STRATEGY AND ITS LINK TO PERFORMANCE BASED PAY

In 2018 we changed our annual bonus framework to better align with our reward principles and delivery of strategy. 30% of the annual bonus is based on target priorities aligned to our strategic framework and the underlying headline metrics set out below. The balanced scorecard provides a clear line of sight on how our remuneration policy supports successful execution of our strategy and the unlocking of long-term value. Further details on our performance is set out on pages 22-23.

HOW DO WE MEASURE PROGRESS AGAINST OUR OBJECTIVES?

PEOPLE

Improved sustainable engagement and organisation effectiveness

CUSTOMER

Increase market share

TECHNOLOGY

Improved percentage revenue from new solutions, services, products

PERFORMANCE

Sustainably higher margins through cycle

ANNUAL BONUS OUTTURN FOR THE YEAR ENDING 31 DECEMBER 2019

Further details, including information on the performance assessment of the strategic metrics are set out on pages 120–122 in the Annual Report on Remuneration.

	Entry (20% payable)	Target	Maximum (100% payable)	Payout % of maximum		
Profit before tax and amortisation	£296m	£345m	£394m	12%		
			Actual £302m			
Working capital as a % of sales	24.8%	22.6%	20.3%	0%		
			Actual 25.5%			
Strategic measures		18%	30%	26%		
			Actual 26.4%			
					Jon Stanton Actual	**John Heasley Actual**
Total				**38%**	**£395,119**	**£202,736**

2017 LTIP OUTTURNS

Further details are set out on page 122 in the Annual Report on Remuneration. As the awards do not vest until 29 March 2020, in accordance with UK regulations, the values below are calculated using the average market price for the fourth quarter of 2019, being £14.25.

	Threshold (25% vesting)	Maximum (100% vesting)	Percentage vesting		
Relative TSR	Median	Upper quintile			
		Actual			
		Below Median	0%		
EPS growth p.a.	5%	15%			
		Actual 20.4%	33%		
Improvement in average ROCE p.a.	1%	5%			
		Actual 1.6%	12%		
				Jon Stanton Value	**John Heasley Value**
Total			**45%**	**£558,130**	**£274,769**

EXECUTIVE DIRECTORS' SHAREHOLDINGS AS AT 31 DECEMBER 2019

Full details of shares owned outright and scheme interests are set out on page 124 in the Annual Report on Remuneration.

	Current shareholding (% of salary)	Current shareholding including scheme interests without performance conditions (% of salary)[1]	Shareholding requirement (% of salary)
Jon Stanton	190%	294%	400%
John Heasley	157%	239%	300%

Notes:

1 The values of the scheme interests without performance conditions are on an estimated net-of-tax basis.

Corporate Governance

SUMMARY OF POLICY AND 2020 IMPLEMENTATION

CORE ELEMENTS

- 30% of annual bonus deferred into shares for three years.
- Vesting of restricted share awards phased over five years, with an additional two-year holding period applying to each tranche.
- Malus and clawback provisions apply to both the annual bonus and restricted share awards.
- Shareholding guidelines continue post-employment.
- Maximum pension provision of 12% per annum.

The table below summarises the key components of our remuneration framework and indicates how we intend to operate the policy in 2020.

		Operation	2020 implementation
Fixed	**Salary**	Fixed remuneration which reflects role, skills, and responsibilities. For 2019: • CEO – £687,000 • CFO – £423,000	Increases for 2020 aligned to the average increase for UK employees of 3%: • CEO – £708,000 • CFO – £436,000
	Pension	Executive Directors receive pension contributions of 12% per annum in line with other senior UK employees.	No change.
	Benefits	Car allowance, health care and life assurance.	No change.
Variable	**Annual bonus**	Maximum opportunity: • CEO 150% of base salary • CFO 125% of base salary 30% deferred into shares for three years. Annual bonus awards will also be subject to malus and clawback provisions. Measures and weightings in 2019: • 50% PBTA (see definition on page 119) • 20% Working capital as a percentage of sales • 30% Strategic measures • Full retrospective target disclosure (see pages 120-122 in respect of 2019)	Measures and weightings in 2020 – working capital as a measure of sales will be replaced by third-party working capital. In addition, recognising that there may be the situation where we have stronger than forecast sales and need to invest in working capital, business units will have the option to apply for an exemption and be assessed on third-party working capital as a percentage of sales target as an alternative. Both targets will be set in advance. The weighting will remain unchanged at 20%. Set out below are the underlying headline metrics to be achieved over the next three to five years, as well as the target priorities for 2020. Underlying targets will be fully disclosed in next year's report. **People** Improved sustainable engagement and organisation effectiveness • High standards of leadership driving a best in class behavioural safety culture • Improve organisational effectiveness • Continue to extend the Weir culture and further develop the voice of the employee **Customer** Increase market share • Enhance global service capabilities • Increase customer focused partnerships and field trials • Respond to Voice of the Customer (VOC) **Technology** Improved percentage revenue from new solutions/services/products • Protect and extend our core through materials manufacturing and process advancement • Progress commencement of Weir Digital offering • Innovate products and solutions that address our customers' biggest challenges **Performance** Sustainably higher margins through cycle • Improve operational performance • Realise benefits of Group portfolio • Action sustainability roadmap and deliver tangible value across the Group

		Operation	2020 implementation
	Restricted share awards	Maximum award size: • CEO 125% of base salary • CFO 100% of base salary Vesting phased over a five-year period, with vested shares released between five and seven years from grant. Vesting subject to the underpin. Prior to vesting, if any of the thresholds have not been met, it would trigger the Committee to consider whether a discretionary adjustment was required. Restricted share awards will also be subject to malus and clawback provisions.	No change. **Underpin**: **Balance sheet health** • Dividend – Maintain average absolute dividend per share over the vesting period at least in line with the 2019 declared dividend per share. • Breaching covenants – No breach of debt covenant or re-negotiation of covenant terms outside of a normal refinancing cycle. **Investor returns** • Return on Capital Employed (ROCE) – Maintain average ROCE over the vesting period above the average Weighted Average Cost of Capital for that period. **Corporate governance** • Major governance failure – No material failure in governance or an illegal act resulting in significant reputational damage and/or material financial loss to the Group.
Other	**Shareholding guidelines**	• CEO – 400% of base salary • CFO – 300% of base salary In addition, shareholding requirements will continue post-employment.	No change.
	NED fees	Fees reflect responsibilities and time commitments for the role.	Chairman and NED fees will increase by 3% in line with the wider employee average, effective 1 April 2020. In 2019 we also appointed an Employee Engagement Director to strengthen our existing employee engagement mechanisms. • Chairman's fee – £324,000 • NED base fee – £64,800 • Chair of Committee fee – £16,900 • Senior Independent Director fee – £13,600 • Employee Engagement Director fee – £16,900

DIRECTORS' REMUNERATION POLICY

The remuneration policy was approved by Shareholders in 2018 and is intended to apply for three years.

POLICY TABLE

BASE SALARY

Purpose
To provide a salary which takes into account an individual's role, skills and responsibilities and enables the Group to attract and retain talented leaders.

Operation
Reviewed annually, with increases normally taking effect from 1 April. Salaries are set by reference to market practice for similar roles in companies of similar size and complexity. The Committee also takes into account personal performance, the wider employee context, and economic and labour market conditions.

Maximum value
While there is no stipulated maximum salary increase, increases will not normally be greater than the average salary increase for 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.

PENSION

Purpose
To encourage long-term saving and planning for retirement.

Operation
A contribution into the Company's defined contribution pension plan or an equivalent cash allowance, or any other arrangement the Committee considers has the same economic benefit.

Maximum value
12% of base salary per annum in line with other senior UK employees.

BENEFITS

Purpose
To provide cost-effective benefits valued by individuals.

Operation
Benefits include, but are not limited to, health care, car allowance, liability insurance and death in service insurance.

Other benefits may be provided from time to time if considered reasonable and appropriate, such as relocation benefits or long-term disability insurance.

Maximum value

- Car allowance – no greater than £20,000 per annum
- Life assurance – 5 x base salary

The cost of providing insurance and health care benefits varies according to premium rates, so there is no formal maximum monetary value.

ANNUAL BONUS

Purpose

To incentivise the delivery of our strategic plan and to reward the achievement of stretching performance on an annual basis.

To focus incentives on team performance to create collective accountability.

Operation

Measures, targets and weightings are reviewed and determined annually at the start of each financial year to ensure they are appropriate and support the Company's strategy.

30% of any bonus will be deferred into an award of Weir Group shares which will normally be released after three years.

Malus and clawback provisions may be applied in the event of a material misstatement in the financial statements of the Group or a subsidiary/division, the discovery that information used to determine an award was materially incorrect, mistaken or misrepresented, gross misconduct (leading to termination for cause), or reputational damage causing significant damage to the Company and clearly attributable to the individual.

Maximum value

- CEO 150% of base salary
- CFO 125% of base salary

Performance assessment

Annual bonuses will be subject to such targets as the Committee considers appropriate each 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 objectives.

The performance targets for financial measures are set in the context of the internal budget taking into account other relevant factors such as external forecasts.

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

Payment of any strategic component will be subject to a discretionary underpin (including individual performance).

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 amend the payout level if it believes this will better reflect the Company's underlying performance.

SHARE REWARD PLAN (SRP)

Purpose

To encourage and enable substantial long-term share ownership.

To reward the delivery of sustainable value over time in a cyclical business.

Operation

The Committee may grant awards under the SRP on an annual basis.

Vesting of awards will be phased in four equal tranches over a five-year period. This will normally be split into four equal tranches of 25% (of the total award) which vest after two, three, four and five years following grant. For any Executive Director appointed after the effective date of this Policy, 50% will vest after three years, 25% after four years and 25% after five years.

Vesting will be subject to continued employment and assessment of the underpin.

Following vesting, an additional two-year holding period will also apply to each tranche, such that 50% of vested shares in an award are released five years from grant, 25% are released after six years and the final 25% is released after seven years.

Awards will normally be in the form of conditional share awards, but may be awarded in other forms if appropriate (e.g. as nil cost options).

Malus and clawback (applicable for three years from vesting) provisions may be applied in the event of:

- a discovery of a material misstatement in the audited consolidated accounts of the Group or audited accounts of any Group company;
- action or conduct which can be considered as gross misconduct;
- events or behaviour which have a significant detrimental impact on the reputation of any Group company, and which can be attributed to the individual award holder; and
- the information used 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.

Maximum value

The Committee will determine the grant level each year. The maximum value of award which may be granted in respect of a financial year is:

- CEO 125% of base salary
- CFO 100% of base salary

Performance assessment

No performance measures are associated with the awards.

The Underpin will consist of a 'basket' of pre-determined key metrics which will best reflect overall business health over the vesting period. For each metric, a clearly defined and, where relevant, quantifiable 'threshold' will be set at the time of grant. Thresholds will be disclosed on a prospective basis.

Prior to vesting, if any of the thresholds have not been met, it would trigger the Committee to consider whether a discretionary downward adjustment was required.

In addition, the Committee will also have general discretion to reduce vesting levels if it believes this will better reflect the underlying performance of the Company over the period.

DIRECTORS' REMUNERATION POLICY
CONTINUED

SHAREHOLDING REQUIREMENTS

Purpose
To ensure Executive Directors build and hold a significant shareholding long-term.

To align Executive Directors' interests with Shareholders.

Operation
Executive Directors are required to build up a shareholding in the Company over a five-year period.

All beneficially owned shares, deferred shares and unvested Restricted Share awards count towards an individual's shareholding (on a net of tax basis where relevant).

Until the shareholding requirement is met an Executive Director must retain 50% of net Restricted Share awards, Performance Share awards, and deferred bonus award shares.

Shareholding requirements continue post-employment:

- The requirement will fall to half the normal level on leaving.
- The requirement would then taper down to zero after two years.

Maximum value shareholding guidelines
- CEO 400% of base salary
- CFO 300% of base salary

ALL EMPLOYEE SHARE PLANS

Purpose
To enable long-term share ownership for all employees, and to increase alignment with Shareholders.

To provide one common benefit to all employees.

Operation
Employees will be awarded Free Shares in 2019 and 2020 to the value of £300. From 2021 onwards, only new employees will be eligible to receive Free Shares. For all other employees, awards of shares will be contingent on the employee purchasing shares with their own funds. Shares purchased using employees' own funds will be matched by the Company.

Shares will vest no later than three years after grant.

Executive Directors will be excluded from receiving any Free Shares in 2019 and 2020, but they will be eligible to purchase and receive matching shares from 2021 on the same terms as other employees.

In 2016, Shareholders approved a Save As You Earn scheme for all employees, but this plan is not currently operated.

Maximum value
The maximum amount that can be contributed to purchase shares will be £200 per month. The maximum share match basis will be one share for every three shares purchased.

LEGACY ARRANGEMENTS

Purpose
To honour payments and other remuneration related items due to Executive Directors.

Operation
The Committee reserves the right to make any remuneration payments and/or payments for loss of office, this includes exercising any discretions available to it in connection with such payments (notwithstanding that they are not in line with this policy) where the terms of payment:

- came into effect before this policy was approved and implemented (including where such payments are in line with a previously approved policy); and
- were agreed at a time when the individual was not a Director of the Company and, in the opinion of the Committee, the payment is not in consideration for the individual becoming a Director.

This includes the vesting of any awards granted under the LTIP.

Maximum value
In line with existing commitments and arrangements.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' FEES

Purpose

To attract and retain experienced and skilled Non-Executive Directors and to reflect the responsibilities and time commitment involved.

Fees are reviewed by reference to companies of similar size and complexity, economic and labour market conditions.

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 value

Fees as prescribed in the Articles of Association.

Planned increases in fees will take into account general increases across the Group, along with market practice.

DIVIDENDS

Executive Directors are entitled to receive the value of dividends payable on any deferred bonus awards under the Annual Bonus or awards under the SRP or LTIP up to the point of vesting. This value may be calculated assuming that the dividends were notionally reinvested in the Company's shares.

COMMON AWARD TERMS

Awards granted under the share plans may 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 the awards.

DIRECTORS' REMUNERATION POLICY
CONTINUED

RECRUITMENT POLICY

The Committee's approach when considering the overall remuneration arrangements in the recruitment of an Executive Director is to take account of all relevant factors such as the individual's remuneration package in their prior role and the market positioning of the package against the local market. We will not pay more than necessary to facilitate the recruitment.

Component	Policy and operation
Remuneration	The salary level, benefits, pension, annual bonus and annual SRP participation will be in line with the policy table.
Buy-out Awards	The Committee will consider whether any buy-out awards are reasonably necessary to facilitate the recruitment of an Executive Director, and if there any other compensation arrangements that would be forfeited on leaving the previous employer. The Committee will seek to structure any buy-out award taking into account relevant factors including any performance conditions, the form in which it is to be paid and the timeframe of the award. 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.
Other	The Committee may agree to meet certain mobility or relocation costs, including but not limited to, temporary living and transportation expenses. The Committee may also agree to meet the costs of relevant professional fees. Reasonable expenses and associated tax incurred as part of their recruitment will be reimbursed to the Executive Director.
Internal promotion to Executive Director	The Committee will honour existing remuneration arrangements made prior to and not in contemplation of promotion. The arrangements will continue to pay out in accordance with the respective rules and guidelines.

SERVICE CONTRACTS AND POLICY ON PAYMENT OF LOSS OF OFFICE

It is the Committee'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 incentive plan and pension scheme rules.

If an Executive Director's service contract is terminated other than in accordance with its terms, the Committee will give full consideration to the obligation and ability of the individual to mitigate any loss they may suffer as a result of the termination of their contract.

Service contracts and letters of appointment are available for inspection at the Company's registered office.

Provision	Policy
Unexpired term	The unexpired term of Executive Directors' contracts is 12 months. Executive Directors have rolling contracts.
Change of control	No provisions in service contracts relate to a change of control. Refer to the relevant sections below for annual bonus and share plans provisions.
Notice period	Current Executive Directors have 12 months' notice by either the Company or the individual. This would be the normal policy for new appointments.
Contractual payments	Termination with contractual notice or termination by way of payment in lieu of notice (PILON) at the Company's discretion. Neither notice nor PILON will be given in the event of gross misconduct. The calculation of PILON will be at 1.2 x gross salary to reflect the value of salary and contractual benefits. PILON will be made where circumstances dictate that Executive Directors' services are not required for their full notice period. Contracts also allow for phased payments on termination which provides for mitigation, including remuneration from alternative employment. The Committee may authorise: • payments for statutory entitlements in the event of termination; • reasonable settlement of potential legal claims; and • payment of reasonable reimbursement of professional fees in connection with such agreements.

Provision	Policy
Annual bonus and deferred bonus awards	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 if employment ceases during the year. Any payment will be subject to the assessment of bonus targets. Dismissal for gross misconduct – all entitlements will be forfeited, including any unvested deferred bonus awards. All other departure events – existing rights are normally retained in respect of any deferred bonus awards. Vesting will take place at the normal vesting date unless the Committee determines otherwise. Malus and clawback provisions will continue to apply. Change in control – any bonus will normally be determined by the Committee up to the expected date of change in control taking into account both performance and the period of the financial year which has elapsed. Deferred bonus awards will vest on change in control.
Outstanding share plan awards	The treatment of awards will be governed by the rules of the relevant plan. Where an individual leaves as a Good Leaver (which includes for reasons of death, retirement, ill-health, injury or disability, redundancy, the sale of employing company or business, or other circumstances that the Committee determines) unvested awards will normally continue and vest on the normal vesting date, taking into account the assessment of any applicable underpins and pro-rated to reflect the proportion of the vesting period of each tranche which has elapsed. For LTIP awards, vesting would also take into account any applicable performance conditions over the normal performance period. The Committee may exercise its discretion to apply a different pro rata methodology or to dis-apply time pro-rating completely. Awards subject to a holding period will continue to be subject to that holding period as if employment had not ceased, 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. The rules provide flexibility that in the case of the participant's death (or such other exceptional circumstances as the Committee considers appropriate), tranches will vest (and awards in the holding period will be released) at the time of death/leaving. If an individual leaves for any reason other than as a Good Leaver, any unvested awards will lapse on termination. Leavers have a period of three months to exercise any options unless this period is extended by the Committee. In the event of death, an option can be exercised for a period of 12 months by the deceased's estate. Awards will remain subject to the operation of malus and clawback provisions. Change in control – the extent to which unvested awards vest will be determined by the Committee, taking into account the performance conditions and/or underpins as applicable 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 awards will end at the time of change in control.
All employee share plans	The rules of any all employee share plans will apply in the event of termination of employment or change in control.
Relocation	The Committee may determine that share plan awards or deferred bonus awards should vest early if an Executive Director is relocated to a country where they would suffer a tax or regulatory disadvantage by holding the award.
Chairman and Non-Executive Directors	Non-Executive Directors have letters of appointment. The letters 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. With the exception of the Chairman and Non-Executive Directors appointed prior to 2011, notice periods are six months from the Company and no notice from the individual. There are no change in control provisions in the letters of appointment.

Corporate Governance

DIRECTORS' REMUNERATION REPORT
CONTINUED

SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT
The following table sets out the dates of each of the Executive Directors' service agreements, the dates of the Non-Executive Directors' letters of appointment and the date on which the Non-Executive is subject to reappointment or re-election. Directors are required to retire at each Annual General Meeting and seek re-election by Shareholders.

Executive Director	Contract commencement date	Unexpired term (months)
Jon Stanton	28 July 2016	12
John Heasley	3 October 2016	12

Non-Executive Director	Date of appointment	Date when next subject to appointment or re-election
Charles Berry	1 January 2014	28 April 2020
Clare Chapman	1 August 2017	28 April 2020
Cal Collins	12 July 2018	28 April 2020
Ebbie Haan	18 February 2019	28 April 2020
Barbara Jeremiah	1 August 2017	28 April 2020
Mary Jo Jacobi	1 January 2014	28 April 2020
Sir Jim McDonald	1 January 2015	28 April 2020
Rick Menell	1 April 2009	–
Stephen Young	1 January 2018	28 April 2020

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP
As per our terms of reference, the Committee monitors the level of remuneration of employees below the Group Executive and is regularly updated on pay and conditions across the Group. When determining remuneration for the Executive Directors, the average salary increases and performance ranges applicable to all employees are taken into account as well as economic trends. The wider employee group was not consulted when setting the remuneration policy.

CONSIDERATION OF EMPLOYEE ENGAGEMENT
Meaningful engagement with customers and employees plays a crucial role in both innovation and the continuous improvement of the Weir business.

The Board recognises the importance of culture and effective employee relations to the creation of good work and good workplaces. The role of the Board therefore is to ensure that mechanisms are in place, and monitored, for effective employee engagement and that there is governance of the process for management standards and training to continue to assure ourselves of the leadership skills required to do engagement well. Given the multi-national nature of our business, the management team also recognise that their approaches to insight-gathering and dialogue need to reflect country practices so that engagement can be led well locally and be mindful of circumstances and culture.

As a Board, we recognise the importance of a Group-wide framework for employee dialogue which is why our focus is to ensure that we broaden our Group-wide practices for gathering workforce views and engaging in meaningful dialogue and for measuring and further strengthening employee engagement. Monitoring of progress will take place at the Board.

Although we do not specifically consult employees on executive remuneration, we have in place a variety of employee voice channels, such as our global employee engagement survey and our 'Meet the Board' sessions, which provide employees with an opportunity to provide feedback on any topics that interest or concern them. Outputs from these channels are provided to the Board, and any remuneration concerns would be flagged to the Remuneration Committee for separate consideration.

CONSIDERATION OF SHAREHOLDER ENGAGEMENT
Shareholders and their representative bodies played a very active role in the development of our current remuneration policy, which was put to vote at the AGM in 2018. The Committee remains committed to ongoing dialogue and will seek input from Shareholders when considering any further changes.

COMPLYING WITH UK CORPORATE GOVERNANCE CODE

The following table summarises how the Remuneration Policy fulfils the factors set out in provision 40 of the 2018 UK Corporate Governance Code.

Clarity Remuneration arrangements should be transparent and promote effective engagement with Shareholders and the workforce.	The Committee is committed to providing open and transparent disclosures to Shareholders and the workforce with regards to executive remuneration arrangements. The 2019 Directors' Remuneration Report sets out the remuneration arrangements for the Executive Directors in a clear and transparent way. There is also an AGM where Shareholders can ask any questions on the remuneration arrangements.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Our remuneration arrangements for Executive Directors, as well as those throughout the organisation, are simple in nature and understood by all participants. The structure for Executive Directors consists of fixed pay (salary, benefits, pension), annual bonus scheme and a restricted share plan.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based plans, are identified and mitigated.	The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. Under the annual bonus, discretion may be applied where formulaic outcomes are not considered reflective of underlying Company performance. There are robust underpins in place for restricted share awards. Malus and clawback provisions also apply to variable incentives.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The annual bonus scheme is the only scheme currently in operation for Executive Directors where there is variability in payouts depending on the performance of the Company. The restricted share awards are subject to share price movements and therefore aligned with the Shareholder experience. The potential value and composition of the Executive Directors' remuneration packages at below threshold, target and maximum scenarios are provided in the Directors' Remuneration Report.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	Payments from annual bonus require robust performance against challenging conditions. Performance conditions have been designed to link with Group strategy and consist of financial and non-financial metrics. The Committee has discretion to override formulaic outturns to ensure that they are appropriate and reflective of overall performance.
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	This year we granted the first award of Free Shares under Weir ShareBuilder, our global all employee share plan, as part of our ambition of making all Weir colleagues Shareholders. The variable incentive schemes and performance measures and underpins are designed to be consistent with the Company's purpose, values and strategy.

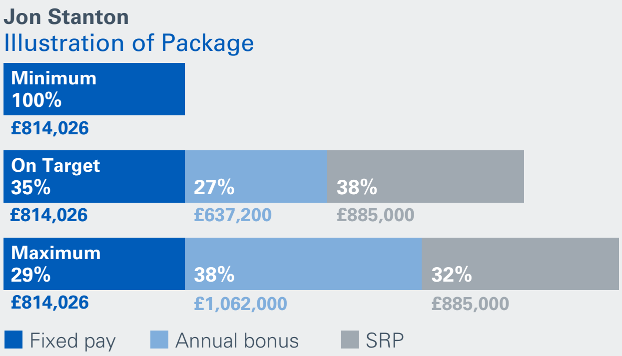
Corporate Governance

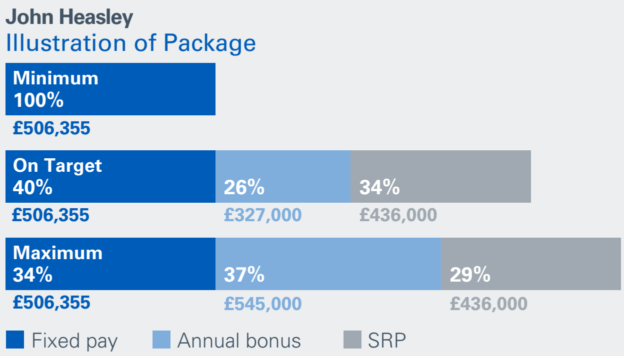
DIRECTORS' REMUNERATION REPORT

CONTINUED

PAY AT WEIR

APPLICATION OF REMUNERATION POLICY





NOTES TO APPLICATION OF REMUNERATION POLICY CHARTS

The above charts illustrate the potential total future remuneration for the Executive Directors under our remuneration policy. The illustrations do not assume any share price growth, as our executive pay outcomes are not linked to performance periods of more than one financial year, or dividend equivalent payments on share awards.

Element of package	Assumptions used
Fixed Pay	Base salary: effective 1 April 2020 Benefits: as disclosed in single total figure of remuneration Pension: 12% cash allowance
Annual bonus	Minimum: no bonus is earned On target: 60% of maximum is earned Maximum: 100% of maximum is earned
SRP	Minimum: no vesting On target: 100% vesting Maximum: 100% vesting

CEO PAY RATIO

The table below shows our CEO pay ratio at 25th, median and 75th percentile of our UK employees as at 31 December 2019. The ratios for 2019 have been determined using Option A of the regulations. In 2018 the ratios were calculated based on the single total figure for remuneration for Jon Stanton and the total pay for the employees based on our gender pay gap data under Option B of the regulations. The reduction in the pay ratio is a result of the lower annual bonus and long-term incentive awards for Jon Stanton compared with last year.

Financial year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	56:1	44:1	34:1
2018	75:1	66:1	53:1

	Jon Stanton	25th percentile	Median	75th percentile
Total pay	£1,738,491	£30,977	£39,772	£51,374
Base Salary	£682,300	£28,308	£19,453	£23,158

Notes

Total pay for the percentile employees includes the following pay elements: base salary, holiday pay, annual leave adjustment, shift premium and allowance, sick pay, overtime pay, first aid allowance, living allowances, employer pension contribution and the provision of life assurance. No annual bonus or long-term incentive award was payable to the employees at the percentiles.

We have pro-rated pay for part-time employees and new joiners accordingly to calculate full-time equivalent total pay.

We offer competitive and fair rates of pay across the organisation, and employees are eligible to participate in our all employee share plan, Weir ShareBuilder.

GENDER PAY

For 2019, our mean gender pay gap has moved from 6% to -3%. Although our pay gap has moved in favour of females, we recognise that this is largely due to the number of males who are working in lower paid operational roles as opposed to increasing the number of females in management and leadership roles. We remain committed to continuing with our efforts to encourage more females to study STEM subjects and work in our sector. A copy of the full Gender Pay report can be found on our website www.genderpay.weir

THE REQUIREMENTS AND OUR OUTCOMES

The UK Government's Gender Pay Gap Regulation requires legal employing entities with 250 or more employees to publish details of their gender pay and bonus gap. In Weir, there is one employing entity required to publish this data, but we have taken the opportunity to publish the consolidated data for our UK employees as this is more representative of our UK organisation.

GENDER PAY AND EQUAL PAY

The gender pay gap is different from equal pay, which relates to men and women being paid the same for similar roles or work of equal value. Our pay policies are designed to ensure equal pay for equal jobs and we have processes in place to ensure pay levels are reviewed consistently.

MEAN AND MEDIAN PAY AND BONUS GAP

	Mean	Median
Gender pay gap	-3%	-4%
Gender bonus gap	22%	-25%

PROPORTION OF MALES AND FEMALES RECEIVING A BONUS

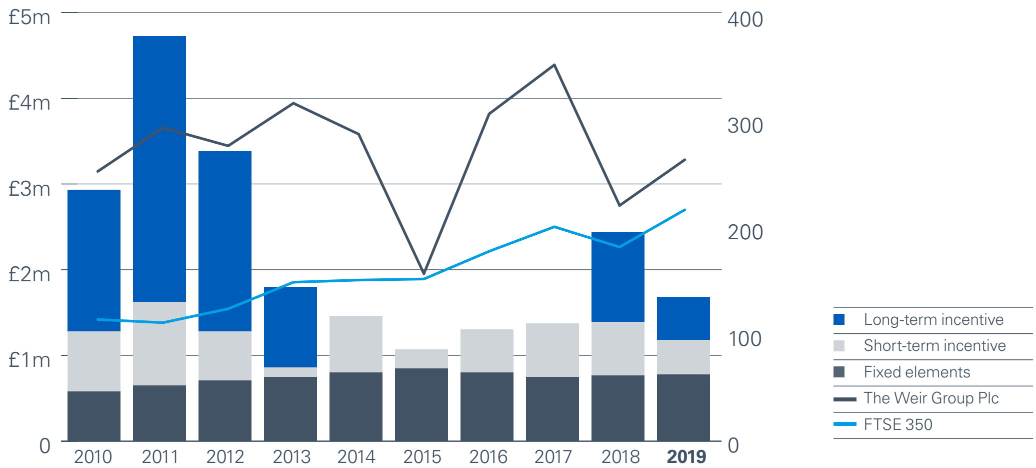
Male	18%
Female	27%

PROPORTION OF MALES AND FEMALES IN EACH PAY QUARTILE BAND

	Male	Female
Upper	77%	23%
Upper middle	82%	18%
Lower middle	90%	10%
Lower	76%	24%

HISTORICAL PERFORMANCE AND CEO PAY

The graph below shows Weir's TSR performance against the performance of the FTSE 350 over the nine-year period to 31 December 2019, as well as the total and vested received remuneration for the CEO over the same period.



Corporate Governance

DIRECTORS' REMUNERATION REPORT
CONTINUED

CHANGE IN CHIEF EXECUTIVE'S REMUNERATION OVER 10 YEARS

The table below shows the total remuneration over the period 31 December 2010 to 31 December 2019, as well as outcomes under the annual bonus and long-term incentive plans.

Single total figure £000	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jon Stanton	–	–	–	–	–	–	281[1]	1,441	2,400[3]	1,738
Keith Cochrane	2,913	4,728	3,363	1,787	1,456	1,065	1,012[2]	–	–	–

Annual bonus (% of maximum)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jon Stanton	–	–	–	–	–	–	38%	70%	62%	38%
Keith Cochrane	100%	100%	54%	10%	61%	20%	40%	–	–	–

Long-term incentive (% of maximum)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jon Stanton	–	–	–	–	–	–	0%	0%	75%	45%
Keith Cochrane	100%	100%	100%	43%	0%	0%	0%	–	–	–

Notes

1 Relates to the period Jon Stanton was CEO from 1 October 2016.

2 Relates to the period Keith Cochrane was on the Board to 30 September 2016.

3 Restated to reflect actual LTIP vesting price.

PERCENTAGE CHANGE IN CEO REMUNERATION

The table below shows the percentage change in elements of remuneration for the CEO and UK employees between 2018 and 2019. The UK employee population has been chosen as it reflects a broad sample of employees which includes Head Office and other individuals located in the same country as the CEO.

Financial year	CEO % change	UK employees % change
Base salary	2.8%	-2.8%
Taxable benefits	-20.6%	85.4%
Bonus	-36.2%	-7.8%

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the change in total staff pay between 2019 and 2018, and dividends paid out in respect of 2019 and 2018.

Financial year	2019 £m	2018 £m	Percentage Change
Overall spend on pay for employees	701.2	629.8	11.3%
Profit distributed by way of dividend	121.7	110.8	9.8%

Details of the dividends declared and paid are contained in note 10 to the Financial Statements on page 165. Details of the overall spend on pay for employees can be found in note 4 to the Financial Statements on page 159.

ANNUAL REPORT ON REMUNERATION

This section sets out how the Remuneration Policy was applied for the year ending 31 December 2019.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

	Jon Stanton		John Heasley	
	2019 (£)	2018 (£)	**2019 (£)**	2018 (£)
Base Salary	**682,300**	663,650	**420,050**	408,400
Pension	**81,876**	79,638	**50,406**	49,008
Benefits	**21,066**	26,535	**18,035**	18,206
Total Fixed Pay	**785,242**	769,823	**488,491**	475,614
Annual bonus	**395,119**	618,993	**202,736**	317,432
LTIP	**558,130**	1,011,460	**274,769**	620,206
Total Variable Pay	**953,249**	1,630,453	**477,505**	937,638
Total Pay	**1,738,491**	2,400,276	**965,996**	1,413,252

NOTES TO THE TOTAL FIGURE OF REMUNERATION FOR THE EXECUTIVE DIRECTORS (AUDITED)

Base salary – corresponds to the amount received during the year ended 31 December 2019.

Pension – corresponds to the cash allowance provided to the Executive Directors during the year ended 31 December 2019. This equates to 12% of salary.

Benefits – corresponds to the value of benefits in respect of the year ended 31 December 2019, as follows:

	Jon Stanton	John Heasley
	2019 (£)	**2019 (£)**
Car allowance	**17,000**	**13,970**
Group healthcare	**1,499**	**1,499**
Life assurance	**2,566**	**2,566**
Total	**21,066**	**18,035**

Annual bonus – corresponds to the amount earned in respect of the year ended 31 December 2019. 30% of the value shown will be delivered in Weir shares which will be released after three years. Details of how the bonus outcome was calculated are set out below.

LTIP – corresponds to the level of award resulting from targets achieved over the relevant performance period ending in respect of the financial year shown. As the award does not vest until 29 March 2020, in accordance with UK regulations, the vesting price is the average market price for the fourth quarter of 2019, being £14.25. Further details are set out on page 122. The 2018 LTIP, total variable pay and total amounts have been restated to reflected the LTIP vesting price on 29 April 2019.

ANNUAL BONUS PLAN (AUDITED)

Details of remuneration to be awarded to the Executive Directors as part of the 2019 annual bonus plan are set out below. The annual bonus plan is currently based on the achievement of financial metrics and strategic measures. This plan provides a maximum bonus opportunity for Jon Stanton of 150% of salary and a maximum of 125% of salary for John Heasley. 30% of any bonus earned must be deferred into shares for three years.

The annual bonus measures and weightings were PBTA (50%), working capital as a percentage of sales (20%) and strategic measures (30%).

PBTA is defined as profit before tax, amortisation and exceptional items from continuing operations. The performance targets and achievements are calculated using January 2019 exchange rates.

BONUS OUTCOMES (AUDITED)

The following table illustrates the performance achieved against the targets. As a result of this performance, a bonus of 38% of maximum was payable to the Executive Directors. Jon Stanton was awarded 58% of salary and John Heasley was awarded 48% of salary.

	Weighting	Entry	Target	Maximum	Achievement	Payout % of Maximum
Payout % of maximum		20%	60%	100%		
PBTA	50%	£296m	£345m	£394m	£302.5m	12%
Working capital as a % of sales	20%	24.8%	22.6%	20.3%	25.5%	0%
Strategic measures	30%		Further details set out below			26%
	100%					38%

DIRECTORS' REMUNERATION REPORT
CONTINUED

FINANCIAL MEASURES

Our performance against our financial measures was as follows:

Profit before tax and amortisation at £302m was £43m below target. This was driven by performance within the Oil & Gas Division, who were £42m below target due to challenging market conditions for Pressure Pumping in North America.

Working capital as a percentage of sales at 25.5% was below entry of 24.8%, partly impacted by oil and gas market conditions.

STRATEGIC MEASURES

The strategic measures were introduced for the first time in 2018 to better align with our reward principles and delivery of our strategy. The strategic measures are aligned to the strategic framework (People, Customers, Technology and Performance). Each measure has an underlying metric to be achieved over three to five years as well as target priorities which were set for 2019. Target components are awarded a score of between 0% and 2.5%. The results and aggregate scores for each area are set out below.

PEOPLE
Improved sustainable engagement and organisation effectiveness

Priority for 2019	Target	Result	Score out of 7.5%
High standards of leadership driving a best in class behavioural safety programme and culture.	• Reduce TIR to at least 0.61. • SHE Level 2 assessment in >50% of ESCO manufacturing sites. • Improved scoring on SHE specific questions in employee engagement survey.	• TIR 0.27. +40% underlying improvement. • 100% of ESCO sites at level 2. • Increase in scoring on employee survey SHE questions.	**6.9%**
Improve organisational effectiveness.	• Implement organisational effectiveness measure and track against external benchmarks, with an improvement in measures in second half of 2019 compared with first half. • Establish capability gap through strategic workforce planning with capability build in two key areas of the business prioritised from gap analysis. • Mobilise global HRMS programme with phase 1 under way in line with implementation plan.	• Organisational effectiveness measures established including external benchmarking. Second half improvements achieved. • Strategic workforce planning complete and capability gaps identified, with capability build in two areas of the business. • Global HRMS design phase completed and reviewed with significant progress towards implementation in 2020.	
Continue and extend the Weir culture and develop the voice of the employee.	• Implement priority actions from first employee survey. Improvement in employee survey participation rates and employee net promoter score (eNPS). • Launch 'We are Weir' phase 2, and continuous listening strategy (including employee voice at Board). • Articulate and communicate Inclusion & Diversity strategy. • Graduate gender diversity 50% or more.	• Work under way on priority actions and measures. Sector leading employee engagement with participation rates and eNPS up on previous survey. • Two 'Meet the Board' sessions held in 2019. • Employer brand developed. • Inclusion & Diversity strategy finalised and communicated. • Graduate diversity reached 52% female by quarter three 2019, but dipped to 49% in quarter four due to reductions in Oil & Gas workforce.	

CUSTOMER
Increase market share

Priority for 2019	Target	Result	Score out of 7.5%
Expand service network and enhance global capabilities.	• Strengthen Oil & Gas Eastern Hemisphere business with completion of Pressure Pumping distribution agreements. • Expand Minerals Service Centre footprint. Capture incremental Integrated Solutions input of £95m. • Consolidate ESCO and Minerals service centres and expand regional offering.	• Pressure Pumping distribution agreement signed. • Expanded service centre network into new and under-represented territories. • £155m in additional orders from Integrated Solutions. • 12 service centre consolidations and 13 regional expansions.	**6.8%**
Increase customer technology and partnerships and field trial.	• Deliver additional Oil & Gas sales/rental fleet population from customer field trials. • Installation of new Minerals Mill Circuit trials with potential value >$500K. Commence flagship process technology pilots with customers. • Grow ESCO presence in new classes.	• Increase in market share with additional customers added. • First Terraflowing pilot purchase order secured. • N70 Nemisys technology gaining market share.	
Enhance Voice of Customer (VoC) and its use.	• Launch CRM surveys within Oil & Gas and test survey effectiveness with evidence of tangible VoC feedback. • Roll out CRM system to at least 60% of Minerals Division.	• Surveys launched for all three businesses with feedback being implemented. • New CRM live in all regions.	

TECHNOLOGY
Improved percentage revenue from new solutions, services, products

Priority for 2019	Target	Result	Score out of 7.5%
Protect our core through technology and material advancement.	• Product roadmap strategic priorities in all three divisions. • Develop and field trial new materials for traditional or AM applications.	• Technology partnerships with customers across all three divisions. • New steel alloy and stainless steel alloy developed within AM facilities.	**6.4%**
Extend beyond the core – disrupt from product to solutions.	• Process technology solutions development. • Capture business value from digital/big data.	• First order for Terraflowing Tailings solution. • Commencement of field trials, with all new HPGRs being shipped with Synertrex solution.	
Grow Advanced Manufacturing (AM) and Innovation capability.	• Increase products developed using AM.	• Significant progress in developing AM capability.	

Corporate Governance

DIRECTORS' REMUNERATION REPORT
CONTINUED

PERFORMANCE Sustainably higher margins through cycle			
Priority for 2019	**Target**	**Result**	**Score out of 7.5%**
Improve operational performance.	• Optimise current manufacturing footprint.	• Significant increase in Oil and Gas Batam plant utilisation. • Minerals OTD increased by 4%. • Operating improvements at ESCO's Newton foundry.	**6.3%**
Realise benefits of Group portfolio.	• Complete ESCO integration and first stage of value delivery with >$18m realised cost savings. Capture ESCO/Minerals revenue synergies of >$4m from customer facing collaboration. • Complete Flow Control divestment.	• $25m cost savings realised in 2019. • Flow Control sale completed in June 2019.	
Build sustainability roadmap to deliver tangible value across the Group.	• Created sustainability strategy roadmap in collaboration with key stakeholders and experts. • Deliver tangible and replicable cost or impact reduction results from energy and waste pilots to justify business case for scaling across Group and enable robust reduction target setting in 2020.	• Sustainability strategy developed with key stakeholders and approved by Board. • Successful completion of pilots.	
Total Achievement			**26.4 out of 30%**

LONG-TERM INCENTIVES VESTING IN 2019 – ACTUAL PERFORMANCE (AUDITED)

The 2017 performance share awards are due to vest on 29 March 2020. The table below sets out a summary of the performance conditions and performance against these conditions.

	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual Performance	Percentage Vesting
Relative TSR	33%	Median	Upper quintile	Below median	0%
EPS growth p.a.	33%	5%	15%	20.4%	33%
(Base EPS 50.4p)		(58.3p)	(76.7p)	(88p)	
Improvement in average ROCE p.a.	33%	1%	5%	1.6%	12%
(Base ROCE 7.6%)		(Actual ROCE to 8.6%)	(Actual ROCE 12.6%)	(Actual ROCE 9.2%)	
Straight-line vesting in between these points				Total vesting:	45%

The relative TSR performance was measured 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 Inc, Komatsu, Metso Corporation, National Oilwell Varco, Outotec Oyj, Petrofac, Rotork Plc, Sandvik AB, Smiths Group Plc, SPX Corporation, Sulzer Ltd, TechnipFMC.

During the performance period, AMEC Foster Wheeler was acquired by John Wood Group which was already in the comparator group and the combined entity was used as a comparator. During 2018 Fenner was acquired by Michelin, and Atlas Copco underwent a restructure. For Atlas Copco, it was agreed to replace Atlas Copco with Epiroc AB as at the date of the demerger. At the time of making these changes the forecasted outcomes showed that the impact of the chosen treatment was small and that the performance condition was no less challenging to meet.

These are the final performance shares to vest under the LTIP as the plan was replaced with the Share Reward Plan in 2018. The first tranche of restricted shares under the Share Reward Plan will vest in 2020 and will be disclosed in our 2020 Directors' Remuneration Report.

Notes

1 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.

2 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. Following the introduction of IFRS 16 EPS was adjusted to determine the vesting of the LTIP award. The EPS performance target was also adjusted to eliminate Flow Control.

3 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. Following the introduction of IFRS 16 ROCE was also adjusted for consistency.

SCHEME INTERESTS AWARDED DURING 2019 (AUDITED)

The following table sets out awards granted to the Executive Directors in the year ending 31 December 2019. The closing market price of the Company's ordinary shares at 31 December 2019 was £15.09 and the range during the year was £12.44 to £18.14.

	Share award[1]	Award basis	Grant date	Face value of award at maximum vesting[2]	No of shares granted
Jon Stanton	Restricted Share (Conditional)	125% salary	9 Apr 19	£858,828	50,969
	Bonus (Deferred)	30% bonus	9 Apr 19	£97,650	5,734
John Heasley	Restricted Share (Conditional)	100% salary	9 Apr 19	£423,036	25,106
	Bonus (Deferred)	30% bonus	9 Apr 19	£49,132	2,885

Notes

1 There are no performance periods associated with the Restricted Share Awards or the Bonus Share Awards. Vesting of the Restricted Share Awards will be phased in four equal tranches over a five-year period: 25% after two, three, four and five years following grant. An additional two-year holding period will also apply to each tranche such that 50% of vested shares in an award are released five years from grant, 25% are released after six years and the final 25% is released after seven years.

2 The face value of the Restricted Share Award is based on the average of the closing price for the three days prior to the date of grant, being £16.85. The value of the Bonus Share Award is calculated as the share price at the date of grant, being £17.03.

RESTRICTED SHARE AWARD UNDERPIN

Vesting of the Restricted Share Award is subject to continued employment and assessment of the underpin. Prior to vesting, if any of the thresholds set out below have not been met, it would trigger the Committee to consider whether a discretionary adjustment was required.

Balance sheet health	**Dividend** Maintain average absolute dividend per share over the vesting period at least in line with 2018 declared dividend per share. **Breaching covenants** No breach of debt covenant or renegotiation of covenant terms outside a normal refinancing cycle.
Investor returns	**ROCE** Maintain average ROCE over the vesting period above the average Weighted Average Cost of Capital for that period.
Corporate Governance	**Major governance failure** No material failure in governance or an illegal act resulting in significant reputational damage and/or material financial loss to the Group.

SINGLE TOTAL FIGURE OF REMUNERATION FOR CHAIRMAN AND NON-EXECUTIVE DIRECTORS (AUDITED)

	Basic Fee (£)		SID/EED/Committee Chair		Taxable Benefits (£)		Total Fees (£)	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Charles Berry	**312,876**	304,375	**–**	–	**27**	2,209	**312,903**	306,584
Clare Chapman	**62,475**	60,775	**16,275**	15,800	**–**	–	**78,750**	76,575
Cal Collins	**62,475**	28,795	**–**	–	**–**	–	**62,475**	28,795
Ebbie Haan[1]	**54,393**	–	**–**	–	**–**	–	**54,393**	–
Mary Jo Jacobi	**62,475**	60,775	**16,275**	–	**4,245**	1,330	**82,995**	62,105
Barbara Jeremiah	**62,475**	60,775	**–**	–	**–**	–	**62,475**	60,775
Sir Jim McDonald	**62,475**	60,775	**–**	–	**–**	–	**62,475**	60,775
Rick Menell	**62,475**	60,775	**13,100**	12,725	**–**	–	**75,575**	73,500
Stephen Young	**62,475**	60,775	**16,275**	10,630	**–**	–	**78,750**	71,405

Notes

1 Ebbie Haan was appointed to the Board on 18 February 2019.

Corporate Governance

DIRECTORS' REMUNERATION REPORT
CONTINUED

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTEREST (AUDITED)

	As at 31 December 2019						
	Shares owned outright	Scheme Interests					
		With performance conditions	Without performance conditions	Vested and exercised In 2019[1]	Current shareholding (% of salary)[2]	Current shareholding including scheme interests without performance conditions (% of salary)[3]	Shareholding requirement (% of salary)
Jon Stanton	86,293	87,038	89,442	63,641	190%	294%	400%
John Heasley	44,049	42,849	44,046	59,910	157%	239%	300%
Charles Berry	2,145	–	–	–	–	–	
Clare Chapman	456	–	–	–	–	–	
Cal Collins	348,015	–	–	–	–	–	
Ebbie Haan	0	–	–	–	–	–	
Mary Jo Jacobi[4]	5,000	–	–	–	–	–	
Barbara Jeremiah	250	–	–	–	–	–	
Sir Jim McDonald	500	–	–	–	–	–	
Rick Menell	1,024	–	–	–	–	–	
Stephen Young	3,939	–	–	–	–	–	

Notes
1 Vested and exercised in 2019 reflects the activity in the year.
2 Current shareholding percentage is calculated using the share price of £15.09 as at 31 December 2019.
3 The values of scheme interests without performance conditions are on an estimated net-of-tax basis.
4 Mary Jo Jacobi's interest in 5,000 shares shown above is through her holding of 10,000 American Depository Receipts (ADRs). One ADR being equivalent to 0.5 ordinary shares.

EXTERNAL APPOINTMENTS
During the year Jon Stanton was a Non-Executive Director of Imperial Brands plc. He received £54,330 in fees. John Heasley was a Non-Executive Director of Royal Scottish National Orchestra Society Ltd. He received no fees.

THE REMUNERATION COMMITTEE
The Remuneration Committee in 2019
There were three Committee meetings during 2019 and all Committee members attended the meetings they were eligible to attend. Although Rick Menell stepped down as a Committee member in June 2019 he attended the meetings in September and December at the invitation of the Chair.

Role	Name	Title
Chair and members	Clare Chapman Ebbie Haan (from June 2019) Mary Jo Jacobi Rick Menell (until June 2019) Stephen Young	Independent Non-Executive Directors
Internal attendees	Charles Berry Jon Stanton Rosemary McGinness Geraldine Pamphlett Graham Vanhegan	Chairman Chief Executive Officer Chief People Officer Group Head of Reward and Recognition Chief Legal Officer and Secretary to the Committee
Committee's external adviser	Deloitte	Adviser to Committee

Internal advisers provided important information to the Committee and attended meetings. None of the individuals were involved in any decisions relating to their own remuneration.

Deloitte LLP provided services to the Committee for the year ended 31 December 2019. Fees paid to Deloitte LLP for work that materially assisted the Committee were £80,850. Deloitte LLP also provided other services to the Weir Group in the year including tax, global employee services, risk advisory and financial advisory services. Deloitte is a signatory to the Remuneration Consultants' Group Voluntary Code of Conduct and the Committee is satisfied that Deloitte's advice was objective and independent.

MAIN ACTIVITIES

Over the course of the period since the last Annual Report, the Committee's work has been focused on:

- Annual bonus plan outturns
- Annual bonus plan metrics and targets
- LTIP outturns
- Restricted Share Awards grant levels and assessment of underpins
- Update on progress against annual bonus plan metrics
- Projected 2017 LTIP outturns
- Fairness and pay at Weir, including review of wider workforce trends
- External environment – market and governance review
- 2020 salary review for Executive Directors and Group Executives
- 2020 Chairman's fees
- 2020 annual bonus plan metrics and targets
- Group Executive shareholdings

COMMITTEE'S PERFORMANCE

The Committee's Terms of Reference are reviewed on an annual basis and were last updated in December 2018. A copy can be found on our website www.corporategovernance.weir

The Committee was evaluated as part of the 2019 Board Effectiveness Review, and it was concluded that the Committee was fulfilling its terms of reference effectively.

SHAREHOLDING VOTING

The table below sets out the voting by Shareholders on the resolution to approve the Directors' Remuneration Report at the AGM held in April 2019.

	For	Against	Total Votes Cast	Withheld
Remuneration Report	198,708,685 (93.09%)	14,750,923 (6.91%)	213,459,608 (83.23%)	1,833,024

ANNUAL GENERAL MEETING

This report will be submitted to Shareholders for approval at the Annual General Meeting to be held on 28 April 2020.

CLARE CHAPMAN
Chair of the Remuneration Committee

Corporate Governance

DIRECTORS' REPORT

The Directors present their report for the year ending 31 December 2019.

The Directors' Report includes the Corporate Governance Report from pages 72-90, 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 2-72:

- 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 (page 62).
- Information on greenhouse gas emissions (pages 65-66).
- Principal risks and uncertainties (pages 54-59).
- In compliance with their duties under s.172 of the Companies Act 2006, the Directors have described how they have worked to foster the company's business relationships with suppliers, customers and others, and the effect of that on principal decisions taken, in the Strategic Report (pages 26-27).

The Strategic Report and the Directors' Report constitute the management report as required under the Disclosure and Transparency Rule 4.1.5R.

Information to be disclosed under the Listing Rule 9.8.4 is set out in the table below.

Subject matter	Page reference
Waiver of dividends (LR 9.8.4(12))	127

Paragraphs (1), (2), (4), (5), (6), (7), (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 227.

COMPANY NUMBER

The Weir Group PLC is registered in Scotland under company number SC002934.

2020 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday 28 April 2020 at 2.30 pm.

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 30.45p per share for the period ended 31 December 2019. Payment of this dividend is subject to shareholder approval at the 2020 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 2019:

Shareholder	Number of voting rights	Number of voting rights
BlackRock, Inc.	16,367,278	6.30%
Maverick Capital, Ltd	13,093,815	5.04%
Black Creek Investment Management Inc.	8,161,884	3.14%

Between 31 December 2019 and 26 February 2020, the Company was notified of the following changes to the table above.

TR-1 received from Maverick Capital, Ltd. on 8 January 2020. Number of voting rights 12,810,895. Percentage of voting rights 4.93%.

TR-1 received from BlackRock Inc. on 21 January 2020. Number of voting rights 16,557,031. Percentage of voting rights 6.37%.

TR-1 received from BlackRock Inc. on 27 January 2020. Number of voting rights 16,542,978. Percentage of voting rights 6.37%.

TR-1 received from BlackRock Inc. on 13 February 2020. Number of voting rights 15,426,147. Percentage of voting rights 5.94%.

TR-1 received from BlackRock, Inc. on 18 February 2020. Number of voting rights 15,440,238. Percentage of voting rights 5.94%.

TR-1 received from BlackRock, Inc. on 20 February 2020. Number of voting rights 15,455,846. Percentage of voting rights 5.95%.

TR-1 received from Black Creek Investment Management Inc. on 20 February 2020. Number of voting rights 10,438,047. Percentage of voting rights 4.02%.

TR-1 received from BlackRock, Inc. on 21 February 2020. Number of voting rights 15,469,979. Percentage of voting rights 5.95%.

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 159.

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. At Weir, we strive to build an inclusive culture in which all employees have the opportunity to succeed and to be able to do the best work of their lives. The Group remains committed to the fair treatment of people with disabilities regarding recruitment, training, promotion and career development. Meaningful dialogue with our employees is actively encouraged. Further details are included on pages 26-27.

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 29 to the Group financial statements on pages 190-196.

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 24 to the Group financial statements on page 184. 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, no ordinary shares were issued.

The Group has a nominee arrangement with Computershare Investor Services PLC (the 'Computershare Nominee') and an employee benefit trust with Estera Trust (Jersey) Limited (the 'Estera EBT').

During the period, the Estera EBT purchased 652,000 shares in the market at an aggregate value of £10,030,661.59, on behalf of the

Company for satisfaction of any future vesting of the awards granted under the LTIP, the SRP and the ESCO Plan.

On 19 December 2019, 141,105 shares held in the Estera EBT were transferred to the Computershare Nominee.

During the period, the Long Term Incentive Plan (the 'LTIP') vested and the trustees of the Estera EBT transferred 619,180 ordinary shares to employees to satisfy the LTIP awards.

During the period, the Share Reward Plan (the 'SRP') vested and the trustees of the Estera EBT transferred 147, 845 ordinary shares to employees to satisfy the SRP rewards.

During the period, the ESCO Stock Incentive Plan 2010 (the 'ESCO Plan') vested and the trustees of the Estera EBT transferred 86,035 ordinary shares to employees to satisfy the ESCO awards.

Both the Estera EBT and Computershare Nominee 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 Computershare Nominee and Estera EBT are set out in note 24 to the Group Financial Statements on page 184.

The 141,105 shares held in the Computershare Nominee are the shares in respect of which dividends have not been waived.

The Estera EBT held, through nominee account CGWL Nominees Ltd, 0.01% of the issued share capital of the Company as at 31 December 2019. This is held in trust on behalf of the Company for satisfaction of any future vesting of the awards granted under the LTIP, the SRP and the ESCO Plan.

The Computershare Nominee held 0.05% of the issued share capital of the Company as at 31 December 2019.This is held in trust for the benefit of certain senior executives of the Group.

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 Estera EBT 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 2019 Annual General Meeting, Shareholders renewed the Company's authority to make market purchases of up to 25.9m ordinary shares (representing approximately 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the year ended 31 December 2019. At the forthcoming Annual General Meeting, the Board will again seek shareholder approval to renew the annual authority for the Company to make market purchases at the same level.

VOTING RIGHTS

The Company's Articles of Association provide that on a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and by proxy and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held.

The Notice of the AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The Company conducts the vote at the AGM by poll and the result of the poll will be released to the London Stock Exchange and posted on the Company's website as soon as practicable after the meeting.

The Articles of Association may only be amended by a special resolution passed at a general meeting of Shareholders.

TRANSFER OF SHARES

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

- The Directors may refuse to register any transfer of any certificated share which is not fully paid up, provided that this power will not be exercised so as to disturb the market in the Company's shares.
- The Directors may also refuse to register the transfer of a certificated share unless it is delivered to the Registrar's office, or such other place as the Directors have specified, accompanied by a certificate for the shares to be transferred and such other evidence as the Directors may reasonably require to prove title of the intending transferor.

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 2019 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.

DIRECTORS' REPORT
CONTINUED

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 US$950m multi-currency revolving credit facility (the 'Facility') with a syndicate of 12 banks due to mature in September 2021 and a GBP 300m Term Loan from four banks due to mature in December 2020. Under the terms of these Facilities, 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$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 29 to the Group financial statements on pages 190-196. Each of these items has been considered in relation to the Group's banking facilities described in note 19 on pages 174-175.

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

GRAHAM VANHEGAN
Chief Legal Officer and
Company Secretary

26 February 2020

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 consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, as at the date of this report, confirms to the best of their knowledge that:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board of Directors

JON STANTON
Chief Executive Officer

26 February 2020

JOHN HEASLEY
Chief Financial Officer

26 February 2020

Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WEIR GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- The Weir Group PLC's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss and cash flows for the year 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 Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Context

The Group is organised into three continuing operating divisions: Minerals, Oil & Gas and ESCO. During the year the Group completed the sale of its Flow Control Division which was accounted for as a discontinued operation. Each division conducts its business 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 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 markets in which the Group operates when we performed our assessment of scope and areas of significant risk.

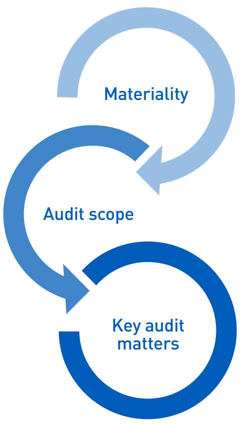
The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group, we identified that the principal risks of non-compliance with laws and regulations related to the wide variety of jurisdictions in which the Group operates and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or profit. The Group audit engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

Overview



- Overall Group materiality: £15m (2018: £15.5m), based on 5% of profit before exceptional items, amortisation and tax for continuing operations.
- Overall Company materiality: £1.5m (2018: £1.5m), which is based on an allocation of Group materiality.

- We conducted audit work on 16 components in nine countries. We conducted full scope audits on nine of these components and the audit of specified balances and classes of transactions for the remaining components.
- The Group audit engagement team visited the United States, Australia and the United Kingdom, covering five components. In addition, members of the Group engagement team performed the audit of four components based in the UK.
- The 16 components where we performed audit work accounted for 79% of Group revenue and 73% of profit before exceptional items, intangibles amortisation and tax from continuing operations.

- Carrying value of goodwill and intangibles (O&G North America and International components).
- Accounting for asbestos-related claims.
- Accounting for exceptional items.
- Uncertain tax positions.

- Discussions with management, internal audit and Group General Counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud or matters reported on the Group's whistleblowing helpline;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of Board minutes;
- Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the classification of costs as exceptional;
- Identifying and testing journal entries, in particular any journal entries posted by Senior Management, postings to exceptional items, unusual account combinations and round sum accruals or provisions.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and intangibles – Oil & Gas North America and International CGUs Refer to page 99 (Audit Committee Report), page 150 Accounting Policies and page 170 (note 14). Weir's North America Oil & Gas CGU primarily provides equipment and aftermarket service solutions to the onshore oil and gas industry in shale fields. During the second half of 2019, management identified indicators of impairment to the Oil & Gas North America CGU's assets as a result of a deterioration in market conditions impacting trading performance and a poor industry outlook. Given current challenging market conditions and uncertainty around the timing of market recovery, an impairment of £258.2m was made to specific assets including inventory, customer relationships and brand intangibles. An impairment review was subsequently performed on the goodwill and remaining asset base. Based on management's estimate, an impairment of £288.0m was recorded against the Oil & Gas North America goodwill. Management also performed an impairment review of the Oil & Gas International CGU and no impairment was identified. The Group also incurred redundancy and other restructuring charges which are discussed under 'Accounting for exceptional items' below.	**Group** We have performed procedures to test the impairment of individual assets within the CGUs. We have understood the nature of the individual impairments and have traced a sample to supporting documentation to validate that assets have been appropriately written off in the year. We have reviewed management's estimate of the value in use of the CGUs by: • assessing the integrity and mathematical accuracy of management's models; • involving PwC Valuation experts to assist in evaluating the reasonableness of the key assumptions used by management, including the discount rate, short term cash flow projections and long-term growth rate through comparison to independent third-party sources; • performing sensitivity analysis to stress test the models to determine the degree to which a change in assumptions would impact the value of the impairment recognised; and • considering third-party sources of industry outlook to compare with management's views, considering whether any contrary views are appropriate. We considered the assumptions used by management to be appropriate in arriving at a reliable estimate of the each CGU's carrying value. We have assessed the disclosures in the financial statements to be compliant with the requirements of IAS 1 'Presentation of Financial Statements' and IAS 36 'Impairment of Assets'. As set out in note 14 on page 171, we agree with management that the adverse change in assumptions used to determine the carrying value of the Oil & Gas North America CGU would, in isolation, cause further impairment losses to be recognised.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WEIR GROUP PLC
CONTINUED

Key audit matter	How our audit addressed the key audit matter
Accounting for asbestos-related claims Refer to page 99 (Audit Committee Report), page 147 Accounting Policies and page 177 (note 21). Provision has been made as at 31 December 2019 for future asbestos related claims of £47.6m (2018: £52.3m). This consists of a provision of £44.4m (2018: £48.1m) for the Group's liabilities arising from asbestos related damages claims in the US and £3.2m in the UK (2018: £4.2m). The valuation of the liability involves significant estimation. In arriving at the estimate of the liability, management is required to make assumptions which include the number and value of claims and the time period over which the liability 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 mostly offset the US provision (£43.4m included in other receivables between non-current and current assets – note 17, page 173). Provision for the estimated uninsured liability of £1.0m (2018:£nil) has been made. This was also considered in our work.	**Group** We have performed procedures on both the UK and US asbestos liabilities. The US provision is the more significant and has a greater level of estimation uncertainty. Management obtains a triennial actuarial estimate of the asbestos liability from an independent expert with the latest being received in 2017. We involved our PwC actuarial experts to assess the reasonableness of the methodology used by the independent expert. We confirmed that the same methodology was appropriately applied in 2019. Management assessed the claims received and those settled in the year and compared them with the actuarial estimate in order to calculate the provision required at 31 December 2019. We evaluated management's underlying assumptions used in its calculation. This included testing of: • the mathematical accuracy of the underlying calculations in management's model; • the input data to management's 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 • the reasonableness of forecast number and value of claims to be settled to data provided by the Group's external actuarial experts. We evaluated the appropriateness of management's assessment of the timescale over which a liability can be reliably measured, which remains at 10 years. We also examined the insurance cover held by the Group and modelled the likelihood of the cover in place being sufficient to cover the period and amount of the estimated liabilities. We observed that the main insurance policy remained active and was settling claims as expected. We tested the reasonableness of the provision made for the estimated uninsured liability. 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' and considered them to be appropriate. We considered the assumptions used by management to be appropriate in arriving at a reliable estimate of the provision. We also assessed the recognition of an offsetting insurance asset in the financial statements and considered it to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Accounting for exceptional items Refer to page 98 (Audit Committee Report), page 146 Accounting Policies and page 160 (note 5). The Group incurred £596m (2018: £157.7m) of exceptional charges in the period for continuing operations and £22.1m for discontinued operations (2018: £51.6m). The accurate presentation of costs and income as exceptional items was considered an area of focus for all reporting units. This was to assess the consistency and accuracy of the Group's operating profit as reported to shareholders and the application of the Group's accounting policy. The North America Oil & Gas restructuring and Trio North America Sand and Aggregates business closure were non-recurring, material items which were significant in nature and therefore required a higher level of focus.	**Group** The exceptional charge relating to impairment of the Oil & Gas North America CGU (£288.0m) has been addressed in the Valuation of goodwill and intangibles key audit matter above. 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 assessed the disclosures in the Annual Report relating to exceptional items. 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 also verified that provisions made in prior years were appropriately utilised during the year. We assessed the classification of items as exceptional for compliance with the Group's disclosed accounting policy. From the audit work performed, we consider that the exceptional items were appropriately recorded in compliance with the Group's accounting policy.
Valuation of uncertain tax provisions Refer to page 100 (Audit Committee Report), page 153 Accounting Policies and page 161 (note 7). The Group operates in multiple tax jurisdictions and has a number of ongoing discussions and investigations with tax authorities where uncertain tax provisions and treatments may be challenged. There is judgement in assessing the level of provisions required to cover the risk of successful challenge over certain of the Group's tax provisions.	**Group** We have used our internal tax specialists to read the Group's documentation of uncertain tax provisions and tested the more significant provisions for appropriateness by: • confirming the basis of provision; • understanding the movements on the provision during the year; • reading correspondence with relevant tax authorities in the assessment of management's calculation; and • applying our knowledge of international tax legislation and practice. In addition, we assessed the adequacy and appropriateness of the disclosure of tax provisions for compliance with IAS 12 'Income Taxes'. 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.

Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WEIR GROUP PLC
CONTINUED

How we tailored the audit scope
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 structure of the Group and the Company, the accounting processes and controls, and the industries in which they operate.

The Group is organised into three continuing operating divisions: Minerals, Oil & Gas and ESCO; the latter was acquired on 12 July 2018. The Flow Control Division was sold on 28 June 2019 and is therefore disclosed as a discontinued operation in comparatives. Each division conducts its business 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 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 markets in which the Group operates when we performed our assessment of scope and areas of significant risk.

The Group's components vary significantly in size and we identified nine 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, four were based in the UK 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 provisions, post-retirement benefits, goodwill and intangibles.

The remaining five full scope component audits were performed by other PwC network firms. Other PwC network firms also performed specific scope audits over a further seven 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 calls with all full and specific scope component teams. The discussions during the audit also included divisional management.

Of the 16 components in scope, we deemed two to be financially significant to the Group and these were both visited in North America and Australia in the current year. The group engagement partners also visited two other components in North America and one in the United Kingdom.

Together these full and specific scope component audits gave appropriate coverage of all material balances at a Group level. On a consolidated basis, these provided coverage of 79% of revenue and 73% of profit before exceptional items, intangibles amortisation and tax.

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 in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£15.0m (2018: £15.5m).	£1.5m (2018: £1.5m).
How we determined it	5% of profit before exceptional items, amortisation and tax for continuing operations.	An allocation of Group materiality.
Rationale for benchmark applied	It is clear from the Annual Report that this profit measure is used by shareholders in evaluating the underlying business performance. We applied a lower materiality to the audit of exceptional items and intangibles amortisation.	The allocation of Group materiality was determined based on the Company's contribution to the Group financial statements.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1m and £10m. Certain components were audited to a local statutory audit materiality that was also lower than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75m for the Group audit (2018: £0.75m) and £0.75m for the Company audit (2018: £0.75m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, as is the case for all UK companies, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WEIR GROUP PLC
CONTINUED

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 54 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 90 of the Annual Report 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.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 129, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 94 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 129, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

Other required reporting

Companies Act 2006 exception reporting

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 28 April 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2016 to 31 December 2019.

LINDSAY GARDINER (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Glasgow

26 February 2020

Financial Statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 Before exceptional items & intangibles amortisation £m	Year ended 31 December 2019 Exceptional items & intangibles amortisation (note 5) £m	Year ended 31 December 2019 Total £m	Year ended 31 December 2018 Before exceptional items & intangibles amortisation £m	Year ended 31 December 2018 Exceptional items & intangibles amortisation (note 5) £m	Year ended 31 December 2018 Total £m
Continuing operations							
Revenue	3	**2,661.9**	**–**	**2,661.9**	2,449.9	–	2,449.9
Continuing operations							
Operating profit (loss) before share of results of joint ventures		**345.9**	**(674.3)**	**(328.4)**	345.7	(224.0)	121.7
Share of results of joint ventures	15	**6.2**	**–**	**6.2**	2.4	–	2.4
Operating profit (loss)		**352.1**	**(674.3)**	**(322.2)**	348.1	(224.0)	124.1
Finance costs	6	**(53.9)**	**–**	**(53.9)**	(40.7)	–	(40.7)
Finance income	6	**4.3**	**–**	**4.3**	2.7	–	2.7
Profit (loss) before tax from continuing operations		**302.5**	**(674.3)**	**(371.8)**	310.1	(224.0)	86.1
Tax (expense) credit	7	**(73.8)**	**92.2**	**18.4**	(78.6)	45.9	(32.7)
Profit (loss) for the year from continuing operations		**228.7**	**(582.1)**	**(353.4)**	231.5	(178.1)	53.4
(Loss) profit for the year from discontinued operations	8	**(3.9)**	**(22.1)**	**(26.0)**	16.3	(51.3)	(35.0)
Profit (loss) for the year		**224.8**	**(604.2)**	**(379.4)**	247.8	(229.4)	18.4
Attributable to:							
Equity holders of the Company		**224.3**	**(604.2)**	**(379.9)**	247.4	(229.4)	18.0
Non-controlling interests		**0.5**	**–**	**0.5**	0.4	–	0.4
		224.8	**(604.2)**	**(379.4)**	247.8	(229.4)	18.4
Earnings (loss) per share	9						
Basic – total operations				**(146.4p)**			7.4p
Basic – continuing operations		**87.9p**		**(136.4p)**	94.7p		21.7p
Diluted – total operations				**(146.4p)**			7.3p
Diluted – continuing operations		**87.4p**		**(136.4p)**	94.0p		21.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
(Loss) profit for the year		**(379.4)**	18.4
Other comprehensive (expense) income			
(Losses) gains taken to equity on cash flow hedges		**(1.3)**	0.8
Exchange (losses) gains on translation of foreign operations		**(105.3)**	76.1
Reclassification of foreign currency translation reserve on discontinued operations		**(20.5)**	–
Exchange losses on net investment hedges		**(2.4)**	(72.8)
Reclassification adjustments on cash flow hedges		**0.7**	(2.6)
Tax relating to other comprehensive (income) expense to be reclassified in subsequent periods	7	**(0.2)**	3.0
Items that are or may be reclassified to profit or loss in subsequent periods		**(129.0)**	4.5
Remeasurements on defined benefit plans	23	**(5.2)**	53.7
Remeasurements on other benefit plans		**(0.1)**	0.3
Tax relating to other comprehensive (expense) income not to be reclassified in subsequent periods	7	**0.8**	(8.9)
Items that will not be reclassified to profit or loss in subsequent periods		**(4.5)**	45.1
Net other comprehensive (expense) income		**(133.5)**	49.6
Total net comprehensive (expense) income for the year		**(512.9)**	68.0
Attributable to:			
Equity holders of the Company		**(513.2)**	67.5
Non-controlling interests		**0.3**	0.5
		(512.9)	68.0
Total net comprehensive (expense) income for the year attributable to equity holders of the Company			
Continuing operations		**(466.5)**	153.3
Discontinued operations		**(46.7)**	(85.8)
		(513.2)	67.5

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2019

	Notes	**31 December 2019 £m**	31 December 2018 £m
ASSETS			
Non-current assets			
Property, plant & equipment	11	**571.2**	427.1
Intangible assets	12	**1,573.0**	2,166.6
Investments in joint ventures	15	**36.6**	36.6
Deferred tax assets	22	**61.2**	36.0
Other receivables	17	**77.1**	78.5
Derivative financial instruments	29	**4.4**	1.4
Total non-current assets		**2,323.5**	2,746.2
Current assets			
Inventories	16	**642.9**	692.7
Trade & other receivables	17	**557.9**	597.7
Derivative financial instruments	29	**16.5**	18.3
Income tax receivable		**37.6**	32.5
Cash & short-term deposits	18	**273.8**	263.0
Assets held for sale	8	**–**	394.4
Total current assets		**1,528.7**	1,998.6
Total assets		**3,852.2**	4,744.8
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	19	**534.1**	662.5
Trade & other payables	20	**589.6**	629.9
Derivative financial instruments	29	**24.8**	40.8
Income tax payable		**22.6**	25.3
Provisions	21	**42.2**	50.5
Liabilities held for sale	8	**–**	134.0
Total current liabilities		**1,213.3**	1,543.0
Non-current liabilities			
Interest-bearing loans & borrowings	19	**896.2**	740.9
Other payables	20	**–**	0.8
Derivative financial instruments	29	**0.3**	0.2
Provisions	21	**61.3**	69.7
Deferred tax liabilities	22	**29.0**	92.2
Retirement benefit plan deficits	23	**138.7**	149.1
Total non-current liabilities		**1,125.5**	1,052.9
Total liabilities		**2,338.8**	2,595.9
NET ASSETS		**1,513.4**	2,148.9
CAPITAL & RESERVES			
Share capital	24	**32.5**	32.5
Share premium		**582.3**	582.3
Merger reserve		**332.6**	332.6
Treasury shares		**(0.5)**	(2.1)
Capital redemption reserve		**0.5**	0.5
Foreign currency translation reserve		**(26.7)**	101.3
Hedge accounting reserve		**0.7**	1.5
Retained earnings		**590.6**	1,095.0
Shareholders' equity		**1,512.0**	2,143.6
Non-controlling interests		**1.4**	5.3
TOTAL EQUITY		**1,513.4**	2,148.9

The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2020. The financial statements also comprise the notes on pages 144-198.

JON STANTON
Director

JOHN HEASLEY
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Total operations			
Cash flows from operating activities	25		
Cash generated from operations		**407.6**	410.8
Additional pension contributions paid		**(12.9)**	(5.6)
Exceptional cash items		**(41.0)**	(114.0)
Income tax paid		**(90.2)**	(73.3)
Net cash generated from operating activities		**263.5**	217.9
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	25	**(0.1)**	(429.6)
Purchases of property, plant & equipment		**(93.3)**	(77.7)
Purchases of intangible assets		**(23.3)**	(11.4)
Other proceeds from sale of property, plant & equipment and intangible assets		**12.3**	3.9
Disposals of discontinued operations, net of cash disposed and disposal costs	25	**244.7**	0.3
Interest received		**2.7**	3.0
Dividends received from joint ventures	15	**3.5**	1.6
Net cash generated from (used in) investing activities		**146.5**	(509.9)
Cash flows from financing activities			
Proceeds from borrowings		**1,673.7**	1,438.4
Repayments of borrowings		**(1,782.8)**	(1,335.5)
Lease payments		**(44.3)**	–
Settlement of derivative financial instruments		**(62.2)**	(22.1)
Exceptional cash items – settlement of derivative financial instruments		**–**	(27.8)
Interest paid		**(47.3)**	(39.6)
Dividends paid to equity holders of the Company	10	**(121.7)**	(79.6)
Issue of shares, net of transaction costs	24	**–**	355.5
Purchase of shares for employee share plans		**(10.0)**	(0.8)
Net cash (used in) generated from financing activities		**(394.6)**	288.5
Net increase (decrease) in cash & cash equivalents		**15.4**	(3.5)
Cash & cash equivalents at the beginning of the year		**277.2**	284.5
Foreign currency translation differences		**(20.5)**	(3.8)
Cash & cash equivalents at the end of the year	18	**272.1**	277.2

The cash flows from discontinued operations included above are disclosed separately in note 8.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 31 December 2017	28.1	197.9	9.4	(5.9)	0.5	98.1	0.3	1,139.0	1,467.4	1.3	1,468.7
Profit for the year	–	–	–	–	–	–	–	18.0	18.0	0.4	18.4
Gains taken to equity on cash flow hedges	–	–	–	–	–	–	0.8	–	0.8	–	0.8
Exchange gains on translation of foreign operations	–	–	–	–	–	76.0	–	–	76.0	0.1	76.1
Exchange losses on net investment hedges	–	–	–	–	–	(72.8)	–	–	(72.8)	–	(72.8)
Reclassification adjustments on cash flow hedges	–	–	–	–	–	–	(2.6)	–	(2.6)	–	(2.6)
Remeasurements on defined benefit plans	–	–	–	–	–	–	–	53.7	53.7	–	53.7
Remeasurements on other benefit plans	–	–	–	–	–	–	–	0.3	0.3	–	0.3
Tax relating to other comprehensive income (expense)	–	–	–	–	–	–	3.0	(8.9)	(5.9)	–	(5.9)
Total net comprehensive income for the year	–	–	–	–	–	3.2	1.2	63.1	67.5	0.5	68.0
Acquisition of non-controlling interest through business combination	–	–	–	–	–	–	–	–	–	3.5	3.5
Issue of shares, net of transaction costs	4.4	384.4	323.2	–	–	–	–	–	712.0	–	712.0
Cost of share-based payments inclusive of tax charge	–	–	–	–	–	–	–	8.3	8.3	–	8.3
Dividends	–	–	–	–	–	–	–	(110.8)	(110.8)	–	(110.8)
Purchase of shares	–	–	–	(0.8)	–	–	–	–	(0.8)	–	(0.8)
Exercise of share-based payments	–	–	–	4.6	–	–	–	(4.6)	–	–	–
At 31 December 2018	**32.5**	**582.3**	**332.6**	**(2.1)**	**0.5**	**101.3**	**1.5**	**1,095.0**	**2,143.6**	**5.3**	**2,148.9**
(Loss) profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(379.9)**	**(379.9)**	**0.5**	**(379.4)**
Losses taken to equity on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**(1.3)**	**–**	**(1.3)**	**–**	**(1.3)**
Exchange losses on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(105.1)**	**–**	**–**	**(105.1)**	**(0.2)**	**(105.3)**
Reclassification of exchange gains on discontinued operations	**–**	**–**	**–**	**–**	**–**	**(20.5)**	**–**	**–**	**(20.5)**	**–**	**(20.5)**
Exchange losses on net investment hedges	**–**	**–**	**–**	**–**	**–**	**(2.4)**	**–**	**–**	**(2.4)**	**–**	**(2.4)**
Reclassification adjustments on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**0.7**	**–**	**0.7**	**–**	**0.7**
Remeasurements on defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5.2)**	**(5.2)**	**–**	**(5.2)**

	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
Remeasurements on other benefit plans	–	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Tax relating to other comprehensive expense (income)	–	–	–	–	–	–	(0.2)	0.8	0.6	–	0.6
Total net comprehensive (expense) income for the year	–	–	–	–	–	(128.0)	(0.8)	(384.4)	(513.2)	0.3	(512.9)
Cost of share-based payments inclusive of tax charge	–	–	–	–	–	–	–	13.3	13.3	–	13.3
Dividends	–	–	–	–	–	–	–	(121.7)	(121.7)	–	(121.7)
Purchase of shares	–	–	–	(10.0)	–	–	–	–	(10.0)	–	(10.0)
Reduction in non-controlling interests	–	–	–	–	–	–	–	–	–	(4.2)	(4.2)
Exercise of share-based payments	–	–	–	11.6	–	–	–	(11.6)	–	–	–
At 31 December 2019	32.5	582.3	332.6	(0.5)	0.5	(26.7)	0.7	590.6	1,512.0	1.4	1,513.4

Financial Statements

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 year ended 31 December 2019 ('2019') were approved and authorised for issue in accordance with a resolution of the Directors on 26 February 2020. The comparative information is presented for the year ended 31 December 2018 ('2018').

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 interpretations issued by the IFRS Interpretations Committee ('IFRS IC') and applied in accordance with the provisions of the Companies Act 2006.

The Weir Group PLC is a public limited company, limited by shares, incorporated in Scotland, United Kingdom and is listed on the London Stock Exchange. 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 financial statements have been prepared on a historic cost basis except where measured at fair value as outlined in the accounting policies.

The accounting policies which follow are consistent with those of the previous period with the exception of the following standards, amendments and interpretations which are effective for the year ended 31 December 2019:

i) IFRS 16 'Leases';
ii) Prepayment Features with Negative Compensation – Amendments to IFRS 9;
iii) Long-term Interest in Associates and Joint Ventures – Amendments to IAS 28;
iv) Annual Improvements to IFRS Standards 2015 – 2017 Cycle;
v) Plan Amendment, Curtailment or Settlement – Amendments to IAS 19; and
vi) Interpretation 23 Uncertainty over Income Tax Treatments

With the exception of IFRS 16 'Leases', discussed below, the other new standards, amendments and interpretations listed above are not considered to have a material impact on the Consolidated Financial Statements of the Group.

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
Amendment to IFRS 3 'Business combinations'	1 January 2020*
Amendment to IAS 1 and IAS 8 regarding the definition of materiality	1 January 2020
Amendment to IFRS 9 and IFRS 7 regarding interest rate benchmark reform	1 January 2020

* Not yet endorsed for use in the European Union.

The above amendments will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The amendments and improvements which have not yet been endorsed are not anticipated to have a significant financial impact.

IFRS 16 'Leases'

The Group adopted IFRS 16 on 1 January 2019. The standard has resulted in many operating leases being recognised as right-of-use assets and lease liabilities on the balance sheet, as the distinction between operating and finance leases is removed. The Group has applied the modified retrospective transition method, and consequently comparative information is not restated.

Within opening balances as at 1 January 2019, the Group has recognised £176.9m of continuing right-of-use assets. A corresponding continuing IFRS 16 lease liability of £181.1m has been recognised, representing the obligation to make lease payments. Right-of-use assets were initially valued as equal to lease liabilities, then adjusted to reflect prepayments, rent free periods and provisions including onerous lease contracts recognised on balance sheet at 31 December 2018.

The balance sheet transition impact by line item on the closing 2018 Consolidated Balance Sheet is shown in the table opposite. Further IFRS 16 data review completed during the year identified additional transition adjustments which have also been reflected in the table.

2. ACCOUNTING POLICIES continued

Impact of IFRS 16 transition on 2018 Consolidated Balance Sheet

	31 December 2018 £m	IFRS 16 impact* £m	1 January 2019 £m
Property, plant & equipment (note 11)	427.1	176.9	604.0
Trade & other receivables	597.7	(1.2)	596.5
Assets held for sale	394.4	13.0	407.4
Interest-bearing loans and borrowings (total) (note 19)	(1,403.4)	(181.1)	(1,584.5)
Trade & other payables	(629.9)	2.8	(627.1)
Provisions (current) (note 21)	(50.5)	2.6	(47.9)
Liabilities held for sale	(134.0)	(13.0)	(147.0)
Other	2,947.5	–	2,947.5
NET ASSETS	**2,148.9**	**–**	**2,148.9**

* The IFRS 16 impact includes adjustments to the position disclosed in the 2019 interim results. These adjustments are not considered material.

For each lease, the lease term has been calculated as the non-cancellable period of the lease contract, except where the Group is reasonably certain that it will exercise contractual extension options.

The Group has elected to use the following practical expedients allowed by the standard:

- On initial application:

i) the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
ii) the exclusion of initial direct costs from the measurement of the right-of-use asset;
iii) IFRS 16 has only been applied to contracts that were previously classified as leases;
iv) reliance on previous assessments on whether leases are onerous instead of performing an impairment review; and
v) leases where the lease term ends within 12 months of the date of initial application of IFRS 16 are classified as short-term.

- Lease payments for contracts with a duration of 12 months or less and contracts for which the underlying asset is of a low value continue to be expensed in the income statement.

For operating leases now recognised on the balance sheet, the operating lease expenses have been replaced by a depreciation expense on the right-of-use assets recognised and an interest expense.

Where the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate is used. The Group's incremental borrowing rate is calculated by taking the government borrowing rate in any given currency and adding the estimated Group credit spreads for a variety of tenors. An interpolation is performed to obtain one rate for each of the major lease currencies based on the weighted average life of the lease book. The incremental borrowing rates applied at transition were:

- Leases in AUD: 3.52%
- Leases in CAD: 3.50%
- Leases in GBP: 2.45%
- Leases in USD and other currencies: 4.20%

The adoption of IFRS 16 in the year to 31 December 2019 for continuing operations resulted in an increase in depreciation of £42.4m and finance costs of £7.6m. Operating expenses decreased by £36.4m, with 2018 lease expenses of £53.6m offset by £15.1m of short-term lease costs, £1.7m of low value asset costs and £0.4m of variable lease payments not included in liabilities.

Excluding the impact of ESCO acquired in H2 2018 for continuing operations, there was an increase in depreciation of £36.7m and finance costs of £6.8m. Operating expenses decreased by £35.5m, with 2018 lease expenses of £49.8m offset by £13.1m of short-term lease costs, £1.0m of low value asset costs and £0.2m of variable lease payments not included in liabilities. There is also a change in presentation of cash flows for leases previously accounted for as operating leases, which are now presented as cash flows from financing activities rather than cash flows from operating activities. The overall impact of lease cash flows on total operations for both the current and prior years, including the change in presentation described, is shown in the table below.

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

2. ACCOUNTING POLICIES continued

Cash flow impact on total operations of IFRS 16

	2019 £m	2018 £m	Variance £m
Right-of-use depreciation	(42.4)	–	(42.4)
Operating lease expenses	(18.1)	(58.4)	40.3
Operating profit – total operations	(60.5)	(58.4)	(2.1)
Add back: right-of-use depreciation	42.4	–	42.4
Net cash generated from operating activities	**(18.1)**	**(58.4)**	**40.3**
Lease payments	(44.3)	–	(44.3)
IFRS 16 interest lease payments (included in 'Interest paid')	(7.7)	–	(7.7)
2018 finance lease payments (included in 'Repayments of borrowings')	–	(0.8)	0.8
Net cash used in financing activities	**(52.0)**	**(0.8)**	**(51.2)**
Net decrease in cash and cash equivalents	**(70.1)**	**(59.2)**	**(10.9)**

The reconciliation from operating commitments disclosed under IAS 17 'Leases' to the lease liability recognised on the balance sheet at 1 January 2019 is as follows:

Reconciliation from IAS 17 disclosure to IFRS 16 at 1 January 2019

	Total operations £m	Discontinued operations £m	Continuing operations £m
Operating lease commitments at 31 December 2018 disclosed in Group Annual Report	(212.3)	(15.0)	(197.3)
Transfer of operating lease commitments	–	1.3	(1.3)
Impact of IFRS 16 data review*	(14.4)	(0.7)	(13.7)
Operating lease commitments at 31 December 2018	(226.7)	(14.4)	(212.3)
Impact of discounting	29.4	1.1	28.3
Discounted operating lease commitments at 1 January 2019	(197.3)	(13.3)	(184.0)
Finance lease liabilities recognised as at 31 December 2018	(2.5)	–	(2.5)
Recognition exemption for short-term leases	8.6	0.5	8.1
Recognition exemption for leases of low value assets	3.2	0.2	3.0
Extension and termination options reasonably certain	(8.6)	(0.4)	(8.2)
Lease liabilities reported at 1 January 2019	**(196.6)**	**(13.0)**	**(183.6)**

* As part of the transition to IFRS 16, a number of operating lease commitments were identified that had not been included in the 2018 Annual Report operating lease commitments disclosure in note 26.

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. For consolidation purposes, subsidiaries and joint ventures prepare financial information 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 pages 216-223.

Exceptional items & intangibles amortisation

In order to provide the users of the Consolidated Financial Statements with a more relevant presentation of the Group's underlying performance, on a like-for-like basis, profit for each year has been analysed between:

i) profit before exceptional items & intangibles amortisation; and
ii) the effect of exceptional items & 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 Consolidated 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 years and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

2. ACCOUNTING POLICIES continued

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 is expensed in line with the other intangible assets policy and is shown separately to provide visibility over the impact of both:

i) intangible assets recognised via acquisition, which primarily relate to items which would not normally be capitalised unless identified as part of an acquisition opening balance sheet. The ongoing costs associated with these assets are expensed.
ii) ongoing multiyear investment activities, which currently include our IT transformation strategy and IoT product development as part of the Group's Industry 4.0 adoption and digitisation strategy.

Further analysis of the items included in the column 'Exceptional items & intangibles amortisation' is provided in notes 5 and 12 to the financial statements.

Use of estimates and 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 that affect the application of accounting policies and estimates that impact the reported amounts of assets, liabilities, income and expense.

Management bases these judgements 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 judgements and the resulting estimates which are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Areas requiring significant judgement in the current year and on a recurring basis are presented to the Audit Committee, as summarised on page 94.

The areas where management considers critical judgements and estimates to be required, which are areas more likely to be materially adjusted due to estimates and assumptions turning out to be wrong, are those in respect of the following:

i) Retirement benefits (estimate)

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 23.

ii) Valuation of intangible assets and impairment (estimate)

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 useful lives and so not subject to amortisation. This testing includes exercising management judgement in estimating future revenues, margin, cash flows, discount rates, growth rates and other events which are, by their nature, uncertain. During 2019 impairment testing over the Group's cash generating units (CGUs) was performed and the details and results of this exercise along with appropriate sensitivities are reported in note 14.

iii) Provisions (estimate)

Management judgement is used to determine when a provision is recognised, taking into account the commercial drivers which gave rise to them, the Group's previous experience of similar obligations and the progress of any associated legal proceedings. The calculation of provisions typically involves management estimates of associated cash flows and discount rates. The key provision which currently requires a greater degree of management estimate is the US asbestos provision, details of which are included in note 21.

iv) Taxation (estimate)

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.

The Group faces a variety of tax risks which result from operating in a complex global environment, including the ongoing reform of both international and domestic tax rules in some of the Group's larger markets and 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 where it is probable that an exposure will arise including, in a number of jurisdictions, ongoing tax audits and uncertain tax positions including transfer pricing 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 advisers, and reflect the single best estimate of the likely outcome for each liability. Provisions for uncertain tax positions are included in current tax liabilities and total £20.2m at 31 December 2019.

The Group believes it has made adequate provision for such matters although it is possible that amounts ultimately paid will be different from the amounts provided, but not materially within the next 12 months.

Detailed tax disclosures are provided in notes 7 and 22.

v) Other

Acquisition accounting and discontinued operations were areas in the prior year that required significant estimate and judgement for the acquisition of ESCO and the recognition of the Flow Control Division as a discontinued operation in 2018. The finalisation of the ESCO opening balance sheet and the completion of the Flow Control disposal in 2019 did not give rise to any significant estimates or judgements in the year.

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

2. ACCOUNTING POLICIES continued

Joint ventures

The Group has a number of long-term contractual arrangements with other parties which represent joint ventures. 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 Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets less any impairment in value. The Consolidated 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 year 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 Consolidated 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 year 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 First-time Adoption of International Financial Reporting Standards, 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 year.

Revenue recognition

Revenue is the consideration the Group expects to receive from customers in exchange for goods and services. Revenue is recognised in the Consolidated Income Statement when control of goods and services is transferred to the customer. Transfer of control is deemed to be over time where the following criteria are met:

- The customer concurrently receives and consumes the benefits from the Group's performance;
- The Group's performance creates or enhances a customer controlled asset; or
- The Group's performance does not create an asset with an alternative use and the Group has a right to payment for performance completed to date.

Where the above criteria are not met then revenue is recognised at a point in time when control is transferred to the customer.

Revenue is shown net of sales taxes, discounts and after eliminating sales within the Group. 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. Variable consideration is recognised only if it is highly probable that there will not be a significant revenue reversal. The consideration is an estimation based on the terms of the contract and other available information. Liquidated damage variable consideration will only be recognised where there is a history of recurring liquidated damages for example for the same customer or product line with the value of consideration being the most likely amount from a range of possible outcomes. Volume discounts are deducted from revenue based on the most reliable estimates of volumes to be purchased.

The timing of payment from customers is generally aligned to revenue recognition, subject to agreed payment terms usually in line with industry standards. Certain contracts may include milestones payments which do not necessarily align to revenue recognition: a contract asset is recorded where revenue is recognised in advance of customer invoicing and where cash is received in advance of revenue recognition, a contract liability is recognised.

2. ACCOUNTING POLICIES continued

i. Sale of goods

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. Contracts for the provision of both original equipment and spare parts, and where required services, are combined if one or more of the following is met:

- The contract achieves a single commercial objective and negotiated as a package.
- The price or performance of one contract influences the amount of consideration to be paid in the other contract.
- The goods or services in the separate contracts represent a single performance obligation.

Each cross-selling contract is reviewed to identify the performance obligations in relation to original equipment and spare parts with them only being combined if they are not capable of being distinct and are not distinct in the context of the contract.

Revenue from the sale of goods is generally recognised at a point of time on despatch of goods, in line with incoterms. This reflects when the customer obtains control of the product and can determine its future use and location. For larger orders where multiple units are delivered in instalments as part of one performance obligation, revenue will be recognised over time in line with delivery. These items are a series of distinct goods which have the same pattern of transfer of control being the fulfilment of the incoterm, providing the customer has control of the goods as they are delivered.

Where the sale of product requires customer inspection, this is deemed to be part of the main performance obligation so revenue is not recognised until the inspection has been completed and approved by the customer. In instances where commissioning is provided, the transfer of control for the sale of goods is at the point of despatch where commissioning is a separate performance obligation or once commissioning is complete where combined in the sale of goods performance obligation. A separate performance obligation for commissioning is identified where a customer could obtain the same service from a third-party supplier with revenue in respect of commissioning being recognised once the commissioning is complete.

ii. Provision of services

The revenue recognition of provision of services is dependent on the nature of the contracts. Shorter-term contracts tend to be for 'one-off' service provision which means the customer only consumes the benefit from the Group's performance when the work is complete. Revenue is therefore recognised at a point in time for such contracts. For other contracts, revenue from the rendering of services is generally recognised over time where the customer concurrently receives and consumes a benefit from the Group's performance over the period of the contract duration. Revenue from services is recognised in proportion to the stage of completion of the performance obligations at the balance sheet date. The stage of completion is assessed by reference to the transfer of control over time, which usually corresponds to the contractual agreement with each separate customer and the costs incurred on the contract to date in comparison with the total forecast costs of the contract.

iii. Construction contracts

Revenue for construction contracts is recognised over time as the contracts usually contain discrete elements separately transferring control to customers over the life of the contract and the Group's performance does not create an asset with an alternative use.

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. Both these methods are faithful depictions of the transfer of control given the Group has a right to payment for performance completed to date. The basis used is dependent upon the nature of the underlying contract. For instances where the work is subject to formal customer acceptance procedures, revenue will only be recognised once the customer review has been completed and approved by the customer as this is the point both parties are in agreement that control has been transferred in line with contract terms. Losses on contracts are recognised in the year when such losses become probable.

Property, plant & equipment

Property, plant & equipment comprises owned assets and right-of-use assets that do not meet the definition of investment property.

i. Owned assets

Owned property, plant & equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Freehold land and assets under construction are not depreciated. Depreciation of property, plant & equipment is provided on a straight-line basis so as to charge the cost less residual value, to the Consolidated 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
Plant & equipment	3 – 20 years

ii. Right-of-use asset and lease liability

Policy applicable from 1 January 2019

At inception of a contract, the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether it has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset throughout the period of use.

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

2. ACCOUNTING POLICIES continued

The Group recognises a lease liability and right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or where the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group's incremental borrowing rate is calculated by taking the government borrowing rate in any given currency and adding the estimated Group credit spreads for a variety of tenors. An interpolation is performed to obtain one rate for each of the major lease currencies based on the weighted average life of the lease book.

Lease payments consist of the following components:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise that option); and
- payments of penalties for terminating the lease (if the lease term reflects the lessee exercising the option to terminate the lease).

The right-of-use asset is measured as equal to the lease liability and adjusted for:

- lease payments made to the lessor at or before the commencement date;
- lease incentives received;
- initial direct costs associated with the lease; and
- an initial estimate of restoration costs.

The right-of-use asset is depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by any impairment losses.

The Group has adopted the exemption available for short-term leases, with payments being recognised on a straight-line basis over the lease term. Short-term leases are defined as leases with a lease term of 12 months or less.

The Group has adopted the exemption available for low value assets, with payments being recognised on a straight-line basis over the lease term. Leases relating to laptops, desktop computers, mobile phones, photocopiers, printers and other office equipment, where the asset value is less than £3,500 or the local currency equivalent have been treated as 'low value'. Where the lease contract meets both 'short-term' and 'low value' exemptions, the lease is reported within 'expenses relating to short-term leases'.

For each lease, the lease term has been calculated as the non-cancellable period of the lease contract, except where the Group is reasonably certain that it will exercise contractual extension options. In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. In certain circumstances the Group will refer to the five-year strategic plan period as an appropriate period to consider whether the 'reasonably certain' criteria are met.

Policy applicable before 1 January 2019

Under IAS 17 which transferred to the Group substantially all of the risks and rewards of ownership of the leased asset were classified as finance leases. All other assets were classified as operating leases. Assets held under finance lease were 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 was recognised within obligations under finance leases. Operating lease rentals and any incentives receivable were recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease.

Goodwill

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 recognised in the Consolidated Income Statement in the year in which they are incurred. Goodwill in respect of an acquired business is recognised as an intangible asset. Goodwill is carried at cost less any recognised impairment losses and is tested at least annually or where there are indicators of impairment.

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. For acquisitions, subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The measurement period is the period from the date of acquisition to the date that 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. If the change does not qualify as a measurement period adjustment, it is reflected in the Consolidated Income Statement. For disposals, any subsequent change in contingent consideration is adjusted against the disposal proceeds and the gain or loss on disposal.

2. ACCOUNTING POLICIES continued

Other intangible assets

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

Intangible assets acquired separately are measured at cost on initial recognition. An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably.

An intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost, which in respect of an acquired intangible asset represents its fair value at the acquisition date, to the income statement over its expected useful life. An intangible asset with an indefinite life is not amortised but is tested at least annually for impairment and carried at cost less any recognised impairment losses.

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

Brand names	indefinite life*
Customer & distributor relationships	5 – 30 years
Purchased software	4 – 8 years
Intellectual property & trademarks	6 – 15 years
Other	up to 6 years

* Acquired brands which are considered to have a finite life are amortised accordingly.

Research & development costs

All research expenditure is charged to the Consolidated Income Statement in the year in which it is incurred.

Development expenditure is charged to the Consolidated Income Statement in the year 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 Consolidated 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 and intangible assets with an indefinite life 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 Consolidated 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, trade payables and leases 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, 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. Under IFRS 9, where the modification is not substantial, any difference in the modified cash flows is recognised in profit or loss.

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

2. ACCOUNTING POLICIES continued

Trade receivables

Trade receivables, which are generally of a short-term nature, are recognised at original invoice amount where the consideration is unconditional. If they contain significant financing components, trade receivables are instead recognised at fair value. The Group holds trade receivables to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details of the Group's impairment policies and the calculation of the loss allowance are provided in note 17 and the policy in respect of invoice discounting is included in note 29.

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. The Group's supply chain financing programme policy and assessment for the period is provided in note 20.

Interest-bearing loans & borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to settle the liability at least 12 months after the balance sheet date.

Provisions

A provision is recognised in the Consolidated 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 are recognised in the Consolidated Income Statement, except where hedge accounting is used, provided the conditions specified by IFRS 9 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IFRS 9 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 Consolidated 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. When the hedged asset or liability 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.

The Group hedges the foreign currency risk of its commercial paper with cross currency swaps which are designated as hedging instruments in cash flow hedges where the terms of the derivatives match the terms of the hedged exposure. The Group designates the spot component of the contracts as the hedged risk, where the forward points element is excluded from the hedge designation and accounted for as costs of hedging under IFRS 9 and transferred to profit or loss when the hedged transaction occurs. To the extent that the hedges are determined to be highly effective, the effective portion is recognised in other comprehensive income within the hedge accounting reserve and any ineffective portion recognised immediately in the Consolidated Income Statement.

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 through other comprehensive income is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that was reported in equity is immediately reclassified to the income statement in the period.

2. ACCOUNTING POLICIES continued

Derivatives embedded in non-derivative host contracts, which are not already measured at fair value through profit or loss, 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 Consolidated Income Statement.

Where items are recognised in the Consolidated Income Statement, these are presented within operating profit or finance costs dependent on their nature.

Share-based payments

Equity settled share-based incentives are provided to employees under the Group's Share Reward Plan (SRP), formerly the Long Term Incentive Plan (LTIP), the Weir ShareBuilder Plan (WSBP) and as a consequence of occasional one-off conditional awards made to employees.

The fair value of SRP awards and one-off 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 conditions of the SRP which took effect in 2018 are summarised in the Directors' Remuneration Policy, which can be found on the Company's website at www.corporategovernance.weir.

The fair value of WSBP awards at grant date is calculated as the share price at the date of the grant less an adjustment for loss of reinvestment return on the dividend equivalent. There are no performance conditions attached to these awards but participants who leave the Company prior to vesting lose their right to the awards. The terms of the share awards granted under the WSBP are set out on the plan's website at www.sharebuilder.weir.

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, US and Canada and post-retirement healthcare benefits provided to certain employees in the US.

For defined benefit pension and post-retirement healthcare plans, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on the net pension liability is recognised in finance costs.

The finance cost recognised in the Consolidated Income Statement in the year 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 year.

Past service costs resulting from enhanced benefits are recognised immediately in the Consolidated 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 year in which they occur.

The defined benefit liability or asset recognised in the Consolidated 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 Consolidated Income Statement in the year in which they fall due, along with any associated administration costs.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the year.

Deferred tax liabilities represent tax payable in future years in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future years 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

2. ACCOUNTING POLICIES continued

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.

Current and deferred tax is recognised in the Consolidated Income Statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

Alternative performance 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 we believe distort period-on-period comparisons. These are considered alternative performance measures. 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. Alternative performance measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Alternative performance 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 alternative performance 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, lease payments, net interest payments, dividends paid, settlement of derivatives, purchase of shares for employee share plans and other awards 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 generated from operations to FCF is as follows.

	2019 £m	2018 £m
Cash generated from operations before exceptional cash items (note 25)*	**407.6**	410.8
Income tax paid	**(90.2)**	(73.3)
Net capital expenditure from purchase & disposal of property, plant & equipment and intangibles	**(104.3)**	(85.2)
Lease payments*	**(44.3)**	–
Net interest paid*	**(44.6)**	(36.6)
Dividends paid to equity holders of the Company	**(121.7)**	(79.6)
Dividends received from joint ventures	**3.5**	1.6
Settlement of derivative financial instruments	**(62.2)**	(22.1)
Purchase of shares for employee share plans	**(10.0)**	(0.8)
Additional pension contributions paid	**(12.9)**	(5.6)
Free cash flow	**(79.1)**	109.2

* Only short-term and low value lease cash outflows are included in cash generated from operations before exceptional cash items in 2019 compared to all operating lease cash flows in 2018. Due to the adoption of IFRS 16 'Leases', lease cash flows are reported under the financing activities of the Group in the Consolidated Cash Flow Statement. Furthermore, net interest paid includes interest paid in relation to leases. The full cash flow impact of IFRS 16 is disclosed in the basis of preparation.

Cash flows from operating activities (operating cash flow)

Operating cash flow excludes additional pension contributions, exceptional cash items and income tax paid. This reflects our view of the underlying cash generation of the business. A reconciliation to the GAAP measure 'Net cash generated from operating activities' is provided in the Consolidated Cash Flow Statement.

Working capital as a percentage of sales

Working capital includes inventories, trade & other receivables, trade & other payables and derivative financial instruments as included in the Consolidated Balance Sheet, adjusted to exclude insurance contract assets totalling £81.1m included in note 17 and £12.1m of interest accruals included in note 20. This working capital measure reflects the figure used by management to monitor the performance of the business and is divided by revenue, as included in the Consolidated Income Statement, to arrive at working capital as a percentage of sales.

Underlying EBITDA

EBITDA is operating profit from continuing operations, before exceptional items, intangibles amortisation and 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.

	2019 £m	2018 £m
Continuing operations		
Operating (loss) profit	**(322.2)**	124.1
Adjusted for:		
Exceptional items (note 5)	**596.0**	157.7
Underlying Earnings before interest and tax (EBIT)	**273.8**	281.8
Intangibles amortisation (note 5)	**78.3**	66.3
Underlying Earnings before interest, tax and amortisation (EBITA)	**352.1**	348.1
Depreciation of owned property, plant & equipment (note 11)*	**62.4**	61.8
Underlying EBITDA	**414.5**	409.9

* 2019 Underlying EBITDA excludes depreciation (£42.4m) and interest (£7.7m) costs related to the right-of-use assets following the adoption of IFRS 16 'Leases'.

Net debt

A reconciliation of net debt to cash & short-term deposits, interest-bearing loans and borrowings is provided in note 25. This includes the impact of IFRS 16 'Leases' which was adopted in the year.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into three operating divisions: Minerals, ESCO and Oil & Gas. 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. In 2019, for strategic reasons, a procurement entity was moved from Unallocated expenses into the Oil & Gas Division and prior year comparatives in Minerals and Oil & Gas have been restated to reflect transactions between the segments.

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 ESCO segment is the world's leading provider of ground engaging tools for surface mining and infrastructure. The Oil & Gas segment provides products and service solutions to upstream, production, transportation and related industries.

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.

Financial Statements

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

3. SEGMENT INFORMATION continued

The segment information for the reportable segments for 2019 and 2018 is disclosed below. Information for Flow Control is included in note 8.

	Minerals		ESCO		Oil & Gas		Total continuing operations	
	2019 £m	Restated 2018 £m	**2019 £m**	2018 £m	**2019 £m**	Restated 2018 £m	**2019 £m**	Restated 2018 £m
Revenue								
Sales to external customers	**1,477.8**	1,416.7	**572.0**	251.8	**612.1**	781.4	**2,661.9**	2,449.9
Inter-segment sales	**2.8**	2.5	**0.5**	–	**27.7**	26.6	**31.0**	29.1
Segment revenue	**1,480.6**	1,419.2	**572.5**	251.8	**639.8**	808.0	**2,692.9**	2,479.0
Eliminations							**(31.0)**	(29.1)
							2,661.9	2,449.9
Sales to external customers – 2018 at 2019 average exchange rates								
Sales to external customers	**1,477.8**	1,415.4	**572.0**	263.6	**612.1**	817.4	**2,661.9**	2,496.4
Segment result								
Segment result before share of results of joint ventures	**270.3**	250.2	**81.6**	32.5	**32.1**	94.0	**384.0**	376.7
Share of results of joint ventures	**–**	–	**1.5**	0.2	**4.7**	2.2	**6.2**	2.4
Segment result	**270.3**	250.2	**83.1**	32.7	**36.8**	96.2	**390.2**	379.1
Unallocated expenses							**(38.1)**	(31.0)
Operating profit before exceptional items & intangibles amortisation							**352.1**	348.1
Total exceptional items & intangibles amortisation							**(674.3)**	(224.0)
Net finance costs							**(49.6)**	(38.0)
Profit before tax from continuing operations							**(371.8)**	86.1
Segment result – 2018 at 2019 average exchange rates								
Segment result before share of results of joint ventures	**270.3**	252.6	**81.6**	34.2	**32.1**	98.8	**384.0**	385.6
Share of results of joint ventures	**–**	–	**1.5**	0.2	**4.7**	2.4	**6.2**	2.6
Segment result	**270.3**	252.6	**83.1**	34.4	**36.8**	101.2	**390.2**	388.2
Unallocated expenses							**(38.1)**	(31.1)
Operating profit before exceptional items & intangibles amortisation							**352.1**	357.1

Revenues from any single external customer do not exceed 10% of Group revenue.

	Minerals		ESCO		Oil & Gas		Total Group	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	Restated 2018 £m	**2019 £m**	Restated 2018 £m
Assets & liabilities								
Intangible assets	**579.5**	606.3	**700.9**	747.5	**268.0**	773.9	**1,548.4**	2,127.7
Property, plant & equipment	**293.5**	218.1	**122.2**	106.1	**137.5**	94.0	**553.2**	418.2
Working capital assets	**701.1**	682.9	**217.0**	215.8	**297.8**	399.6	**1,215.9**	1,298.3
	1,574.1	1,507.3	**1,040.1**	1,069.4	**703.3**	1,267.5	**3,317.5**	3,844.2
Investments in joint ventures	**–**	–	**15.2**	15.6	**21.4**	21.0	**36.6**	36.6
Segment assets	**1,574.1**	1,507.3	**1,055.3**	1,085.0	**724.7**	1,288.5	**3,354.1**	3,880.8
Unallocated assets							**498.1**	469.6
Continuing operations							**3,852.2**	4,350.4
Discontinued operations							**–**	394.4
Total assets							**3,852.2**	4,744.8
Working capital liabilities	**408.2**	402.2	**87.8**	80.0	**133.5**	197.2	**629.5**	679.4
Unallocated liabilities							**1,709.3**	1,782.5
Continuing operations							**2,338.8**	2,461.9
Discontinued operations							**–**	134.0
Total liabilities							**2,338.8**	2,595.9
Other segment information – total Group								
Segment additions to non-current assets	**85.5**	47.5	**28.6**	9.5	**41.5**	26.9	**155.6**	83.9
Unallocated additions to non-current assets							**7.5**	3.9
Continuing operations							**163.1**	87.8
Discontinued operations							**7.4**	5.9
Total additions to non-current assets							**170.5**	93.7
Other segment information – total Group								
Segment depreciation & amortisation	**63.4**	44.1	**37.1**	16.8	**67.6**	54.6	**168.1**	115.5
Segment impairment of property, plant & equipment	**1.9**	12.9	**–**	–	**28.6**	0.4	**30.5**	13.3
Segment impairment of intangible assets	**6.3**	3.1	**–**	–	**472.9**	–	**479.2**	3.1
Unallocated depreciation & amortisation							**15.0**	12.6
Continuing operations							**692.8**	144.5
Discontinued operations							**–**	49.0
Total depreciation, amortisation & impairment							**692.8**	193.5

The assets and liabilities balances now include right-of-use assets and lease liabilities. The year-on-year movements have been impacted by IFRS 16 bringing all leases on balance sheet. Refer to note 11 for depreciation on right-of-use assets.

Unallocated assets are continuing operations and 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 are continuing operations and 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), but do include right-of-use assets in the current year.

NOTES TO THE GROUP FINANCIAL STATEMENTS
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3. SEGMENT INFORMATION continued

Geographical information

Geographical information in respect of revenue and non-current assets for 2019 and 2018 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.

Year ended 31 December 2019	UK £m	US £m	Canada £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Europe & FSU £m	Total £m
Revenue from continuing operations									
Sales to external customers	**28.7**	**742.0**	**366.6**	**298.0**	**263.1**	**445.6**	**331.0**	**186.9**	**2,661.9**
Non-current assets	**343.3**	**1,061.1**	**86.2**	**234.3**	**181.4**	**91.9**	**136.7**	**45.9**	**2,180.8**

Year ended 31 December 2018	UK £m	US £m	Canada £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Other £m	Total £m
Revenue from continuing operations									
Sales to external customers	28.0	802.5	287.9	285.7	227.7	370.3	305.0	142.8	2,449.9
Non-current assets	332.5	1,554.4	54.5	285.4	152.8	87.3	124.1	39.3	2,630.3

The following disclosures are given in relation to continuing operations.

	2019 £m	2018 £m
An analysis of the Group's revenue is as follows:		
Original equipment	**552.5**	578.2
Aftermarket parts	**1,740.2**	1,536.6
Sales of goods	**2,292.7**	2,114.8
Provision of services	**313.4**	310.9
Construction contracts	**55.8**	24.2
Revenue	**2,661.9**	2,449.9

	Minerals		ESCO		Oil & Gas		Total continuing operations	
	2019 £m	Restated 2018 £m	2019 £m	2018 £m	2019 £m	Restated 2018 £m	2019 £m	Restated 2018 £m
Timing of revenue recognition								
At a point in time	**1,376.3**	1,343.2	**560.4**	251.8	**628.8**	798.8	**2,565.5**	2,393.8
Over time	**104.3**	76.0	**12.1**	–	**11.0**	9.2	**127.4**	85.2
Segment revenue	**1,480.6**	1,419.2	**572.5**	251.8	**639.8**	808.0	**2,692.9**	2,479.0
Eliminations							**(31.0)**	(29.1)
							2,661.9	2,449.9

4. REVENUES & EXPENSES

The following disclosures are given in relation to continuing operations and exclude exceptional items & intangibles amortisation.

	2019 £m	2018 £m
A reconciliation of revenue to operating profit is as follows:		
Revenue	**2,661.9**	2,449.9
Cost of sales	**(1,787.7)**	(1,633.0)
Gross profit	**874.2**	816.9
Other operating income	**14.6**	6.2
Selling & distribution costs	**(270.5)**	(245.8)
Administrative expenses	**(272.4)**	(231.6)
Share of results of joint ventures	**6.2**	2.4
Operating profit	**352.1**	348.1

	2019 £m	2018 £m
Operating profit from continuing operations is stated after charging:		
Cost of inventories recognised as an expense	**1,787.7**	1,633.0
Depreciation of property, plant & equipment (note 11)	**104.8**	61.8
Lease expenses (note 11)	**16.5**	–
Amortisation of intangible assets (note 12)	**78.3**	66.3
Exceptional items (note 5)	**596.0**	157.7
Net foreign exchange losses	**10.6**	14.9
Net impairment charge of trade receivables excluding additional restructuring action amounts (note 17)	**1.6**	5.2

Depreciation of property, plant & equipment (note 11) for discontinued operations was £nil (2018: £2.7m) and amortisation of intangible assets (note 12) was £nil (2018: £1.0m).

Research & development costs

Research & development costs for continuing operations amount to £34.3m (2018: £37.3m) of which £32.3m (2018: £34.4m) was charged directly to cost of sales in the income statement and £2.0m (2018: £2.9m) was capitalised (note 12). Research & development costs for discontinued operations amounted to £1.8m (2018: £4.7m) of which £1.8m (2018: £4.5m) was charged to cost of sales in the income statement and £nil (2018: £0.2m) was capitalised (note 12).

Leases

Minimum lease payments for continuing operations under operating leases recognised as an expense in 2018 were £53.6m. In 2019, expenses for short-term and low value leases, variable lease payments not included in lease liabilities and income from sub-leasing right-of-use asset leases amount to £16.5m (note 11).

	2019 £m	2018 £m
Employee benefits expense		
Wages & salaries	**609.6**	550.4
Social security costs	**50.6**	40.0
Pension costs		
Defined benefit plans	**1.0**	7.4
Defined contribution plans	**27.1**	23.4
Share-based payments – equity settled transactions (note 27)	**12.9**	8.6
	701.2	629.8

Details of Directors' remuneration is disclosed in note 28.

	2019 Number	2018 Number
The average monthly number of people employed by the Company and its subsidiaries is as follows:		
Minerals	**8,630**	8,562
ESCO	**2,338**	2,444
Oil & Gas	**2,905**	3,100
Group companies	**470**	420
	14,343	14,526

The following disclosures are given in relation to total operations.

At 31 December 2019, the number of people employed by the Group and including those under temporary contracts was 14,687 (2018: 17,515).

	2019 £m	2018 £m
Auditors' remuneration		
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 year are disclosed below		
Fees payable to the Company's auditor for the audit of the Company and Consolidated Financial Statements	**2.2**	2.5
Fees payable to the Company's auditor for other services		
The audit of the Company's subsidiaries	**1.1**	1.3
Audit-related assurance services	**0.1**	0.4

NOTES TO THE GROUP FINANCIAL STATEMENTS
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5. EXCEPTIONAL ITEMS & INTANGIBLES AMORTISATION

	2019 £m	2018 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	**(78.3)**	(66.3)
Exceptional item – Oil & Gas North America impairment – intangibles and goodwill (note 12)	**(472.9)**	–
Exceptional item – Oil & Gas North America impairment – tangible assets (notes 11 & 16)	**(73.3)**	–
Exceptional item – other intangibles impairment (note 12)	**(6.3)**	(3.1)
Exceptional item – ESCO inventory unwind	**–**	(63.1)
Exceptional item – ESCO acquisition and integration related costs	**(10.7)**	(30.8)
Exceptional item – legacy product warranty	**(2.3)**	(24.4)
Exceptional item – restructuring and rationalisation charges	**(30.8)**	(29.2)
Exceptional item – pension equalisation (note 23)	**–**	(6.3)
Exceptional item – legal claims	**0.3**	(0.7)
Exceptional item – fair value adjustment to contingent consideration asset/liability	**–**	(0.1)
	(674.3)	(224.0)

	2019 £m	2018 £m
Recognised in arriving at operating profit from discontinued operations		
Intangibles amortisation (note 12)	**–**	(1.0)
Exceptional item – intangibles impairment (note 12)	**–**	(45.0)
Exceptional item – disposal related costs	**–**	(5.0)
Exceptional item – restructuring charges	**(0.4)**	0.1
Exceptional item – legal claims	**–**	(2.0)
Exceptional item – related to prior disposal	**–**	0.3
	(0.4)	(52.6)

Continuing operations

Due to challenging current market conditions in the North American oil and gas market and uncertainty over the timing of market recovery, an impairment totalling £546.2m has been recognised within the Oil & Gas North America Cash Generating Unit (CGU). A review was performed of the carrying value of specific 'at-risk' tangible and intangible assets within the CGU resulting in write-downs to inventory of £48.6m, property, plant & equipment of £24.7m, brand names of £39.7m, customer relationships of £144.3m and purchased software of £0.9m. Following completion of the review, testing was completed in respect of the remaining goodwill and intangible assets held in the CGU leading to an additional impairment of £288.0m charged against goodwill.

Exceptional items in the year for continuing operations include costs of £10.7m associated with the integration of ESCO into the Group following the acquisition in July 2018. The majority of costs relate to restructuring activities and project support staff costs. These costs are in line with estimates made at the time of acquisition. The integration activities and associated costs are expected to complete during the year ended 31 December 2020.

An additional inventory provision of £2.3m was incurred in the year to reflect the final closing inventory position relating to the prior year Oil & Gas legacy product warranty issue.

The total restructuring charge of £30.8m relates to strategic restructuring and rationalisation activities in Minerals of £17.8m and Oil & Gas of £14.6m partially offset by credits of £1.6m in Minerals relating to prior year unutilised provisions and property disposals. The Minerals charge relates to costs of £2.0m associated with political and social events in South America and £15.8m following withdrawal from the lower margin sand and aggregates comminution market in North America including £9.4m inventory and £2.4m total property, plant & equipment impairments. A charge of £6.3m is also included within intangibles impairment for the full write-down of customer relationships asset value which relates to the North American sand and aggregates market. The Oil & Gas charges relate to restructuring efforts in response to current challenging market conditions in North America. Efforts include a c.20% reduction in the workforce and a number of strategic initiatives which mainly cover the costs and associated total property, plant & equipment impairments of £3.9m to consolidate and close a number of sites.

The legal claim credit of £0.3m is for the successful resolution of a legal claim associated with legacy Trio issues.

In the prior year, exceptional items comprised costs associated with the acquisition and integration of ESCO totalling £30.8m and an unwind to the inventory fair value uplift in the ESCO opening balance sheet of £63.1m, Oil & Gas legacy product warranty issue of £24.4m and restructuring and rationalisation charges of £29.2m relating to actions in Minerals North America and China as well as the exit from the Minerals Malaysia foundry operations. Other exceptional charges included £6.3m in relation to UK pension GMP equalisation and £0.8m for legacy legal claims and finalisation of contingent consideration.

Discontinued operations

Exceptional items in the current year, before tax and the loss on sale, of £0.4m relate to the impairment of inventory due to restructuring. In 2018, exceptional items included the write down to Flow Control's carrying value of £45.0m to reflect the agreed transaction enterprise value less future costs to sell. A further £5.0m of disposal related costs was incurred along with legal claims of £2.0m partially offset by £0.4m for a receipt in relation to a prior year disposal and a net release of an exceptional provision.

6. FINANCE (COSTS) INCOME

The following disclosures are given in relation to continuing operations.

Finance costs

	2019 £m	2018 £m
Interest payable on financial liabilities	**(37.4)**	(34.8)
Interest and finance charges payable on lease liabilities	**(7.6)**	–
Change in fair value of forward points in cross currency swaps and forward contracts	**(1.6)**	–
Finance charges related to committed loan facilities	**(1.9)**	(1.3)
Finance charges related to discounting of trade receivables	**(0.6)**	(0.3)
Other finance costs – retirement benefits	**(4.8)**	(4.3)
	(53.9)	(40.7)

Finance income

	2019 £m	2018 £m
Interest receivable on financial assets	**4.3**	2.7

7. TAX EXPENSE

Income tax credit (expense) from total operations

	2019 £m	2018 £m
Consolidated Income Statement		
Current income tax		
UK corporation tax	**1.8**	3.5
Adjustments in respect of previous years	**(5.9)**	(1.3)
UK corporation tax	**(4.1)**	2.2
Foreign tax	**(87.7)**	(71.3)
Adjustments in respect of previous years	**6.5**	(3.5)
Total current income tax	**(85.3)**	(72.6)
Deferred income tax		
Origination & reversal of temporary differences	**86.4**	33.7
Adjustment to estimated recoverable deferred tax assets	**(3.9)**	0.8
Effect of changes in tax rates	**(3.0)**	(1.8)
Adjustments in respect of previous years	**10.0**	2.2
Total deferred tax*	**89.5**	34.9
Total income tax credit (expense) in the Consolidated Income Statement	**4.2**	(37.7)
Total income tax credit (expense) is attributable to:		
Profit (loss) from continuing operations	**18.4**	(32.7)
Loss from discontinued operations	**(14.2)**	(5.0)
	4.2	(37.7)

* Includes £84.9m of deferred tax credit relating to foreign tax (2018: £35.3m credit).

The total income tax (expense) credit is disclosed in the Consolidated Income Statement, and note 8, as follows.

	2019 £m	2018 £m
Tax (expense) credit		
– continuing operations before exceptional items & intangibles amortisation	**(73.8)**	(78.6)
– discontinued operations before exceptional items & intangibles amortisation	**(0.5)**	(6.3)
– exceptional items	**11.2**	31.4
– intangibles amortisation and impairment	**67.3**	15.8
Total income tax credit (expense) in the Consolidated Income Statement	**4.2**	(37.7)

The total deferred tax included in the income tax expense is detailed in note 22.

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

7. TAX EXPENSE continued

Tax relating to items charged or credited to equity from continuing operations

	2019 £m	2018 £m
Consolidated Statement of Comprehensive Income		
Deferred tax – origination & reversal of temporary differences	**1.0**	(10.1)
Deferred tax – effect of change in tax rates	**(0.2)**	1.2
Tax credit (debit) on actuarial losses on retirement benefits	**0.8**	(8.9)
Tax (debit) credit on hedge losses	**(0.2)**	3.0
Tax credit (charge) in the Consolidated Statement of Comprehensive Income	**0.6**	(5.9)
Consolidated Statement of Changes in Equity		
Deferred tax on share-based payments	**0.4**	(1.7)
Tax credit (charge) in the Consolidated Statement of Changes in Equity	**0.4**	(1.7)

Reconciliation of the total tax charge from continuing operations

The tax credit (2018: debit) in the Consolidated Income Statement for the year is lower (2018: higher) than the weighted average of standard rates of corporation tax across the Group of 20.0% (2018: 37.2%). The differences are reconciled below.

	2019 £m	2018 £m
(Loss) profit before tax from continuing operations	**(371.8)**	86.1
Loss before tax from discontinued operations	**(11.8)**	(30.0)
(Loss) profit before tax	**(383.6)**	56.1
At the weighted average of standard rates of corporation tax across the Group of 20.0% (2018: 37.2%)	**(76.7)**	20.9
Adjustments in respect of previous years – current tax	**(0.6)**	4.8
– deferred tax	**(10.0)**	(2.2)
Joint ventures	**(1.3)**	(0.4)
Unrecognised deferred tax assets	**10.9**	8.0
Overseas tax on unremitted earnings	**3.1**	(4.2)
Permanent differences	**0.6**	6.4
Tax effect of funding overseas operations	**(7.7)**	(9.8)
Effect of changes in tax rates	**0.7**	(0.4)
Exceptional items ineligible for tax	**76.8**	14.6
At effective tax rate of 1.1% (2018: 67.2%)	**(4.2)**	37.7

The decrease in permanent differences from a £6.4m addition in 2018 to a £0.6m addition in 2019 arises in part because of the release of tax risk provisions in 2019 following the resolution of tax authority enquiries in various jurisdictions including Canada and Australia, together with increased R&D credits in the US. The increase in the deferred tax adjustment in respect of prior years from a credit of (£2.2m) in 2018 to a credit of (£10.0m) in 2019 primarily relates to a Research and Development claim within the US business, spanning a number of years, the benefit of which is deferred for US tax purposes.

Exceptional items ineligible for tax includes the impact of a £288.0m impairment to Goodwill relating to US Oil & Gas Division.

The Group's provision for overseas tax on unremitted earnings increased from a deduction of (£4.2m) in 2018 to an addition of £3.1m in 2019. This is due to the non-recurrence of the 2018 release of provision in relation to unremitted earnings in Canada following repatriation of funds through long-term loans from the Canadian entities to the UK group, together with an increase in 2019 of the provision in respect of unremitted earnings in Chile and Peru.

On 25 April 2019 the European Commission (EC) released its full decision in relation to its State Aid investigation into the Group Financing Exemption (GFE) included within the UK's controlled foreign company (CFC) legislation. While it is narrower than the original concerns raised and confirms that the CFC legislation as amended with effect from 1 January 2019 is compliant with EU State Aid rules, the decision concludes that, up to 31 December 2018, aspects of the legislation constitute State Aid. In common with other international groups, the Group has benefited from the GFE contained within the CFC legislation and may therefore be affected by the decision should it ultimately be upheld. The estimated maximum contingent liability, excluding interest, is approximately £19m.

The UK Government, together with a number of affected taxpayers, including the Group, have lodged annulment applications with the General Court of the European Union in response to this decision and there remains considerable uncertainty as to the outcome of both the appeals process and any recovery mechanism. The Group considers that no provision is required in respect of this issue at present and will continue to review this position.

8. DISCONTINUED OPERATIONS

On 19 April 2018, the Group announced its intention to sell the Flow Control Division and, in line with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the Group classified the division as held for sale. Whilst part of the Group, the Flow Control Division designed and manufactured valves and pumps as well as providing specialist support services to the global power generation, industrial and oil and gas sectors.

The Group disposed of the Flow Control Division on 28 June 2019 for an enterprise value of £275.0m and a net consideration of £263.4m, after customary working capital and debt-like adjustments. In January 2020 the Group paid £4.5m to First Reserve and wrote off £0.2m receivable from First Reserve to reflect the final consideration of £258.7m determined as part of the agreed completion accounts process. Previously reported as an individual reporting segment, the results of the division are presented in the financial statements as discontinued operations.

Financial information relating to discontinued operations for the period to the date of disposal is set out in the table below.

Financial performance and cash flow information for discontinued operations

	Year ended 31 December 2019			Year ended 31 December 2018		
	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
Revenue	**150.0**	**–**	**150.0**	342.7	–	342.7
Operating (loss) profit	**(2.9)**	**(0.4)**	**(3.3)**	22.9	(52.6)	(29.7)
Finance costs	**(0.5)**	**–**	**(0.5)**	(0.4)	–	(0.4)
Finance income	**–**	**–**	**–**	0.1	–	0.1
(Loss) profit before tax from discontinued operations	**(3.4)**	**(0.4)**	**(3.8)**	22.6	(52.6)	(30.0)
Tax (expense) credit	**(0.5)**	**–**	**(0.5)**	(6.3)	1.3	(5.0)
(Loss) profit after tax from discontinued operations	**(3.9)**	**(0.4)**	**(4.3)**	16.3	(51.3)	(35.0)
Loss on sale of the subsidiaries after income tax (see below)	**–**	**(21.7)**	**(21.7)**	–	–	–
(Loss) profit for the period from discontinued operations	**(3.9)**	**(22.1)**	**(26.0)**	16.3	(51.3)	(35.0)
Reclassification of foreign currency translation reserve	**(20.5)**	**–**	**(20.5)**	–	–	–
Other comprehensive expense from discontinued operations	**(0.2)**	**–**	**(0.2)**	–	–	–
Net other comprehensive expense from discontinued operations	**(20.7)**	**–**	**(20.7)**	–	–	–

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Cash flows from operating activities	**(29.0)**	38.7
Cash flows from investing activities	**(7.5)**	(5.9)
Cash flows from financing activities	**(2.2)**	(0.9)
Net (decrease) increase in cash & cash equivalents from discontinued operations	**(38.7)**	31.9

NOTES TO THE GROUP FINANCIAL STATEMENTS
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8. DISCONTINUED OPERATIONS continued
Details of the sale of the subsidiaries

	Year ended 31 December 2019 £m
Consideration received	
Cash received	**263.4**
Completion accounts	**(4.7)**
Total disposal consideration	**258.7**
Carrying amount of net assets sold	**(270.1)**
Costs of disposal	**(17.1)**
Loss on sale before income tax and reclassification of foreign currency translation reserve	**(28.5)**
Reclassification of foreign currency translation reserve	**20.5**
Loss on sale before income tax	**(8.0)**
Income tax charge	**(13.7)**
Loss on sale after income tax	**(21.7)**

The carrying amount of assets and liabilities as at the date of sale were as follows.

	Period ended 28 June 2019 £m	Year ended 31 December 2018 £m
Property, plant & equipment	**95.7**	75.9
Intangible assets	**98.4**	98.8
Inventories	**79.1**	71.2
Trade & other receivables	**150.7**	132.4
Cash & short-term deposits	**2.1**	16.1
Trade & other payables	**(140.5)**	(118.6)
Provisions	**(14.9)**	(15.4)
Net assets	**270.6**	260.4
Non-controlling interest	**(0.5)**	(0.5)
Net assets attributable to Equity holders of the Company	**270.1**	259.9

Loss per share

Loss per share from discontinued operations was as follows.

	2019 pence	2018 pence
Basic	**(10.0)**	(14.3)
Diluted	**(10.0)**	(14.3)

These loss 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 (loss) per share amounts are calculated by dividing net profit (loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share is calculated by dividing the net profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effect of dilutive share awards.

The following reflects the earnings (loss) and share data used in the calculation of earnings (loss) per share.

	2019	2018
(Loss) profit attributable to equity holders of the Company		
Total operations* (£m)	**(379.9)**	18.0
Continuing operations** (£m)	**(353.9)**	53.0
Continuing operations before exceptional items & intangibles amortisation** (£m)	**228.2**	231.1
Weighted average share capital		
Basic earnings (loss) per share (number of shares, million)	**259.5**	244.1
Diluted earnings (loss) per share (number of shares, million)	**261.2**	245.8

9. EARNINGS (LOSS) PER SHARE continued

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

	2019 Shares million	2018 Shares million
Weighted average number of ordinary shares for basic earnings (loss) per share	**259.5**	244.1
Effect of dilution: employee share awards	**1.7**	1.7
Adjusted weighted average number of ordinary shares for diluted earnings (loss) per share	**261.2**	245.8

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

	2019 £m	2018 £m
Net (loss) profit attributable to equity holders from continuing operations**	**(353.9)**	53.0
Exceptional items & intangibles amortisation net of tax	**582.1**	178.1
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation	**228.2**	231.1

	2019 pence	2018 pence
Basic (loss) earnings per share:		
Total operations*	**(146.4)**	7.4
Continuing operations**	**(136.4)**	21.7
Continuing operations before exceptional items & intangibles amortisation**	**87.9**	94.7
Diluted (loss) earnings per share:		
Total operations*	**(146.4)**	7.3
Continuing operations**	**(136.4)**	21.6
Continuing operations before exceptional items & intangibles amortisation**	**87.4**	94.0

* Adjusted for a profit of £0.5m (2018: profit of £0.4m) in respect of non-controlling interests for total operations.

** Adjusted for a profit of £0.5m (2018: profit of £0.4m) in respect of non-controlling interests for continuing operations.

There have been no share options (2018: nil) exercised between the reporting date and the date of signing of these financial statements.

Loss per share from discontinued operations is disclosed in note 8.

10. DIVIDENDS PAID & PROPOSED

	2019 £m	2018 £m
Declared & paid during the year		
Equity dividends on ordinary shares		
Final dividend for 2018: 30.45p (2017: 29.0p)	**78.9**	69.9
Interim dividend for 2019: 16.5p (2018: 15.75p)	**42.8**	40.9
	121.7	110.8
Proposed for approval by Shareholders at the Annual General Meeting		
Final dividend for 2019: 30.45p (2018: 30.45p)	**79.1**	79.0

Up until May 2018, The Weir Group PLC Scrip Dividend Scheme allowed Shareholders on record the opportunity to elect to receive dividends in the form of new fully paid ordinary shares. In 2018, participation in the Scheme resulted in shares with a value of £31.2m being issued and a cash dividend of £38.7m for the 2017 final dividend. The 2018 interim and final dividends were only issued in cash following closure of the Scrip Dividend Scheme.

The proposed dividend is based on the number of shares in issue, excluding treasury shares held, at the date that 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.

Dividends have been maintained in the year with dividend cover of 1.9 times (2018: 2.1 times) as explained in the Financial Review.

NOTES TO THE GROUP FINANCIAL STATEMENTS
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11. PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment comprises owned and right-of-use assets that do not meet the definition of investment property.

	Owned land & buildings £m	Owned plant & equipment £m	Total owned property, plant & equipment £m	Right-of-use land & buildings £m	Right-of-use plant & equipment £m	Total right-of-use property, plant & equipment £m	Total property, plant & equipment £m
Cost							
At 31 December 2017	208.5	657.3	865.8	–	–	–	865.8
Additions	3.9	79.2	83.1	–	–	–	83.1
Acquisitions	35.6	66.5	102.1	–	–	–	102.1
Disposals	(0.9)	(35.9)	(36.8)	–	–	–	(36.8)
Reclassifications from intangible assets (note 12)	–	0.4	0.4	–	–	–	0.4
Reclassifications to inventory	–	(0.6)	(0.6)	–	–	–	(0.6)
Reclassifications	(0.8)	0.8	–	–	–	–	–
Transferred to assets held for sale (note 8)	(60.8)	(91.5)	(152.3)	–	–	–	(152.3)
Exchange adjustment	3.7	12.5	16.2	–	–	–	16.2
At 31 December 2018	**189.2**	**688.7**	**877.9**	**–**	**–**	**–**	**877.9**
Transfer to right-of-use asset	**–**	**(4.1)**	**(4.1)**	**–**	**4.1**	**4.1**	**–**
Transition adjustment (note 2)	**–**	**–**	**–**	**149.2**	**27.7**	**176.9**	**176.9**
At 1 January 2019	**189.2**	**684.6**	**873.8**	**149.2**	**31.8**	**181.0**	**1,054.8**
Additions	**5.6**	**86.9**	**92.5**	**34.4**	**12.5**	**46.9**	**139.4**
Disposals	**(6.0)**	**(75.4)**	**(81.4)**	**–**	**(1.1)**	**(1.1)**	**(82.5)**
Reclassifications to intangible assets (note 12)	**–**	**(3.8)**	**(3.8)**	**–**	**–**	**–**	**(3.8)**
Reclassifications to inventory	**–**	**(0.1)**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Reclassifications	**1.1**	**(1.1)**	**–**	**(0.1)**	**0.1**	**–**	**–**
Reassessments and modifications	**–**	**–**	**–**	**3.4**	**(2.4)**	**1.0**	**1.0**
Exchange adjustment	**(7.8)**	**(30.5)**	**(38.3)**	**(5.2)**	**(1.3)**	**(6.5)**	**(44.8)**
At 31 December 2019	**182.1**	**660.6**	**842.7**	**181.7**	**39.6**	**221.3**	**1,064.0**
Accumulated depreciation & impairment							
At 31 December 2017	53.5	419.0	472.5	–	–	–	472.5
Depreciation charge for the year*	7.4	57.1	64.5	–	–	–	64.5
Impairment during the year	4.8	8.8	13.6	–	–	–	13.6
Disposals	(0.9)	(31.7)	(32.6)	–	–	–	(32.6)
Reclassifications	(0.4)	0.4	–	–	–	–	–
Transferred to assets held for sale (note 8)	(16.2)	(60.2)	(76.4)	–	–	–	(76.4)
Exchange adjustment	1.3	7.9	9.2	–	–	–	9.2
At 31 December 2018	**49.5**	**401.3**	**450.8**	**–**	**–**	**–**	**450.8**
Transfer to right-of-use asset	**–**	**(1.7)**	**(1.7)**	**–**	**1.7**	**1.7**	**–**
At 1 January 2019	**49.5**	**399.6**	**449.1**	**–**	**1.7**	**1.7**	**450.8**
Depreciation charge for the year	**6.4**	**56.0**	**62.4**	**30.3**	**12.1**	**42.4**	**104.8**
Impairment during the year	**1.4**	**26.6**	**28.0**	**2.5**	**–**	**2.5**	**30.5**
Disposals	**(3.1)**	**(65.0)**	**(68.1)**	**–**	**(1.1)**	**(1.1)**	**(69.2)**
Reclassifications	**0.3**	**(0.3)**	**–**	**–**	**–**	**–**	**–**
Reassessments and modifications	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**	**(0.5)**
Exchange adjustment	**(2.3)**	**(19.9)**	**(22.2)**	**(1.1)**	**(0.3)**	**(1.4)**	**(23.6)**
At 31 December 2019	**52.2**	**397.0**	**449.2**	**31.7**	**11.9**	**43.6**	**492.8**
Net book value at 31 December 2017	155.0	238.3	393.3	–	–	–	393.3
Net book value at 31 December 2018	139.7	287.4	427.1	–	–	–	427.1
Net book value at 31 December 2019	**129.9**	**263.6**	**393.5**	**150.0**	**27.7**	**177.7**	**571.2**

* Includes depreciation in relation to discontinued operations of £2.7m.

Owned property, plant & equipment

Finance leases are now recorded as 'right-of-use assets' in accordance with IFRS 16 'Leases'. The prior year balances transferred to right-of-use assets for continuing operations are included in the analysis table above. In 2018 the carrying value of discontinued operations included buildings held under finance leases of £0.7m and plant & equipment of £0.1m.

The carrying amount of assets under construction included in plant & equipment for continuing operations is £49.6m (2018: £30.4m). Discontinued operations include assets under construction in plant & equipment of £nil (2018: £1.4m).

The impairment charges in the year primarily relate to the Oil & Gas Division with £24.7m in relation to the North America Cash Generating Unit asset review and £3.3m for strategic restructuring and rationalisation initiatives to consolidate and close sites. In Minerals, an impairment of £0.5m for the exit from the North American sand and aggregates market is offset by reversal of £0.5m on disposal of a property in Weir Malaysia which was impaired in the prior year. See note 5 for further details.

The majority of impairment charges during 2018 were related to Weir Minerals Malaysia with buildings impairment of £4.8m and equipment impairment of £7.6m.

Right-of-use assets

The Group leases many assets including buildings, vehicles, forklifts, photocopiers and printers, machinery and IT equipment. Building lease terms are negotiated on an individual basis and contain a wide range of terms from 1–30 years. The average lease term is approximately seven years. Plant & equipment lease terms range from 1–7 years, with an average lease term of approximately four years. The current and non-current lease liabilities are disclosed in notes 19 and 29 respectively. The maturity analysis of contractual undiscounted cash flows is included in note 29. The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs in the year.

The impairment charge of £2.5m recognised in the year relates to Minerals North America for the exit from the North American sand and aggregates market for £1.9m and a restructuring and rationalisation lease write-down in Oil & Gas of £0.6m. See note 5 for further details.

	2019 £m
Depreciation of right-of-use assets	**(42.4)**
Expenses relating to short-term leases	**(15.1)**
Expenses relating to leases of low value assets, excluding short-term leases of low value	**(1.7)**
Income from sub-leasing right-of-use assets	**0.7**
Expenses relating to variable lease payments not included in the measurement of lease liabilities	**(0.4)**
Charge to operating profit	**(58.9)**
Finance cost – interest expense related to lease liabilities	**(7.6)**
Charge to profit before tax from continuing operations	**(66.5)**

The total cash outflow in the year for continuing operations is £67.4m. Future cash outflows from leases not yet commenced to which the Group is committed total £18.2m.

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12. INTANGIBLE ASSETS

	Goodwill £m	Brand names £m	Customer & distributor relationships £m	Purchased software £m	Intellectual property & trade marks £m	Development costs £m	Other £m	Total £m
Cost								
At 31 December 2017	1,263.5	231.7	627.1	78.6	92.8	52.9	25.7	2,372.3
Additions	–	–	–	6.5	0.4	3.1	0.6	10.6
Acquisitions	394.6	128.6	104.6	3.3	40.8	–	60.7	732.6
Disposals	–	–	–	(2.3)	–	–	–	(2.3)
Reclassifications to property, plant & equipment (note 11)	–	–	–	(0.4)	–	–	–	(0.4)
Transferred to assets held for sale (note 8)	(107.5)	(12.0)	(37.5)	(13.8)	(1.8)	(5.4)	(3.5)	(181.5)
Exchange adjustment	69.7	17.9	36.6	0.5	4.0	(0.2)	2.7	131.2
At 31 December 2018	**1,620.3**	**366.2**	**730.8**	**72.4**	**136.2**	**50.4**	**86.2**	**3,062.5**
Additions	**–**	**–**	**–**	**21.7**	**–**	**2.0**	**–**	**23.7**
Disposals	**–**	**–**	**–**	**(2.0)**	**(0.1)**	**(0.7)**	**–**	**(2.8)**
Reclassifications from property, plant & equipment (note 11)	**–**	**–**	**–**	**3.8**	**–**	**–**	**–**	**3.8**
Reclassifications	**–**	**–**	**–**	**2.0**	**–**	**–**	**(2.0)**	**–**
Exchange adjustment	**(63.4)**	**(14.0)**	**(27.2)**	**(3.6)**	**(5.2)**	**(0.4)**	**(3.3)**	**(117.1)**
At 31 December 2019	**1,556.9**	**352.2**	**703.6**	**94.3**	**130.9**	**51.3**	**80.9**	**2,970.1**
Accumulated amortisation & impairment								
At 31 December 2017	393.2	8.0	290.9	42.9	48.7	14.0	23.9	821.6
Amortisation charge for the year*	–	2.0	38.3	6.8	10.0	8.9	1.3	67.3
Impairment during the year	48.1	–	–	–	–	–	–	48.1
Disposals	–	–	–	(2.3)	–	–	–	(2.3)
Transferred to assets held for sale (note 8)	(45.0)	–	(23.0)	(10.8)	(0.8)	(3.1)	–	(82.7)
Exchange adjustment	23.9	0.8	15.8	0.6	2.5	(0.2)	0.5	43.9
At 31 December 2018	**420.2**	**10.8**	**322.0**	**37.2**	**60.4**	**19.6**	**25.7**	**895.9**
Amortisation charge for the year	**–**	**1.8**	**40.5**	**8.2**	**12.8**	**8.8**	**6.2**	**78.3**
Impairment during the year	**288.0**	**39.7**	**150.6**	**0.9**	**–**	**–**	**–**	**479.2**
Disposals	**–**	**–**	**–**	**(2.0)**	**(0.1)**	**(0.4)**	**–**	**(2.5)**
Reclassifications	**–**	**–**	**3.7**	**0.9**	**(3.7)**	**–**	**(0.9)**	**–**
Exchange adjustment	**(27.2)**	**(1.8)**	**(18.9)**	**(1.8)**	**(2.8)**	**(0.2)**	**(1.1)**	**(53.8)**
At 31 December 2019	**681.0**	**50.5**	**497.9**	**43.4**	**66.6**	**27.8**	**29.9**	**1,397.1**
Net book value at 31 December 2017	870.3	223.7	336.2	35.7	44.1	38.9	1.8	1,550.7
Net book value at 31 December 2018	1,200.1	355.4	408.8	35.2	75.8	30.8	60.5	2,166.6
Net book value at 31 December 2019	**875.9**	**301.7**	**205.7**	**50.9**	**64.3**	**23.5**	**51.0**	**1,573.0**

* Includes amortisation in relation to discontinued operations of £1.0m.

The impairment charge recorded in 2019 of £479.2m includes write-downs totalling £472.9m relating to the Oil & Gas North America Cash Generating Unit comprising goodwill £288.0m, brand names £39.7m, customer relationships £144.3m and purchased software of £0.9m. These charges are a result of current challenging conditions in the North American oil and gas market and uncertainty over the timing of market recovery.

In addition to these balances there was a £6.3m write-off of customer relationships in Trio North America following closure of the sand and aggregates business in that region.

During 2018, impairment charges of £48.1m included £45.0m in relation to a write-down of goodwill in discontinued operations and a write-down of £3.1m for goodwill associated with the decision to exit the Minerals Division's Malaysia foundry operations.

Brand names have been assigned an indefinite useful life and as such are not amortised with the exception of those acquired during 2017 for KOP Surface Products. These had a carrying value of £1.9m at 31 December 2018 and were fully amortised during 2019.

The carrying value of brand names with an indefinite life is tested annually for impairment (note 14). The Seaboard and Mathena brand names were impaired during the year for the reasons noted above. There is no impairment charge in the prior year. The carrying value at the year end was £301.7m (2018: £355.4m).

The brand name value includes the brands of ESCO, Linatex, Warman, SPM and Multiflo, all of which are considered to be market leaders in their respective markets. The allocation of significant brand names is as follows.

	Brand names	
	2019 £m	2018 £m
ESCO	**128.6**	127.8
Warman	**62.6**	65.1
Linatex	**43.0**	44.7
Seaboard	**–**	30.4
SPM	**41.1**	42.8
Trio	**17.9**	18.7
Gabbioneta	**–**	6.1
Mathena	**–**	9.3
Other	**8.5**	22.5
	301.7	367.4
Gabbioneta included in assets held for sale	**–**	(6.1)
Other brands included in assets held for sale	**–**	(5.9)
	301.7	355.4

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

	Remaining amortisation period		Customer & distributor relationships	
	2019 Years	2018 Years	**2019 £m**	2018 £m
ESCO	**26–29**	27–30	**98.8**	106.8
SPM	**12**	13	**64.3**	75.9
Seaboard	**n/a**	9	**–**	85.2
Mathena	**n/a**	7	**–**	78.5
Novatech	**6**	7	**23.2**	29.2
Trio	**5**	6	**4.7**	14.2
Other	**Up to 11**	Up to 12	**14.7**	33.5
			205.7	423.3
Other customer and distributor relationships included in assets held for sale	**n/a**	Up to 12	**–**	(14.5)
			205.7	408.8

13. BUSINESS COMBINATIONS

Prior year business combinations

On 12 July 2018, the Group completed the acquisition of ESCO Corporation ('ESCO') for an enterprise value of US$1.3bn (£972.3m). In order to part fund the acquisition, a placement of 16,699,763 ordinary shares was completed on 23 April 2018, raising £355.5m (net of £7.7m fees). As part of the final consideration, a further 16,779,861 ordinary shares were issued directly to ESCO Shareholders on 12 July 2018 valued at £325.3m with an additional equity consideration of £1.4m in relation to pre-acquisition cost of share-based payment awards (see note 27). ESCO is the world's leading provider of ground engaging tools for surface mining and infrastructure.

On 31 July 2018, the Group completed the acquisition of Ralph A. Hiller Company, a manufacturer of certain valve products for use in nuclear power facilities, for a consideration of US$4.0m (£3.1m).

On 18 April 2018, the Group completed a trade and asset purchase of Davidson Sales & Engineering, Inc., a provider of marketing, distributing, selling and servicing mining and other industrial equipment, for a consideration of US$4.1m (£2.9m).

In 2019, the provisional fair values of the opening balance sheets for the acquisitions noted above were finalised following a review over a 12 month period since the date of acquisition. No adjustments were made to the fair values reported in the 2018 financial statements.

Contingent consideration of £0.2m at 31 December 2018 relating to the purchase of ESCO was settled in the year, following a reduction in the balance of £0.1m due to exchange movements in the year.

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14. IMPAIRMENT TESTING OF GOODWILL & INTANGIBLE ASSETS WITH INDEFINITE LIVES

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated at acquisition to cash generating units (CGUs) that are expected to benefit from the business combination. The Group tests goodwill and intangible assets (brand names) with indefinite lives annually for impairment, or more frequently if there are indications that these might be impaired.

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

	Goodwill 2019 £m	**Intangibles 2019 £m**	Goodwill 2018 £m	Intangibles 2018 £m
Minerals	**363.0**	**132.0**	378.2	137.2
ESCO	**390.3**	**128.6**	406.0	133.8
Oil & Gas International	**54.5**	**–**	56.7	–
Oil & Gas North America	**68.1**	**41.1**	359.2	82.5
Continuing operations	**875.9**	**301.7**	1,200.1	353.5

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 EBITA margin.

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 2019.

ESCO

ESCO includes the ESCO and Bucyrus Blades brands. This CGU is a supplier of ground engaging tools (GET) and associated equipment and services to the mining and infrastructure industries. Independent forecasts of expenditure in these sectors have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2019.

Oil & Gas International

Oil & Gas International comprises multiple service centre locations within the Middle East and Europe and wellhead locations across a number of countries in Asia Pacific. The service centre locations supply services including repair, manufacture and certification of oilfield equipment, to a diverse portfolio of customers. The Asia Pacific locations supply surface wellheads, surface trees, valves and actuators as well as providing support to customers including installation, maintenance, rental and refurbishment services. 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 2019.

Oil & Gas North America

Oil & Gas North America includes the Weir SPM brand. 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, the number of wells completed and gas well drilling rigs in operation which are 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 2019.

Impairment testing assumptions

Impairment testing requires an estimate of the value in use of the CGUs to which the goodwill and intangible assets are allocated. To estimate the value in use, the Group estimates the expected future cash flows from the CGU and discounts them to their present value at a determined discount rate, which is appropriate for the geographic location of the CGU. Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation.

The basis of the impairment tests for the four CGUs, including key assumptions, are set out in the table below.

CGU	Basis of valuation	Period of forecast	Discount rate[1]	Real growth[2]	Key assumptions[3]	Source
Minerals	Value in use	5 years	11.4% (2018: 15.2%)	1.2% (2018: 1.2%)	Revenue growth EBITA margins	External forecast Historic experience
ESCO	Value in use	5 years	10.6% (2018: 14.6%)	1.2% (2018: 1.2%)	Revenue growth EBITA margins	External forecast Historic experience
Oil & Gas International	Value in use	5 years	9.8% (2018: 14.5%)	1.2% (2018: 1.2%)	Revenue growth EBITA margins	External forecast Historic experience
Oil & Gas North America	Value in use	5 years	12.4% (2018: 14.6%)	0.0% (2018: 1.2%)	Revenue growth EBITA margins	External forecast Historic experience

1 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. The overall discount rates for the majority of countries have decreased due to reductions in the bond yields and industry asset betas, albeit the latter remained consistent for the Oil & Gas North America CGU.

2 Real growth
For three of the CGUs the real growth beyond the five-year forecast period has been held consistent with the prior year at 1.2% (2018: 1.2%), reflecting the increasingly global nature of these businesses, the long-term growth prospects in their end markets and the fact that they sell a significant proportion of their products to emerging markets which also have strong long-term growth prospects. The real growth rate for the Oil & Gas North America CGU was reduced to nil (2018: 1.2%) to reflect the current market outlook and uncertain timing of recovery.

3 EBITA margins
EBITA 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

The challenging current market conditions in the North American oil and gas market and uncertainty over the timing of market recovery has had a substantial impact on the long-term forecast cash flows for our Oil & Gas North America CGU. This led to a specific review of the carrying value of assets within the CGU and the impairment of both tangible and intangible assets as reflected in note 5. This included the impairment of specific indefinite life intangible assets (brand names) totalling £39.7m.

Subsequent to these asset impairments the testing of the remaining goodwill and intangible assets with indefinite lives indicated an impairment charge of £288.0m, resulting in a recoverable amount for goodwill and intangible assets with indefinite lives of £109.2m based on the value in use. The full impairment charge has been allocated against goodwill.

At the balance sheet date, the estimated recoverable amount of the Oil & Gas North America CGU is equal to its carrying value. Consequently any adverse change in assumptions would, in isolation, cause further impairment loss to be recognised.

The discount rate has reduced 220bps in 2019 primarily as a result of low bond yields. An increase in the discount rate of 100bps would lead to an increase in the impairment recognised of £49m. A reduction in the terminal growth rate by 100bps would lead to a further impairment of £39m.

Long-term future cash flows included in the impairment analysis reflect recent results and assume the market conditions seen through 2019 endure for longer. If these assumptions for future periods did not materialise or performance worsened then a further impairment could result.

As explained in other sections of this Annual Report (but specifically in the Financial Review on page 32), the Group has already reacted to market conditions through the implementation of the Oil & Gas restructuring and rationalisation actions and management continue to review the operational structure and business model to ensure we remain well placed to fully respond to the current market, while remaining prepared for any upturn.

The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGU, and that the discount rate used is appropriate given the risks associated with the specific cash flows. It is considered appropriate to disclose this as an area of significant estimation due to the size of the balance, the relatively low discount rates compared to recent years and the current levels of market uncertainty which could reasonably lead to changes in the carrying value as a result of future events within the next five years.

Forecasts for the Minerals, ESCO and Oil & Gas International CGUs 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.

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15. INVESTMENTS IN JOINT VENTURES

The Group holds investments in five joint ventures as follows.

	£m
At 31 December 2017	19.2
Acquisitions	15.8
Disposals	–
Share of results	2.4
Share of dividends	(1.6)
Exchange adjustment	0.8
At 31 December 2018	**36.6**
Share of results	**6.2**
Share of dividends	**(3.5)**
Exchange adjustment	**(2.7)**
At 31 December 2019	**36.6**

Details of the Group’s share of the balance sheet, revenue and profit of its joint ventures are given below.

	2019 £m	2018 £m
Share of joint ventures' balance sheets		
Goodwill	**4.0**	4.1
Current assets	**27.0**	28.0
Non-current assets	**17.2**	16.8
Current liabilities	**(8.7)**	(9.8)
Non-current liabilities	**(2.9)**	(2.5)
Net assets	**36.6**	36.6
Share of joint ventures’ revenue & profits		
Revenue	**44.7**	29.1
Cost of sales	**(33.5)**	(21.7)
Selling & distribution costs	**(2.1)**	(2.8)
Administrative expenses	**(1.5)**	(1.8)
Income tax expense	**(1.3)**	(0.4)
Interest	**(0.1)**	–
Profit after tax	**6.2**	2.4

The acquisition during 2018 relates to the Group’s investment in a joint venture acquired as part of ESCO on 12 July 2018. The Group’s investments in joint ventures are listed on page 216.

16. INVENTORIES

	2019 £m	2018 £m
Raw materials	**76.3**	125.0
Work in progress	**54.0**	71.2
Finished goods	**512.6**	496.5
	642.9	692.7

In 2019, the cost of inventories recognised as an expense within cost of sales amounted to £1,787.7m (2018: £1,633.0m). In 2019, the write-down of inventories to net realisable value amounted to £66.7m (2018: £13.7m), and the reversal of previous write-downs amounted to £21.5m (2018: £27.4m). The write-down included £48.6m due to uncertainty in the market outlook for Oil & Gas North America and £9.4m (2018: £4.8m) for Group restructuring actions in Minerals following the exit from the North American sand and aggregates market. A further £2.3m (2018: £7.5m) was recognised in relation to warranty issues in Oil & Gas, as disclosed in note 5. There was no impact as at 31 December 2018 from the fair value uplift in ESCO (note 5) as this was fully unwound in 2018.

17. TRADE & OTHER RECEIVABLES

Other receivables presented as non-current on the face of the Consolidated Balance Sheet of £77.1m (2018: £78.5m) are primarily in respect of insurance contracts, including Trust Owned Life Insurance policy investments which provide a form of security for certain unfunded employee benefit plans operated by ESCO, and insurance contracts relating to asbestos-related claims in the USA of £36.4m (2018: £39.0m). Further detail on these claims is presented in note 21.

Current trade & other receivables are analysed in the following table.

	2019 £m	2018 £m
Trade receivables	**454.6**	501.5
Loss allowance	**(14.4)**	(18.2)
	440.2	483.3
Other debtors	**26.7**	41.5
Sales tax receivable	**18.8**	12.4
Prepayments	**50.8**	35.4
Contract assets	**21.4**	25.1
	557.9	597.7

The average credit period on sales of goods is 60 days (2018: 66 days excluding ESCO). Other debtors includes £2.1m (2018: £2.6m) in respect of amounts due from joint ventures, and £7.0m (2018: £9.1m) in respect of insurance contracts relating to asbestos-related claims made in the USA (note 21).

Impairment of trade & other receivables

The Group has two types of financial assets that are subject to IFRS 9's expected credit loss model:

i) trade receivables for sales of products and services; and
ii) contract assets relating to construction contracts.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Due to the way in which these contracts are managed, expected credit loss is included within the loss allowance for trade receivables.

Due to the diverse end markets and customer geographies within the Group, the methodology applied to arrive at the expected loss rate is dictated by local circumstances. For short-term trade receivables, historical loss rates might be an appropriate basis for the estimate of expected future losses. These are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As such, one methodology applied is the use of a provision matrix, where different loss rates are applied depending on the number of days that a trade receivable is past due. Alternatively the expected credit loss is calculated on an individual customer basis based on historical loss data for that customer, their receivables ageing, and any other knowledge of the customer's current and forecast financial position.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The gross carrying amount of trade receivables, for which the loss allowance is measured at an amount equal to the lifetime expected credit losses under the simplified method, is analysed below.

Analysis of gross carrying amount of trade receivables by days past due

	2019 £m	2018 £m
Not past due	**310.4**	325.4
Up to 3 months past due	**99.8**	112.3
Between 3 & 6 months past due	**13.3**	22.5
More than 6 months past due	**31.1**	41.3
	454.6	501.5

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Reconciliation of opening to closing loss allowance for trade receivables

	2019 £m	2018 £m
Balance at the beginning of the year	**(18.2)**	(23.6)
Transferred to assets held for sale	**–**	7.2
Impairment losses recognised on receivables	**(4.3)**	(6.2)
Amounts written-off as uncollectable	**3.5**	3.4
Amounts recovered during the year	**1.1**	0.2
Impairment losses reversed	**2.7**	1.0
Exchange adjustment	**0.8**	(0.2)
Balance at the end of the year	**(14.4)**	(18.2)

The Group has recognised the following assets in relation to contracts with customers.

	2019 £m	2018 £m
Construction contract assets	**12.5**	3.2
Accrued income	**8.9**	21.9
Total contract assets	**21.4**	25.1

The increase in construction contract assets relates to the increase and timing of costs incurred on large 'engineer to order' projects which were recognised over time, in advance of billings. The reduction in accrued income in the year is driven by the timing of contract shipments.

18. CASH & SHORT-TERM DEPOSITS

	2019 £m	2018 £m
Cash at bank & in hand	**242.3**	239.2
Short-term deposits	**31.5**	23.8
	273.8	263.0
For the purposes of the Consolidated Cash Flow Statement, cash & cash equivalents comprise the following:		
Cash & short-term deposits	**273.8**	263.0
Bank overdrafts & short-term borrowings (note 19)	**(1.7)**	–
Cash & short-term deposits held for sale	**–**	16.1
Bank overdrafts & short-term borrowings held for sale	**–**	(1.9)
	272.1	277.2

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 earns interest at the respective short-term deposit rates.

19. INTEREST-BEARING LOANS & BORROWINGS

	2019 £m	2018 £m
Current		
Bank overdrafts	**1.7**	–
Fixed-rate notes	**–**	164.3
Bank loans	**299.6**	–
Commercial paper	**190.5**	497.2
Obligations under finance leases (note 26)	**–**	1.0
Lease liabilities	**42.3**	–
	534.1	662.5
Non-current		
Bank loans	**158.4**	120.0
Fixed-rate notes	**595.1**	619.4
Obligations under finance leases (note 26)	**–**	1.5
Lease liabilities	**142.7**	–
	896.2	740.9

Bank loans	Maturity	Interest basis	Weighted average interest rate 2019 %	2018 %	2019 £m	2018 £m
Revolving credit facility						
United States Dollar variable rate loans	2021	US$ LIBOR	**2.39**	–	**158.3**	–
Sterling variable rate loans	2021	£ LIBOR	**–**	1.08	**–**	120.0
Other						
Purchasing cards in discontinued operations	2019	FIXED	**–**	24.00	**–**	0.3
Sterling variable rate term loan	2020	£ LIBOR	**1.56**	–	**299.6**	–
United States Dollar fixed-rate loan facilities	2021	FIXED	**7.80**	–	**0.1**	–
					458.0	120.3
Less: current instalments due on bank loans						
Purchasing cards in discontinued operations	2019	FIXED			**–**	(0.3)
Sterling variable rate term loan	2020	£ LIBOR			**(299.6)**	–
Non-current bank loans	–	–			**158.4**	120.0

Commercial paper	Maturity	Interest basis	Weighted average interest rate 2019 %	2018 %	2019 £m	2018 £m
Commercial paper						
United States Dollar variable rate commercial paper	2019	US$ LIBOR	**–**	3.21	**–**	19.6
Euro variable rate commercial paper	2020	EUR LIBOR	**0.03**	0.05	**190.5**	477.6
					190.5	497.2
Less: current instalments due on commercial paper						
United States Dollar variable rate commercial paper	2019	US$ LIBOR			**–**	(19.6)
Euro variable rate commercial paper	2020	EUR LIBOR			**(190.5)**	(477.6)
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 2019 %	2018 %	2019 £m	2018 £m
Private placement						
United States Dollar fixed-rate notes	2019	FIXED	**–**	3.69	**–**	164.3
United States Dollar fixed-rate notes	2022	FIXED	**4.27**	4.27	**444.6**	462.7
United States Dollar fixed-rate notes	2023	FIXED	**4.34**	4.34	**150.5**	156.7
					595.1	783.7
Less: current instalments due on fixed-rate notes						
United States Dollar fixed-rate notes	2019	FIXED			**–**	(164.3)
Non-current fixed-rate notes					**595.1**	619.4

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

At 31 December 2019, £158.3m (2018: £120.0m) was drawn under the US$950.0m multi-currency revolving credit facility which matures in two tranches between September 2020 and September 2021.

At 31 December 2019, £299.6m (2018: £nil) was drawn under a new term loan facility opened during 2019 and includes unamortised issue costs of £0.4m. The term loan facility matures in December 2020.

At 31 December 2019, a total of £190.5m equivalent (2018: £497.2m equivalent) was outstanding under the Group's US$1bn commercial paper programme.

At 31 December 2019, a total of £595.1m (2018: £783.7m) was outstanding under private placement which includes total unamortised issue costs of £0.5m (2018: £0.9m).

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20. TRADE & OTHER PAYABLES

	2019 £m	2018 £m
Current		
Trade payables	**306.7**	347.0
Other creditors	**12.7**	8.9
Other taxes & social security costs	**12.5**	11.4
Accruals	**191.6**	216.8
Contingent consideration payable	**–**	0.2
Contract liabilities	**66.1**	45.6
	589.6	629.9
Non-current		
Other payables	**–**	0.8
	–	0.8

Trade payables includes balances due to suppliers that have signed up to a supply chain financing programme, under which all invoices are settled via a partner bank. This allows the suppliers to elect on an invoice by invoice basis to receive a discounted early payment from the partner bank rather than being paid in line with the agreed payment terms. The value of the liability payable by the Group remains unchanged. The aggregate limit of facilities available at 31 December 2019 was £95.0m and may be voluntarily cancelled under bilateral terms of 30 days notice.

The Group assesses the arrangement against indicators to assess if debts which vendors have sold to the partner bank under the supplier financing scheme continue to meet the definition of trade payables or should be classified as borrowings. At 31 December 2019 and 31 December 2018 the payables met the criteria of trade payables and the arrangement had no impact on the results or the financial position of the Group.

The Group has recognised the following liabilities in relation to contracts with customers.

	2019 £m	2018 £m
Construction contract liabilities	**3.7**	1.4
Deferred income	**62.4**	44.2
Total contract liabilities	**66.1**	45.6

The increase in total contract liabilities in the year primarily relates to an order to provide equipment to the Iron Bridge Magnetite Project in Western Australia.

Revenue recognised in relation to contract liabilities
The following table shows the revenue recognised in the current reporting period related to carried forward contract liabilities.

	2019 £m	2018 £m
Revenue recognised that was included in the contract liability balance at the beginning of the year	**26.4**	38.9

Transaction price allocated to unsatisfied performance obligations
The transaction price allocated to performance obligations unsatisfied at the year end is £124.0m. This relates only to performance obligations from contracts with a duration of over a year as permitted by the practical expedient in paragraph 121 of IFRS 15. The prior year comparative has not been given as the majority of contracts in 2018 had a duration of one year or less.

The following table shows when revenue is expected to be recognised for unsatisfied performance obligations from contracts with a duration of over one year.

	2019 £m
Less than 1 year	**90.8**
After 1 year but not more than 5 years	**33.2**
Total value of performance obligations unsatisfied from contracts with a duration over 1 year	**124.0**

21. PROVISIONS

	Warranties & onerous sales contracts £m	Asbestos-related £m	Employee-related £m	Exceptional rationalisation £m	Other £m	Total £m
At 31 December 2018	21.5	52.3	15.6	16.3	14.5	120.2
Additions	14.4	7.0	14.3	26.2	0.4	62.3
Utilised	(18.1)	(8.9)	(10.2)	(26.9)	(1.3)	(65.4)
Unutilised	(3.6)	(1.0)	(1.1)	(0.8)	(0.3)	(6.8)
Transition adjustment (note 2)	–	–	–	(1.5)	(1.1)	(2.6)
Exchange adjustment	(0.7)	(1.8)	(0.8)	(0.5)	(0.4)	(4.2)
At 31 December 2019	**13.5**	**47.6**	**17.8**	**12.8**	**11.8**	**103.5**
Current 2019	12.4	7.2	7.7	12.0	2.9	42.2
Non-current 2019	1.1	40.4	10.1	0.8	8.9	61.3
At 31 December 2019	**13.5**	**47.6**	**17.8**	**12.8**	**11.8**	**103.5**
Current 2018	18.8	9.1	6.4	12.4	3.8	50.5
Non-current 2018	2.7	43.2	9.2	3.9	10.7	69.7
At 31 December 2018	**21.5**	**52.3**	**15.6**	**16.3**	**14.5**	**120.2**

Warranties & 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.

Asbestos-related claims

Certain of the Group's US-based subsidiaries are co-defendants in lawsuits pending in the US 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. Due to the expiration of one of the Group's insurance policies in the year, which provided insurance cover for claims with a post-1980 first date of exposure, the Group has provided £1.0m in the year to reflect the small number of claims experienced to date. There are currently no cash flows to or from the Group related to claims with an exposure date pre-1981 due to insurance cover, and we expect this to continue for the foreseeable future.

There remains 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 the plaintiff's bar to develop and sustain new legal theory and/or develop new populations of claimants;
iii) changes in focus of the 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.

A review of both the Group's expected liability for US asbestos-related diseases and the adequacy of the Group's insurance policies to meet future settlement and defence costs was completed in conjunction with external advisers in 2017 as part of our planned triennial actuarial update. This review estimated future claims experience based on an industry standard epidemiological decay model, and Weir's claims settlement history. Due to the inherent uncertainty resulting from the changing nature of the US litigation environment as outlined above, and in conjunction with the actuarial review, the Directors consider 10 years (2018: 10 years) of projected claims to provide a reliable estimate of the future liability. Confirmation was also received from external advisers that the insurance asset remained sufficient to match the Directors' best estimate of the future liability and therefore a corresponding asset was recognised for insurance proceeds (note 17).

A review of the claims submitted and those settled during the year confirmed that the actuarial review completed in 2017 remains appropriate subject to the additional provision for claims with an exposure date post-1980. As such, the liability provision and corresponding asset have been updated accordingly to reflect the nature of the actuarial decay model and the projected claims profile a year further out. A provision of £44.4m (2018: £48.1m) represents the Directors' best estimate of the future liability, with a corresponding asset remaining appropriate.

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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 reflecting reasonably probable scenarios has been conducted. This involved:

i) increasing/decreasing the number of projected future settled claims and estimated settlement value by 10%; or
ii) increasing/decreasing the basis of provision by two years.

Application of these sensitivities would not lead to a material change in the provision.

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 employer's liability claims which all relate to former UK operations and employment periods in the 1960s and 1970s. 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. 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.

The UK provision was reviewed and adjusted accordingly for claims experience in the year, resulting in a provision of £3.2m (2018: £4.2m).

Employee-related
Employee-related provisions arise from legal obligations, the majority of which relate to compensation associated with periods of service.

Exceptional rationalisation
Restructuring and rationalisation charges during the year led to additions of £26.2m which included £5.2m relating to withdrawal from the lower margin sand and aggregates comminution market in North America and costs associated with political and social events in South America, £10.8m for Oil & Gas restructuring activities and £10.2m for ESCO integration costs.

The closing provision of £12.8m includes £6.5m which has been retained for costs incurred to date on Oil & Gas restructuring and £2.3m for Minerals.

Other
Other provisions include environmental obligations, penalties, duties due, legal claims and other exposures across the Group. These balances typically include estimates based on multiple sources of information and reports from third-party advisers. Where certain outcomes are unknown, a range of possible scenarios is calculated, with the most likely being reflected in the provision.

22. DEFERRED TAX

	2019 £m	2018 £m
Deferred income tax assets		
Post-employment benefits	**28.1**	30.7
Decelerated depreciation for tax purposes	**1.3**	7.6
Intangible assets	**1.0**	2.4
Untaxed reserves	**154.2**	144.0
Offset against liabilities	**(123.4)**	(143.0)
Deferred income tax assets	**61.2**	41.7
Deferred income tax assets attributable to:		
Continuing operations	**61.2**	36.0
Discontinued operations	**–**	5.7
	61.2	41.7
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	**(11.3)**	(29.3)
Overseas tax on unremitted earnings	**(9.0)**	(8.1)
Intangible assets	**(131.1)**	(190.5)
Other temporary differences	**(1.0)**	(7.6)
Offset against assets	**123.4**	143.0
Deferred income tax liabilities	**(29.0)**	(92.5)
Deferred income tax liabilities attributable to:		
Continuing operations	**(29.0)**	(92.2)
Discontinued operations	**–**	(0.3)
	(29.0)	(92.5)
Net deferred income tax asset (liability)	**32.2**	(50.8)

The movement in deferred income tax assets and liabilities during the year 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 1 January 2018	24.3	(10.1)	(15.1)	(107.3)	95.6	(12.6)
Acquisitions	14.6	(8.6)	(1.0)	(78.4)	15.1	(58.3)
(Charged) credited to the income statement (note 7)	(0.2)	(1.6)	7.8	6.6	22.3	34.9
Charged to equity (note 7)	(8.8)	–	–	–	(1.4)	(10.2)
Exchange adjustment	0.8	(1.4)	0.2	(9.0)	4.8	(4.6)
At 31 December 2018	**30.7**	**(21.7)**	**(8.1)**	**(188.1)**	**136.4**	**(50.8)**
(Charged) credited to the income statement (note 7)	**(2.0)**	**8.4**	**(1.6)**	**51.6**	**33.1**	**89.5**
Credited to equity (note 7)	**0.8**	**–**	**–**	**–**	**0.2**	**1.0**
Disposals	**(0.8)**	**2.1**	**–**	**4.1**	**(11.3)**	**(5.9)**
Exchange adjustment	**(0.6)**	**1.2**	**0.7**	**2.3**	**(5.2)**	**(1.6)**
At 31 December 2019	**28.1**	**(10.0)**	**(9.0)**	**(130.1)**	**153.2**	**32.2**

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.

Deferred tax asset balances for unused tax losses of £21.7m (2018: £25.5m) 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 £5.8m (2018: £5.9m) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

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22. DEFERRED TAX continued
The net deferred tax asset due after more than one year is £32.2 million (2018: liability of £50.8m).

Temporary differences associated with Group investments
A deferred tax liability of £9.0m (2018: £8.1m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries. As at 31 December 2019, 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 £2,430.7m (2018: £2,254.0m).

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 17.1% (2018: 17.4%).

23. PENSIONS & OTHER POST-EMPLOYMENT BENEFIT PLANS
The Group operates various defined benefit pension plans in the UK and North America. All defined benefit plans are closed to new members. The most significant defined benefit plan is the Main funded UK plan.

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 Consolidated 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 Executive Plan entered into an insurance contract in 2017 which matches the liabilities of the plan in full.

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 and the Executive Plan through the insurance policies held.

North American plans
The Group also sponsors funded defined benefit pension plans in the US and Canada and certain unfunded arrangements (including post-employment healthcare benefits for senior employees) in the US.

Following the acquisition of ESCO in 2018, these plans combined make up 18% of the Group's pension and other post-employment benefit plan commitments and 14% of the Group's total associated assets.

The weighted average duration of these plans is around 11 years.

The Group completed the sale of its Flow Control business on 28 June 2019. Details of the defined benefit pension plans transferred as part of the sale have not been included in the figures below. These assets and obligations were transferred to non-current liabilities in the discontinued balance sheet disclosed in the 2018 financial statements.

The defined benefit plans in the UK and North America expose the Group to a number of risks.

- Uncertainty in benefit payments — The value of the Group's liabilities for the defined benefit plans will ultimately depend on the amount of benefits paid out. This in turn will depend on the level of inflation (for those benefits that are subject to some form of inflation protection) and how long individuals live. This risk is significantly reduced through the insurance policies held in the UK.
- Volatility in asset values — The Group is exposed to future movements in the values of assets held in the funded defined benefit plans to meet future uninsured benefit payments.
- Uncertainty in cash funding — Movements in the values of the obligations or assets may result in the Group being required to provide higher levels of cash funding, although changes in the level of cash required can often be spread over a number of years. This risk is significantly reduced through the insurance policies held. In addition, the Group is also exposed to adverse changes in pension regulation.
- Exchange rate movements — Movements in exchange rates will affect the value in GBP of the assets and obligations of the Group's North American defined benefit plans.

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 & post-retirement healthcare	
	2019	2018	**2019**	2018
Significant actuarial assumptions:				
Discount rate (% pa)	**2.1**	2.9	**3.0**	4.1
Retail Prices Inflation assumption (% pa)	**3.0**	3.2	**n/a**	n/a
Post-retirement mortality (life expectancies in years):				
Current pensioners at 65 – male	**21.1**	21.6	**20.5**	20.6
Current pensioners at 65 – female	**23.1**	23.5	**22.5**	22.6
Future pensioners at 65 – male	**22.5**	23.0	**22.1**	22.2
Future pensioners at 65 – female	**24.6**	25.1	**24.1**	24.2
Other related actuarial assumptions:				
Rate of increases for pensions in payment (% pa)				
Pre 6 April 2006 service	**2.9**	3.1	**n/a**	n/a
Post 5 April 2006 service	**2.0**	2.1	**n/a**	n/a
Consumer Prices Inflation assumption (% pa)	**1.9**	2.1	**n/a**	n/a
Rate of increase in healthcare costs	**n/a**	n/a	*	**

* Between -4.8% and 7.3% per annum decreasing to 4.5% per annum and remaining static at that level from 2031 onwards.

** Between 7.4% and 20.9% per annum decreasing to 4.5% per annum and remaining static at that level from 2031 onwards.

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost. For North America, weighted average assumptions are shown above 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 2040 (in 20 years' time).

The assets and liabilities of the plans are as follows.

	UK pensions		North American pensions & post-retirement healthcare		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Plan assets at fair value						
Equities (quoted)	**193.8**	177.5	**35.2**	30.5	**229.0**	208.0
Diversified Growth Funds (primarily quoted)	**62.5**	55.5	**2.4**	2.0	**64.9**	57.5
Corporate bonds (quoted)	**41.1**	37.3	**52.0**	51.5	**93.1**	88.8
Government bonds (quoted)	**114.1**	109.2	**32.5**	25.7	**146.6**	134.9
Insurance policies (unquoted)	**364.7**	360.9	**–**	–	**364.7**	360.9
Property	**–**	–	**5.0**	5.0	**5.0**	5.0
Private debt (unquoted)	**9.8**	–	**–**	–	**9.8**	–
Cash (quoted)	**28.4**	8.7	**0.3**	1.1	**28.7**	9.8
Fair value of plan assets	**814.4**	749.1	**127.4**	115.8	**941.8**	864.9
Present value of funded obligations	**(882.3)**	(819.8)	**(159.8)**	(151.4)	**(1,042.1)**	(971.2)
Net funded obligations	**(67.9)**	(70.7)	**(32.4)**	(35.6)	**(100.3)**	(106.3)
Present value of unfunded obligations	**(1.4)**	(1.4)	**(37.0)**	(41.4)	**(38.4)**	(42.8)
Net liability	**(69.3)**	(72.1)	**(69.4)**	(77.0)	**(138.7)**	(149.1)
Plans in deficit	**(69.3)**	(72.1)	**(69.4)**	(77.0)	**(138.7)**	(149.1)

Of the government bonds held at 31 December 2019, 42% are fixed interest bonds. 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 benefits, the liabilities are backed by insurance policies and suitable bonds.

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23. PENSIONS & OTHER POST-EMPLOYMENT BENEFIT PLANS continued

The change in net liabilities recognised in the balance sheet is comprised as follows.

	UK pension		North American pensions & post-retirement healthcare		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Opening net liabilities	**(72.1)**	(125.1)	**(77.0)**	(12.6)	**(149.1)**	(137.7)
Net liability transferred on acquisition	**–**	–	**–**	(64.2)	**–**	(64.2)
Expense charged to the income statement	**(1.9)**	(9.3)	**(3.9)**	(2.7)	**(5.8)**	(12.0)
Amount recognised in the Consolidated Statement of Comprehensive Income	**(3.4)**	59.2	**(1.8)**	(5.5)	**(5.2)**	53.7
Employer contributions	**8.1**	3.1	**10.5**	6.5	**18.6**	9.6
Net liability transferred to held for sale	**–**	–	**–**	4.8	**–**	4.8
Exchange adjustment	**–**	–	**2.8**	(3.3)	**2.8**	(3.3)
Closing net liabilities	**(69.3)**	(72.1)	**(69.4)**	(77.0)	**(138.7)**	(149.1)

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

	UK pension		North American pensions & post-retirement healthcare		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Recognised in the Consolidated Income Statement						
Current service cost	**–**	–	**(1.0)**	(0.5)	**(1.0)**	(0.5)
Past service cost	**–**	(6.3)	**–**	–	**–**	(6.3)
Curtailment gain	**–**	–	**1.1**	–	**1.1**	–
Administrative expenses	**–**	(0.1)	**(1.1)**	(0.6)	**(1.1)**	(0.7)
Included in operating profit	**–**	(6.4)	**(1.0)**	(1.1)	**(1.0)**	(7.5)
Interest on net pension liability	**(1.9)**	(2.9)	**(2.9)**	(1.6)	**(4.8)**	(4.5)
Total expense charged to the income statement	**(1.9)**	(9.3)	**(3.9)**	(2.7)	**(5.8)**	(12.0)
Recognised in the Consolidated Statement of Comprehensive Income						
Actual return on plan assets	**95.5**	(22.7)	**19.4**	(5.7)	**114.9**	(28.4)
Less: interest on plan assets	**(21.4)**	(19.1)	**(4.6)**	(2.6)	**(26.0)**	(21.7)
	74.1	(41.8)	**14.8**	(8.3)	**88.9**	(50.1)
Other actuarial (losses) gains due to:						
Changes in financial assumptions	**(97.9)**	70.2	**(19.9)**	1.8	**(117.8)**	72.0
Changes in demographic assumptions	**20.4**	18.0	**3.0**	0.4	**23.4**	18.4
Experience on benefit obligations	**–**	12.8	**0.3**	0.6	**0.3**	13.4
Actuarial (losses) gains recognised in the Consolidated Statement of Comprehensive Income	**(3.4)**	59.2	**(1.8)**	(5.5)	**(5.2)**	53.7

Current service cost, past service cost, curtailment/settlement gains and administration expenses are recognised in operating costs and interest on net pension liability is recognised in other finance costs.

The Group's largest North American plan is the US ESCO Corporation pension plan. The Group's current funding policy for this plan is to pay the minimum required contributions under US regulation. However, in the event the plan's funding level is projected to fall below significant thresholds, the Group will consider funding more than the minimum required contribution.

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 £12.9m in 2019 (2018: £5.6m) in addition to the Group's regular contributions. This included a special one-off contribution of £4.0m to the Main UK Plan in July 2019 following the sale of the Flow Control business in June 2019.

In 2015, the Group entered into a pension funding partnership structure under which it has contributed interests in a Scottish Limited Partnership ('SLP') for the Main Plan. The Main Plan's interests in the SLP 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 latest actuarial funding valuation of the Main Plan as at 31 December 2017 was completed in 2019. Under the agreed recovery plan, the Group has agreed to contribute £4.3m in each year from 2019 to 2028 inclusive. These contributions are primarily funded by the income payments from the SLP described above. The contributions are subject to an annual review mechanism, and will temporarily cease if the Main Plan's funding level on a funding basis exceeds 105%.

The Trustees of the UK Executive Scheme entered into a full buy-in transaction with Scottish Widows in the third quarter of 2017, meaning all of the benefit payments due from the Executive Scheme are now covered by an insurance policy. There remains an outstanding premium payment (expected to be £1.1m) due from the Trustees to Scottish Widows, which is now expected to be paid in 2020 following a data cleanse process to finalise the insurance policy. The IAS 19 balance sheet at the 2019 year end reflects this expected payment due.

The Group has taken legal advice regarding its UK arrangements to confirm the accounting treatment under IFRIC 14 with regard to recognition of a current surplus and also recognition of a minimum funding requirement. This confirmed that there is no requirement to adjust the balance sheet and that recognition of a current surplus is appropriate on the basis that the Group has an unconditional right to a refund of a current (or projected future) surplus at some point in the future. For the same reason, there is no requirement for the Group to adjust the balance sheet to recognise the future agreed deficit recovery contributions. Having considered the position, taking account of the legal input received and noting that the Trustees of the UK arrangements do not have discretionary powers to unilaterally wind up the schemes without cause, the Directors of the Group have concluded that the Group has an unconditional right to a refund of any surplus.

The total Group contributions for 2020 (including those expected from the SLP in the UK) are expected to be £13.7m.

Sensitivity analysis

Changes in key assumptions can have a significant effect on the reported retirement benefit obligation and the Consolidated Income Statement expense for 2020. The effects of changes in those assumptions on the reported retirement benefit obligation are set out in the table below.

	Increase 2019 £m	Decrease 2019 £m	Increase 2018 £m	Decrease 2018 £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	**153.2**	**(183.3)**	140.2	(167.1)
Effect on net liability of a 1.0% change	**115.9**	**(141.4)**	103.7	(126.0)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	**(99.1)**	**89.6**	(91.0)	82.5
Effect on net liability of a 1.0% change	**(65.5)**	**58.7**	(57.9)	51.9
Life expectancy				
Effect on defined benefit obligation of a 1 year change	**(37.0)**	**37.0**	(34.0)	34.0
Effect on net liability of a 1 year change	**(21.1)**	**21.1**	(18.2)	18.2

The impact on the net liability is significantly reduced as a result of the insurance policies held. In the absence of such policies, the impact on the net liability would be much closer to the significantly higher impact on the defined benefit obligation shown in the table.

These sensitivities have been calculated to show the movement in the defined benefit obligation and net liability in isolation and assume no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the invested (non-insurance policy) assets held by the plans.

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

	UK pensions		North American pensions & post-retirement benefits		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Opening defined benefit obligations	**(821.2)**	(936.8)	**(192.8)**	(26.1)	**(1,014.0)**	(962.9)
Obligations transferred on acquisition	**–**	–	**–**	(183.3)	**–**	(183.3)
Current service cost	**–**	–	**(1.0)**	(0.5)	**(1.0)**	(0.5)
Past service cost	**–**	(6.3)	**–**	–	**–**	(6.3)
Interest on benefit obligations	**(23.3)**	(22.0)	**(7.5)**	(4.2)	**(30.8)**	(26.2)
Benefits paid	**38.3**	42.9	**13.7**	9.5	**52.0**	52.4
Actuarial (losses) gains due to						
Changes in financial assumptions	**(97.9)**	70.2	**(19.9)**	1.8	**(117.8)**	72.0
Changes in demographic assumptions	**20.4**	18.0	**3.0**	0.4	**23.4**	18.4
Experience on benefit obligations	**–**	12.8	**0.3**	0.6	**0.3**	13.4
Gains on curtailments	**–**	–	**1.1**	–	**1.1**	–
Obligations transferred to held for sale (note 8)	**–**	–	**–**	16.2	**–**	16.2
Exchange rate adjustment	**–**	–	**6.3**	(7.2)	**6.3**	(7.2)
Closing defined benefit obligations	**(883.7)**	(821.2)	**(196.8)**	(192.8)	**(1,080.5)**	(1,014.0)

NOTES TO THE GROUP FINANCIAL STATEMENTS
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23. PENSIONS & OTHER POST-EMPLOYMENT BENEFIT PLANS continued

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

	UK pensions		North American pensions & post-retirement benefits		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Opening plan assets	**749.1**	811.7	**115.8**	13.5	**864.9**	825.2
Assets transferred on acquisition	**–**	–	**–**	119.1	**–**	119.1
Interest on plan assets	**21.4**	19.1	**4.6**	2.6	**26.0**	21.7
Employer contributions	**8.1**	3.1	**10.5**	6.5	**18.6**	9.6
Administrative expenses	**–**	(0.1)	**(1.1)**	(0.6)	**(1.1)**	(0.7)
Benefits paid	**(38.3)**	(42.9)	**(13.7)**	(9.5)	**(52.0)**	(52.4)
Actual return on plan assets less interest on plan assets	**74.1**	(41.8)	**14.8**	(8.3)	**88.9**	(50.1)
Assets transferred to held for sale (note 8)	**–**	–	**–**	(11.4)	**–**	(11.4)
Exchange rate adjustment	**–**	–	**(3.5)**	3.9	**(3.5)**	3.9
Closing plan assets	**814.4**	749.1	**127.4**	115.8	**941.8**	864.9

24. SHARE CAPITAL & RESERVES

	2019 Number million	2018 Number million
Issued & fully paid share capital		
At the beginning of the year	**259.6**	224.7
Issued during the year in respect of ESCO acquisition (note 13)	**–**	33.5
Issued during the year in respect of scrip dividends (note 10)	**–**	1.4
At the end of the year	**259.6**	259.6
Treasury shares		
At the beginning of the year	**0.2**	0.5
Purchase of shares in respect of equity settled share-based payments	**0.7**	–
Utilised during the year in respect of equity settled share-based payments	**(0.9)**	(0.3)
At the end of the year	**–**	0.2

The Company has one class of ordinary share with a par value of 12.5p which carries no rights to fixed income.

Kleinwort Employee Benefit Trust (EBT) was wound up during the year with shares transferred to Estera Employee Benefit Trust and subsequently transferred to Computershare Investor Services PLC.

As at 31 December 2019, Computershare Investor Services PLC held on behalf of individuals:

24,478 shares (2018: 47,207) for the ESCO restricted awards made under the ESCO 2010 stock incentive plan. These shares have a market value of £0.4m.

61,418 shares (2018: nil) for the performance shares that have vested under the LTIP. These shares have a market value of £1.0m.

15,813 shares (2018: 25,828) for the Bonus shares awarded under the LTIP. These shares have a market value of £0.3m.

39,396 shares (2018: 21,128) for the Bonus shares awarded under the Share Reward Plan. These shares have a market value of £0.6m.

As at 31 December 2019, 24,045 (2018: 3,803) shares were unallocated and held by the Estera Employee Benefit Trust (EBT) with a market value of £0.4m.

In the prior year, holdings were:

As at 2018, 3,803 shares were held by the Kleinwort Employee Benefit Trust (EBT) with a market value of £0.1m.

As at 2018, the Estera Employee Benefit Trust held:

6,549 shares for the performance and restricted awards made under the LTIP. These shares had a market value of £0.1m.

25,828 shares for the Bonus shares awarded under the LTIP. These shares had a market value of £0.3m.

21,128 shares for the Bonus shares awarded under the Share Reward Plan (SRP). These shares had a market value of £0.3m.

47,207 shares for the ESCO restricted awards made under the ESCO 2010 stock incentive plan. These shares had a market value of £0.6m.

Reserves
The period movements on the below reserves are summarised in the Consolidated Statement of Changes in Equity.

Merger reserve
The shares issued directly to ESCO Shareholders on 12 July 2018 qualified for merger relief under Section 612 of the Companies Act 2006, resulting in an increase to the reserve of £323.2m. 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.

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. In the year, the balance relating to Flow Control entities was recycled to the Consolidated Income Statement on disposal (note 8).

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 year are included in the following line items in the Consolidated Income Statement and Consolidated Balance Sheet.

	2019 £m	2018 £m
Revenue	**–**	1.2
Cost of sales	**(0.2)**	1.4
Finance costs	**(0.5)**	–
	(0.7)	2.6

25. ADDITIONAL CASH FLOW INFORMATION

	Notes	**2019 £m**	2018 £m
Total operations			
Net cash generated from operations			
Operating (loss) profit – continuing operations		**(322.2)**	124.1
Operating loss – discontinued operations		**(3.3)**	(29.7)
Operating (loss) profit – total operations		**(325.5)**	94.4
Exceptional items	5, 8	**596.4**	209.3
Amortisation of intangible assets	5, 12	**78.3**	67.3
Share of results of joint ventures	15	**(6.2)**	(2.4)
Depreciation of property, plant & equipment	11	**62.4**	64.5
Depreciation of right-of-use assets	11	**42.4**	–
Grants received		**(1.1)**	(1.5)
(Gains) losses on disposal of property, plant & equipment		**(2.0)**	0.2
Funding of pension & post-retirement costs		**(4.9)**	(2.5)
Employee share schemes	27	**12.9**	8.6
Transactional foreign exchange		**12.1**	15.3
Decrease in provisions		**(1.8)**	(2.9)
Cash generated from operations before working capital cash flows		**463.0**	450.3
Increase in inventories		**(36.8)**	(53.2)
Decrease in trade & other receivables & construction contracts		**64.5**	36.5
Decrease in trade & other payables & construction contracts		**(83.1)**	(22.8)
Cash generated from operations before exceptional cash items		**407.6**	410.8
Additional pension contributions paid		**(12.9)**	(5.6)
Exceptional cash items		**(41.0)**	(114.0)
Income tax paid		**(90.2)**	(73.3)
Net cash generated from operating activities		**263.5**	217.9

Cash flows from discontinued operations included above are disclosed separately in note 8.

Exceptional items are detailed in note 5.

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25. ADDITIONAL CASH FLOW INFORMATION continued

The employee-related provision and associated insurance asset in relation to US asbestos-related claims with an exposure date pre-1981 disclosed in note 21 will not result in any cash flows either to or from the Group and therefore they have been excluded from the table above.

The following tables summarise the cash flows arising on acquisitions and disposals (note 8 and 13).

	2019 £m	2018 £m
Acquisitions of subsidiaries		
Acquisition of subsidiaries – cash paid	**(0.1)**	(470.8)
Cash & cash equivalents acquired	**–**	41.2
Total cash outflow relating to acquisitions	**(0.1)**	(429.6)
Net cash inflow arising on disposals		
Consideration received net of costs paid & cash disposed of	**244.6**	–
Prior period disposals completion adjustment	**0.1**	0.3
Total cash inflow relating to disposals	**244.7**	0.3

	2019 £m	2018 £m
Net debt comprises the following		
Cash & short-term deposits (note 18)	**273.8**	263.0
Current interest-bearing loans & borrowings (note 19)	**(534.1)**	(662.5)
Non-current interest-bearing loans & borrowings (note 19)	**(896.2)**	(740.9)
Assets and liabilities held for sale (note 8)	**–**	13.9
	(1,156.5)	(1,126.5)

Reconciliation of financing cash flows to movement in net debt

	Opening balance at 31 December 2018 £m	Cash movements £m	Additions** £m	Disposals £m	FX £m	Non-cash movements £m	Closing balance at 31 December 2019 £m	Transferred to assets/ liabilities held for sale £m	Total continuing operations £m
Cash & cash equivalents	277.2	**15.4**	**–**	**–**	**(20.5)**	**–**	**272.1**	**–**	**272.1**
Third-party loans	(1,402.1)	**108.3**	**–**	**–**	**49.3**	**–**	**(1,244.5)**	**–**	**(1,244.5)**
Leases	(2.5)	**44.3**	**(244.7)**	**11.8**	**5.9**	**0.2**	**(185.0)**	**–**	**(185.0)**
Unamortised issue costs	0.9	**0.8**	**–**	**–**	**–**	**(0.8)**	**0.9**	**–**	**0.9**
Amounts included in gross debt	(1,403.7)	**153.4**	**(244.7)**	**11.8**	**55.2**	**(0.6)**	**(1,428.6)**	**–**	**(1,428.6)**
Amounts included in net debt	(1,126.5)	**168.8**	**(244.7)**	**11.8**	**34.7**	**(0.6)**	**(1,156.5)**	**–**	**(1,156.5)**
Financing derivatives	(18.3)	**62.2**	**–**	**–**	**–**	**(47.7)**	**(3.8)**	**–**	**(3.8)**
Contingent consideration	(0.2)	**0.1**	**–**	**–**	**0.1**	**–**	**–**	**–**	**–**
Other liabilities relating to financing activities	(18.5)	**62.3**	**–**	**–**	**0.1**	**(47.7)**	**(3.8)**	**–**	**(3.8)**
Total financing liabilities*	(1,422.2)	**215.7**	**(244.7)**	**11.8**	**55.3**	**(48.3)**	**(1,432.4)**	**–**	**(1,432.4)**

* Total financing liabilities comprise gross debt plus other liabilities relating to financing activities.

** Additions in the period include the transition impact of IFRS 16 'Leases' in the opening balance sheet, totalling £194.1 (note 2).

	Opening balance at 31 December 2017 £m	Cash movements £m	Additions/ acquisitions £m	Disposals £m	FX £m	Non-cash movements £m	Closing balance at 31 December 2018 £m	Transferred to assets/ liabilities held for sale £m	Total continuing operations £m
Cash & cash equivalents	284.5	(3.5)	–	–	(3.8)	–	277.2	14.2	263.0
Third-party loans	(1,128.2)	(103.7)	(118.6)	–	(51.6)	–	(1,402.1)	(0.3)	(1,401.8)
Leases	(1.0)	0.8	(2.3)	–	–	–	(2.5)	–	(2.5)
Unamortised issue costs	1.5	–	–	–	–	(0.6)	0.9	–	0.9
Amounts included in gross debt	(1,127.7)	(102.9)	(120.9)	–	(51.6)	(0.6)	(1,403.7)	(0.3)	(1,403.4)
Amounts included in net debt	(843.2)	(106.4)	(120.9)	–	(55.4)	(0.6)	(1,126.5)	13.9	(1,140.4)
Financing derivatives	(9.2)	(49.9)	–	–	–	40.8	(18.3)	–	(18.3)
Contingent consideration	(3.4)	–	(0.2)	–	(0.1)	3.5	(0.2)	–	(0.2)
Other liabilities relating to financing activities	(12.6)	(49.9)	(0.2)	–	(0.1)	44.3	(18.5)	–	(18.5)
Total financing liabilities*	(1,140.3)	(152.8)	(121.1)	–	(51.7)	43.7	(1,422.2)	(0.3)	(1,421.9)

* Total financing liabilities comprise gross debt plus other liabilities relating to financing activities.

26. COMMITMENTS & LEGAL CLAIMS

Lease costs, following the adoption of IFRS 16 'Leases', are now disclosed in note 11. The lease disclosures below are given in relation to continuing operations for the year ended 31 December 2018.

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are shown in the table below.

	2018 (restated) £m
Less than 1 year	47.4
After 1 year but no more than 5 years	98.2
More than 5 years	51.7
Transfer of operating lease commitments from discontinued operations	1.3
Impact of IFRS 16 data review*	13.7
	212.3

* As part of the transition to IFRS 16 'Leases', a number of operating lease commitments were identified that had not been included in 2018 (see note 2).

Finance lease commitments

In 2018 the Group had 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 2018 £m	Present value of payments 2018 £m
Less than 1 year	1.0	1.0
After 1 year but not more than 5 years	1.5	1.4
After 5 years	0.1	0.1
Total minimum lease payments	2.6	–
Less amounts representing finance charges	(0.1)	–
Present value of minimum lease payments	2.5	2.5

The weighted average outstanding lease term in 2018 was 3.08 years. For the year ended 31 December 2018, the weighted average effective borrowing rate was 8.2%.

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

Capital commitments

	2019 £m	2018 £m
Outstanding capital commitments contracted but not provided for – property, plant & equipment	**18.0**	17.9
Outstanding capital commitments contracted but not provided for – intangible assets	**0.5**	2.5

The Group's share of the capital commitments of its joint ventures amounted to £1.5m (2018: £2.1m).

NOTES TO THE GROUP FINANCIAL STATEMENTS
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26. COMMITMENTS & LEGAL CLAIMS continued

Legal claims

The Company and certain subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the normal course of business. Provisions have been made where the Directors have assessed that a cash outflow is likely and they believe all other claims are remote.

27. EQUITY SETTLED SHARE-BASED PAYMENTS

Employee share plans

The Group's 2018 Share Reward Plan (SRP) allows for Restricted shares and Bonus shares to be awarded to employees under the Plan. This replaces the LTIP 2014 Rules (LTIP) under which the types of awards which were granted included: Performance shares, Restricted shares and Bonus shares. Details of both the SRP and LTIP are outlined in the Remuneration Report on pages 102-125.

As part of the ESCO acquisition, certain Restricted Stock Units (RSUs) and Restricted Stock Awards (RSAs) issued by ESCO pre-acquisition were rolled into Weir Group share awards. The pre-acquisition cost of these awards totalled £1.4m and was recorded in reserves, with a corresponding increase in goodwill. These awards are treated in line with other restricted awards noted above.

During the year, the Global all employee Weir ShareBuilder plan (WSBP) launched. Awards granted under the WSBP are Free shares given to all employees who meet the eligibility criteria. Awards vest in three equal tranches on the first, second and third anniversaries of the date of grant. Dividend equivalents will be added in the form of shares at each vesting date.

One-off conditional share awards are also occasionally granted to employees. These transactions fall under the scope of IFRS 2 and are treated in line with awards issued under the Group's SRP in the year or LTIP in prior years.

The following tables illustrate the number and weighted average share prices (WASP) of shares awarded.

Performance shares

	2019 Number million	2019 WASP	2018 Number million	2018 WASP
Outstanding at the beginning of the period	0.6	£15.09	1.1	£16.34
Exercised during the period	(0.2)	£12.13	–	–
Forfeited during the period	–	–	(0.5)	£18.07
Outstanding at the end of the period	0.4	£17.46	0.6	£15.09

Restricted shares

	2019 Number million	2019 WASP	2018 Number million	2018 WASP
Outstanding at the beginning of the period	1.1	£18.13	0.8	£14.89
Awarded during the period	0.6	£16.39	0.6	£20.17
Exercised during the period	(0.6)	£16.42	(0.3)	£14.41
Outstanding at the end of the period	1.1	£17.91	1.1	£18.14

Weir ShareBuilder Plan (WSBP)

	2019 Number million	2019 WASP	2018 Number million	2018 WASP
Outstanding at the beginning of the period	–	–	–	–
Awarded during the period	0.2	£16.32	–	–
Outstanding at the end of the period	0.2	£16.32	–	–

In respect of awards issued in the year and revised estimates of previously issued awards, an amount of £12.9m has been charged (2018: £8.6m) 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, SRP, WSBP and one-off conditional share awards at the end of the period are as follows.

Year of award	2019 Number million	Remaining contractual life	2018 Number million	Remaining contractual life
2016	0.1	8 months	0.7	8 months
2017	0.4	3 months	0.5	12 months
2018	0.3	16 months	0.5	23 months
2019	0.9	17 months	–	–

The fair value at date of grant of the conditional awards under the SRP has been independently estimated based on the type of award:

i) Restricted shares and WSBP
The grant date fair value of these awards is calculated as the share price at the date of grant less an adjustment for loss of reinvestment return on the dividend equivalent. There are no performance conditions attached to these awards.

The fair value of WSBP awards at grant date and occasional one-off conditional awards at grant date is also estimated on this basis.

ii) Performance shares
No performance shares were granted in 2019 or 2018.

Bonus shares
Under the Group's annual bonus plan, Executive Directors and members of the Group Executive typically receive 30% of any bonus deferred into an award of Weir Group shares which will normally be released after three years. These awards are entitled to accrue the value of the dividends payable on any deferred bonus awards during the three year holding period.

The SRP and LTIP Bonus shares are administered by Computershare Trust Company, N.A., CPU Share Plans Pty Ltd and Computershare Investor Services PLC. The shares are acquired on market at the grant date and are held by Computershare Investor Services PLC until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the Rules of the Plans, Weir Group is required to provide the necessary funding for the acquisition of the shares at the time of the grant.

The number of shares to be granted is determined based on the applicable annual bonus divided by the price at which the Company's shares are traded at the date of the grant. In 2019, 20,577 shares were awarded (2018: 21,128).

The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date.

28. RELATED PARTY DISCLOSURE

The following table provides the total amount of significant transactions which have been entered into by total operations with related parties for the relevant financial year and outstanding balances at the year 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	**2019**	**9.6**	**0.2**	**21.4**	**0.8**	**–**
	2018	4.5	0.4	10.1	0.8	–
Group pension plans	**2019**	**–**	**–**	**–**	**–**	**6.1**
	2018	–	–	–	–	6.3

Contributions to the Group pension plans are disclosed in note 23.

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 2019, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2018: £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	**2019 £m**	2018 £m
Short-term employee benefits	**6.2**	7.5
Share-based payments	**3.5**	2.2
Post-employment benefits	**0.2**	0.2
	9.9	9.9

Emoluments paid to the Directors of The Weir Group PLC	**2019 £m**	2018 £m
Remuneration	**2.8**	2.9
Gains made on the exercise of Long Term Incentive Plan awards	**0.8**	1.4
	3.6	4.3

Key management comprises the Board and the Group Executive. Further details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 102-125.

NOTES TO THE GROUP FINANCIAL STATEMENTS
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29. 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 IFRS 9 compliant hedge relationships.

The table below summarises the types of derivative financial instrument included within each balance sheet category.

	2019 £m	2018 £m
Included in non-current assets		
Cross currency swaps designated as net investment hedges	**4.1**	1.4
Other forward foreign currency contracts	**0.3**	–
	4.4	1.4
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	**0.3**	–
Forward foreign currency contracts designated as net investment hedges	**1.5**	0.5
Other forward foreign currency contracts	**14.7**	17.8
	16.5	18.3
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	**(10.3)**	–
Forward foreign currency contracts designated as net investment hedges	**(0.6)**	(26.4)
Other forward foreign currency contracts	**(13.9)**	(14.4)
	(24.8)	(40.8)
Included in non-current liabilities		
Other forward foreign currency contracts	**(0.3)**	(0.2)
	(0.3)	(0.2)
Net derivative financial liabilities – continuing operations	**(4.2)**	(21.3)
Net derivative financial liabilities held for sale	**–**	(0.4)
Net derivative financial liabilities – total Group	**(4.2)**	(21.7)

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 remeasured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs 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 2018, the Group has classified contingent consideration as level 3. A summary of the movements in the contingent consideration has been included in note 13.

During the periods ended 31 December 2019 and 31 December 2018, 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.

As at 31 December 2019, cash & short-term deposits of £273.8m (2018: £279.1m) and current interest bearing loans & borrowings of £534.1m (2018: £664.7m) were presented after elimination of debit and credit balances within individual pools of £0.2m (2018: £0.8m).

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 2019, the Group had derivative financial instruments of £2.9m which were subject to master netting arrangements but not offset.

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 2019 £m	**Fair value 2019 £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
Financial assets – total Group					
Derivative financial instruments recognised at fair value through profit or loss	**15.0**	**15.0**	–	15.0	–
Derivative financial instruments in designated hedge accounting relationships	**5.9**	**5.9**	–	5.9	–
Trade & other receivables excluding statutory assets, prepayments & construction contract assets	**552.9**	**552.9**	–	552.9	–
Cash & short-term deposits	**273.8**	**273.8**	–	273.8	–
	847.6	**847.6**			
Financial liabilities – total Group					
Derivative financial instruments recognised at fair value through profit or loss	**14.2**	**14.2**	–	14.2	–
Derivative financial instruments in designated hedge accounting relationships	**10.9**	**10.9**	–	10.9	–
Amortised cost					
Fixed-rate borrowings	**595.2**	**640.3**	–	640.3	–
Floating-rate borrowings	**648.4**	**648.4**	–	648.4	–
Leases	**185.0**	**185.0**	–	185.0	–
Bank overdrafts & short-term borrowings	**1.7**	**1.7**	–	1.7	–
Trade & other payables excluding statutory liabilities & contract liabilities	**511.0**	**511.0**	–	511.0	–
	1,966.4	**2,011.5**			

	Carrying amount 2018 £m	Fair value 2018 £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
Financial assets – total Group					
Derivative financial instruments recognised at fair value through profit or loss	17.8	17.8	–	17.8	–
Derivative financial instruments in designated hedge accounting relationships	1.9	1.9	–	1.9	–
Trade & other receivables excluding statutory assets, prepayments, contingent consideration & construction contract assets	625.2	625.2	–	625.2	–
Cash & short-term deposits	263.0	263.0	–	263.0	–
Financial assets held for sale	125.1	125.1	–	125.1	–
	1,033.0	1,033.0			
Financial liabilities – total Group					
Derivative financial instruments recognised at fair value through profit or loss	14.6	14.6	–	14.6	–
Derivative financial instruments in designated hedge accounting relationships	26.4	26.4	–	26.4	–
Contingent consideration payable	0.2	0.2	–	–	0.2
Amortised cost					
Fixed-rate borrowings	783.7	827.7	–	827.7	–
Floating-rate borrowings	617.2	617.2	–	617.2	–
Obligations under finance leases	2.5	2.5	–	2.5	–
Trade & other payables excluding statutory liabilities & contract liabilities	573.5	573.5	–	573.5	–
Financial liabilities held for sale	93.2	93.2	–	93.2	–
	2,111.3	2,155.3			

The fair value of cash & short-term deposits, trade & other receivables and trade & other payables approximates their carrying amount due to the short-term maturities of these instruments. As such, disclosure of the fair value hierarchy for these items is not required.

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

29. FINANCIAL INSTRUMENTS continued

C. Hedging activities

The Group designates certain derivative financial instruments in either cash flow hedging or net investment hedging relationships in accordance with IFRS 9.

	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 and maturity date ranges are set out in the table below.

Year ended 31 December 2019	**Net carrying amount £m**	**Maturity dates**
Forward foreign currency contracts designated as cash flow hedges	**(10.0)**	**2020**
Forward foreign currency contracts designated as net investment hedges	**0.9**	**2020**
Cross currency swaps designated as net investment hedges	**4.1**	**2021**
Other forward foreign currency contracts at fair value through profit or loss	**0.8**	**2020 to 2023**
	(4.2)	

Year ended 31 December 2018	Net carrying amount £m	Maturity dates
Forward foreign currency contracts designated as cash flow hedges	–	2019
Forward foreign currency contracts designated as net investment hedges	(25.9)	2019
Cross currency swaps designated as net investment hedges	1.4	2018 to 2021
Other forward foreign currency contracts at fair value through profit or loss	2.8	2019 to 2020
	(21.7)	

For each type of derivative financial instrument, 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 foreign currency denominated receivables and payables, the impact of which is also set out in the table below.

	Amounts recognised in profit or loss		**Amounts recognised in equity**		
Year ended 31 December 2019	**Other losses £m**	**Total amounts recognised in profit or loss £m**	**Hedge accounting reserve £m**	**Foreign currency translation reserve £m**	**Losses recycled to inventory £m**
Instruments measured at FVTPL					
Designated in hedge accounting relationships					
Forward foreign currency contracts designated as cash flow hedges	**0.7**	**0.7**	**(1.3)**	**1.2**	**0.4**
Forward foreign currency contracts designated as net investment hedges	**–**	**–**	**–**	**(21.7)**	**–**
Cross currency swaps designated as net investment hedges	**–**	**–**	**–**	**1.8**	**–**
Not designated in hedge accounting relationships					
Other forward foreign currency contracts at fair value through profit or loss (FVTPL)	**27.3**	**27.3**	**–**	**–**	**–**
Total gains/(losses) on instruments measured at FVTPL	**28.0**	**28.0**	**(1.3)**	**(18.7)**	**0.4**

Year ended 31 December 2018	Amounts recognised in profit or loss Other (gains)/ losses £m	 Total amounts recognised in profit or loss £m	Amounts recognised in equity Hedge accounting reserve £m	 Foreign currency translation reserve £m	 Losses recycled to inventory £m
Instruments measured at FVTPL					
Designated in hedge accounting relationships					
Forward foreign currency contracts designated as cash flow hedges	(2.6)	(2.6)	0.8	–	(0.1)
Forward foreign currency contracts designated as net investment hedges	–	–	–	(52.1)	–
Cross currency swaps designated as net investment hedges	–	–	–	0.7	–
Not designated in hedge accounting relationships					
Other forward foreign currency contracts at fair value through profit or loss (FVTPL)	13.9	13.9	–	–	–
Total gains/(losses) on instruments measured at FVTPL	11.3	11.3	0.8	(51.4)	(0.1)

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency revenue and cost of sales, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to determine whether an economic relationship remains, and so assess effectiveness. As all critical terms matched during the year, the economic relationships were 100% effective.

Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into fixed-for-fixed cross currency interest rate swaps which are designated as hedging instruments in net investment hedges of the net assets of foreign operations. The swaps have similar critical terms as the hedged items, as the coupon and principal settlements exchange currencies matching both denomination and amounts of the hedged net assets, for amounts denominated in the presentation currency of the Group. The Group also utilises borrowings which are measured at amortised cost and denominated in the currency of the hedged net assets, as hedging instruments in net investment hedges. The Group does not hedge 100% of its net assets of foreign operations, therefore the hedged item is identified as a proportion of the net assets of the foreign operations up to the notional amount of the swaps and principal amount of the borrowings. As all critical terms matched during the year, the economic relationships were 100% effective.

Hedge ineffectiveness for the cross currency interest rate swaps is assessed using the same principles as for hedges of foreign currency revenue and cost of sales. It may occur due to the credit value/debit value adjustment on the cross currency interest rate swaps which is not matched by the net assets retranslation.

There was no ineffectiveness during 2019 or 2018 in relation to the cross currency interest rate swaps or foreign exchange forwards.

Effects of hedge accounting on financial position and performance

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

Cash flow hedging: foreign currency forwards	**2019**	2018
Carrying amount (£m)	**(10.0)**	–
Assets	**0.3**	0.2
Liabilities	**(10.3)**	(0.2)
Notional amounts (m)		
USD	**12.5**	4.5
GBP	**–**	3.2
EUR	**210.0**	–
Average exchange rates		
GBP:USD	**–**	1.37
USD:AUD	**1.45**	1.31
GBP:EUR	**1.12**	–
Maturity dates	**01/2020 – 08/2020**	01/2019 – 09/2019
Hedge ratios*	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 January (£m)	**(1.3)**	0.8
Change in value of hedged item used to determine hedge effectiveness (£m)	**1.3**	(0.8)

* The foreign currency forwards are denominated in the same currency as the highly probable future transactions, therefore the hedge ratio is 1:1.

NOTES TO THE GROUP FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS continued

Net investment hedging: foreign currency forwards, cross currency swaps and borrowings	2019	2018
Carrying amount (£m)	**(371.6)**	(499.3)
Assets	**5.6**	1.9
Liabilities – derivatives	**(0.6)**	(26.4)
Liabilities – borrowings	**(376.6)**	(474.9)
Notional amounts (m)		
USD	**655.6**	1,689.2
ZAR	**345.0**	345.0
AUD	**167.5**	176.2
EUR	**21.0**	117.6
Average exchange rates		
GBP:USD	**1.32**	1.35
GBP:ZAR	**18.39**	19.04
GBP:AUD	**1.81**	1.84
GBP:EUR	**1.13**	1.28
Maturity dates	**01/2020 – 02/2022**	01/2019 – 02/2022
Hedge ratios*	**1:1**	1:1
Change in fair value of outstanding hedging instruments since 1 January (£m)	**(2.4)**	(72.8)
Change in value of hedged item used to determine hedge effectiveness (£m)	**2.4**	72.8

* The derivatives and borrowings are denominated in the same currency as the highly probable future transactions, therefore the hedge ratio is 1:1.

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 or when the Group's Treasury function enters into transactions for financing or risk management 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 committed foreign currency transactions, usually by entering into forward foreign currency contracts through the Group's Treasury function. Certain operating units apply cash flow hedge accounting in accordance with IFRS 9. The Group does not engage in any speculative foreign exchange transactions.

The Group has material foreign investments in the US, 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.

Sensitivity to foreign exchange rates

The Group considers the most significant transactional foreign exchange risk relates to the Australian Dollar, Canadian 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. In the Consolidated Income Statement, these amounts are partially offset by the retranslation of foreign currency denominated receivables and payables.

Transactional foreign exchange	Increase in currency rate	Effect on profit gain (loss) £m	Effect on equity gain £m
2019			
Australian Dollar	**+25%**	**(8.2)**	**(17.7)**
Canadian Dollar	**+25%**	**(32.2)**	**–**
Euro	**+25%**	**(54.1)**	**3.6**
US Dollar	**+25%**	**37.3**	**71.9**
2018			
Australian Dollar	+25%	(10.2)	19.0
Canadian Dollar	+25%	(29.6)	–
Euro	+25%	(79.9)	20.3
US Dollar	+25%	13.8	262.8

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 in relation to sterling. The Group's operating profit from continuing operations before exceptional items and intangibles amortisation was denominated in the following currencies.

	2019 £m	2018 £m
US Dollar	**206.7**	224.6
Canadian Dollar	**53.9**	48.7
Chilean Peso	**43.2**	40.5
Euro	**34.2**	22.1
Australian Dollar	**30.1**	29.8
Russian Rouble	**9.9**	4.9
Indian Rupee	**8.9**	7.2
Brazilian Real	**6.2**	4.7
South African Rand	**4.1**	5.9
United Arab Emirates Dirham	**2.3**	7.3
UK Sterling	**(51.7)**	(44.0)
Other	**4.3**	(3.6)
Operating profit from continuing operations before exceptional items & intangibles amortisation	**352.1**	348.1

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 2019, 52% (2018: 44%) of the Group's borrowings were at floating interest rates. The interest rate profile of the Group's interest bearing borrowings was as follows.

			2019			2018
	Floating rate £m	**Fixed rate £m**	**Total £m**	Floating rate £m	Fixed rate £m	Total £m
US Dollar	**(158.3)**	**(595.7)**	**(754.0)**	(19.6)	(784.6)	(804.2)
Euro	**(190.5)**	**–**	**(190.5)**	(477.6)	–	(477.6)
UK Sterling	**(300.0)**	**–**	**(300.0)**	(120.0)	(0.3)	(120.3)
Other	**–**	**–**	**–**	–	–	–

Sensitivity to interest rates

Based on borrowings at 31 December 2019, a 1% increase in interest rates would have a £6.5m (2018: £6.7m) 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS continued

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 19.

The tables below show only the financial liabilities of the Total Group by maturity. The amounts disclosed in the table are undiscounted cash flows and may therefore not agree to the amounts disclosed in the Consolidated 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.

Year ended 31 December 2019 Total Group	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Forward foreign currency contracts – net outflow	(8.9)	0.4	–	–	(8.5)
Cash flows relating to derivative financial liabilities	(8.9)	0.4	–	–	(8.5)
Trade & other payables excluding statutory liabilities & deferred income	(511.0)	–	–	–	(511.0)
Leases	(46.9)	(41.1)	(62.5)	(68.3)	(218.8)
Bank overdrafts & short-term borrowings	(1.7)	–	–	–	(1.7)
Bank loans	(310.5)	(166.7)	–	–	(477.2)
Commercial paper	(190.8)	–	–	–	(190.8)
Fixed-rate notes	(25.6)	(25.6)	(615.0)	–	(666.2)
Cash flows relating to non-derivative financial liabilities	(1,086.5)	(233.4)	(677.5)	(68.3)	(2,065.7)
	(1,095.4)	(233.0)	(677.5)	(68.3)	(2,074.2)

Year ended 31 December 2018 Total Group	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Forward foreign currency contracts – net outflow	(15.9)	(0.3)	0.4	–	(15.8)
Cash flows relating to derivative financial liabilities	(15.9)	(0.3)	0.4	–	(15.8)
Trade & other payables excluding statutory liabilities & deferred income	(645.4)	(0.8)	–	–	(646.2)
Obligations under finance leases	(1.0)	(0.9)	(0.5)	(0.1)	(2.5)
Bank overdrafts & short-term borrowings	(1.9)	–	–	–	(1.9)
Bank loans	(120.3)	–	–	–	(120.3)
Commercial paper	(498.0)	–	–	–	(498.0)
Fixed-rate notes	(194.4)	(26.6)	(666.5)	–	(887.5)
Cash flows relating to non-derivative financial liabilities	(1,459.1)	(28.3)	(667.0)	(0.1)	(2,154.5)
	(1,476.9)	(29.6)	(666.6)	(0.1)	(2,172.2)

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 the expected credit loss allowance. Refer to those notes for detail of the loss allowance calculation.

In certain circumstances, operating entities are permitted to make use of invoice discounting facilities to reduce counterparty credit risk. The arrangements are assessed to ensure the entity has transferred substantially all the risks and rewards of ownership of the receivables, allowing the derecognition of the receivables in their entirety. The cash when received is recognised as a working capital movement and presented in cash generated from operations. The total amount of receivables invoices discounted at the year end and therefore derecognised was £21.6m (2018: £38.8m) and this is reflected in the working capital cash flows section of note 25. The fees incurred as part of the invoice discounting programme are as shown in note 6.

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 credit rating 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.

30. 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 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's banking arrangements include bi-annual financial covenants based on adjusted net debt to EBITDA (not greater than 3.5) and adjusted interest cover (not less than 3.5). The Group has complied with these covenants throughout the reporting period and monitors capital using the following indicators.

Adjusted net debt to EBITDA cover

Net debt to EBITDA comprises net debt divided by operating profit from total operations before exceptional items, intangibles amortisation, depreciation and excluding the impact of IFRS 16 'Leases'.

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 Consolidated Income Statement and cash flows, i.e. average rate. In addition, results of businesses acquired in the financial year have to be included as if the acquisitions occurred at the start of the financial year, while the results of businesses disposed of in the year are to be excluded.

The Group considers that the ratio of adjusted net debt to EBITDA is the key metric from a capital management perspective and seeks to maintain the ratio below 2.0 times. Given the recent downturn in oil and gas markets, the metric is currently 2.4 times and remains actively managed.

	2019	2018
Net debt at average exchange rates (£m)	**970.9**	1,085.6
Adjusted operating (loss) profit (£m)	**(329.1)**	125.2
Exceptional items included in operating profit (£m)	**596.0**	161.1
Depreciation and intangibles amortisation (£m)	**140.7**	187.6
Adjusted EBITDA (£m)	**407.6**	473.9
Net debt to EBITDA cover (ratio)	**2.4**	2.3

Adjusted interest cover

Interest cover comprises operating profit from total operations before exceptional items and intangibles amortisation divided by net finance costs (excluding exceptional items and other finance costs), excluding the impact of IFRS 16 'Leases'.

	2019	2018
Adjusted operating profit before exceptional items & intangibles amortisation (£m)	**345.2**	401.8
Net finance costs (excluding exceptional items and other finance costs) (£m)	**37.2**	33.8
Adjusted interest cover (ratio)	**9.3**	11.9

Gearing ratio

Gearing comprises net debt divided by total equity. Net debt comprises cash and short-term deposits and interest-bearing loans and borrowings (note 25).

	2019	2018
Net debt (£m)	**1,156.5**	1,126.5
Total equity (£m)	**1,513.4**	2,148.9
Gearing ratio (%)	**76.4**	52.4

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

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

Average rate (per £)	2019	2018
US Dollar	**1.28**	1.34
Australian Dollar	**1.84**	1.79
Euro	**1.14**	1.13
Canadian Dollar	**1.69**	1.73
United Arab Emirates Dirham	**4.69**	4.89
Chilean Peso	**897.37**	855.87
South African Rand	**18.43**	17.65
Brazilian Real	**5.03**	4.87
Russian Rouble	**82.53**	83.66

Closing rate (per £)	2019	2018
US Dollar	**1.33**	1.27
Australian Dollar	**1.89**	1.81
Euro	**1.18**	1.11
Canadian Dollar	**1.72**	1.74
United Arab Emirates Dirham	**4.87**	4.68
Chilean Peso	**994.76**	884.36
South African Rand	**18.54**	18.33
Brazilian Real	**5.33**	4.95
Russian Rouble	**82.29**	88.40

COMPANY BALANCE SHEET

AT 31 DECEMBER 2019

	Notes	**31 December 2019 £m**	31 December 2018 £m
ASSETS			
Non-current assets			
Intangible assets	3	**0.2**	0.1
Property, plant & equipment	4	**12.0**	3.7
Investments in subsidiaries	5	**3,725.0**	4,435.2
Deferred tax assets	6	**14.0**	12.3
Trade & other receivables	7	**39.5**	41.6
Derivative financial instruments	9	**4.7**	2.1
Total non-current assets		**3,795.4**	4,495.0
Current assets			
Trade & other receivables	7	**128.3**	229.7
Derivative financial instruments	9	**23.5**	27.6
Cash & short-term deposits		**31.5**	36.1
Total current assets		**183.3**	293.4
Total assets		**3,978.7**	4,788.4
LIABILITIES			
Current liabilities			
Trade & other payables	10	**1,663.4**	2,422.8
Derivative financial instruments	9	**31.0**	54.8
Provisions	12	**0.2**	0.8
Total current liabilities		**1,694.6**	2,478.4
Non-current liabilities			
Interest-bearing loans & borrowings	11	**959.9**	911.7
Derivative financial instruments	9	**0.3**	0.6
Provisions	12	**0.1**	0.3
Deferred tax liabilities	6	**–**	3.4
Retirement benefit plan deficits	8	**69.3**	72.1
Total non-current liabilities		**1,029.6**	988.1
Total liabilities		**2,724.2**	3,466.5
NET ASSETS		**1,254.5**	1,321.9
CAPITAL & RESERVES			
Share capital	13	**32.5**	32.5
Share premium		**582.3**	582.3
Merger reserve		**332.6**	332.6
Treasury shares		**(0.5)**	(2.1)
Capital redemption reserve		**0.5**	0.5
Special reserve		**1.8**	1.8
Retained earnings		**305.3**	374.3
TOTAL EQUITY		**1,254.5**	1,321.9

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 profit of the Company was £53.8m (2018: £22.8m).

The financial statements on pages 199-215 were approved by the Board of Directors on 26 February 2020.

JON STANTON
Director

JOHN HEASLEY
Director

Financial Statements

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 31 December 2017	28.1	197.9	9.4	(5.9)	0.5	1.8	409.5	641.3
Profit for the period	–	–	–	–	–	–	22.8	22.8
Remeasurements on defined benefit plans	–	–	–	–	–	–	59.2	59.2
Tax relating to other comprehensive expense	–	–	–	–	–	–	(10.1)	(10.1)
Total net comprehensive income for the period	–	–	–	–	–	–	71.9	71.9
Issue of shares	4.4	384.4	323.2	–	–	–	–	712.0
Cost of share-based payments inclusive of tax charge	–	–	–	–	–	–	8.3	8.3
Dividends (note 2)	–	–	–	–	–	–	(110.8)	(110.8)
Purchase of shares	–	–	–	(0.8)	–	–	–	(0.8)
Exercise of share-based payments	–	–	–	4.6	–	–	(4.6)	–
At 31 December 2018	**32.5**	**582.3**	**332.6**	**(2.1)**	**0.5**	**1.8**	**374.3**	**1,321.9**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**53.8**	**53.8**
Remeasurements on defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**(3.4)**	**(3.4)**
Tax relating to other comprehensive expense	**–**	**–**	**–**	**–**	**–**	**–**	**0.6**	**0.6**
Total net comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**51.0**	**51.0**
Cost of share-based payments inclusive of tax charge	**–**	**–**	**–**	**–**	**–**	**–**	**13.3**	**13.3**
Dividends (note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**(121.7)**	**(121.7)**
Purchase of shares	**–**	**–**	**–**	**(10.0)**	**–**	**–**	**–**	**(10.0)**
Exercise of share-based payments	**–**	**–**	**–**	**11.6**	**–**	**–**	**(11.6)**	**–**
At 31 December 2019	**32.5**	**582.3**	**332.6**	**(0.5)**	**0.5**	**1.8**	**305.3**	**1,254.5**

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 year ended 31 December 2019 ('2019') were approved and authorised for issue in accordance with a resolution of the Directors on 26 February 2020. The comparative information is presented for the year ended 31 December 2018 ('2018').

The Weir Group PLC is a public limited company limited by shares and incorporated in Scotland, United Kingdom 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 consistently 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 27 to the Group financial statements;
ii) IFRS 7 'Financial Instruments: Disclosures' exemption has been taken as a result of the disclosures in note 29 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';
vi) Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 'Property, Plant & Equipment'; and paragraph 118(e) of IAS 38 'Intangible Assets';
vii) Paragraph 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and paragraphs 134-136, of IAS 1 'Presentation of financial statements'; and
viii) Paragraphs 52 and 58 of IFRS 16 'Leases'.

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.

The accounting policies which follow are consistent with those of the previous period with the exception of IFRS 16: 'Leases', as discussed below. The other new standards, amendments and interpretations listed below are not considered to have a material impact on the Financial Statements of the Company.

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 Company, with an effective date after the period covered by these financial statements.

International Accounting Standards (IAS/IFRS)	Effective date for periods commencing
Amendment to IFRS 3 'Business combinations'	1 January 2020*
Amendment to IAS 1 and IAS 8 regarding the definition of materiality	1 January 2020
Amendment to IFRS 9 and IFRS 7 regarding interest rate benchmark reform	1 January 2020

* Not yet endorsed for use in the European Union.

The above amendments will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The amendments and improvements which have not yet been endorsed are not anticipated to have a significant financial impact.

IFRS 16 'Leases'

The Company adopted IFRS 16 on 1 January 2019. The standard has resulted in several current operating leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. The Company has applied the modified retrospective transition method, and consequently comparative information is not restated.

Within opening balances as at 1 January 2019, the Company has recognised £8.8m of continuing right-of-use assets. A corresponding continuing IFRS 16 lease liability of £10.9m has been recognised, representing the obligation to make lease payments. Right-of-use assets have been initially valued as equal to lease liabilities, with subsequent adjustments made to reflect rent free periods recognised on balance sheet at 31 December 2018.

The balance sheet transition impact by line item on the closing 2018 Company Balance Sheet is shown in the table.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

1. ACCOUNTING POLICIES continued

Impact of IFRS 16 transition on 2018 Company Balance Sheet

	31 December 2018 £m	IFRS 16 impact £m	**1 January 2019 £m**
Property, plant & equipment	3.7	8.8	**12.5**
Interest-bearing loans and borrowings (total)	(911.7)	(10.9)	**(922.6)**
Trade & other payables	(2,422.8)	2.1	**(2,420.7)**
Other	4,652.7	–	**4,652.7**
NET ASSETS	1,321.9	–	**1,321.9**

For each lease, the lease term has been calculated as the non-cancellable period of the lease contract, except where the Company is reasonably certain that it will exercise contractual extension options.

The Company has elected to use the following practical expedients allowed by the standard:

- On initial application:
  - i) the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
  - ii) the exclusion of initial direct costs from the measurement of the right-of-use asset;
  - iii) IFRS 16 has only been applied to contracts that were previously classified as leases;
  - iv) reliance on previous assessments on whether leases are onerous instead of performing an impairment review; and
  - v) leases where the lease term ends within 12 months of the date of initial application of IFRS 16 are classified as short-term.
- Lease payments for contracts for which the underlying asset is of a low value have continued to be expensed in the income statement.

For operating leases now recognised on the balance sheet, the operating lease expenses have been replaced by a depreciation expense on the right-of-use assets recognised and an interest expense.

Where the interest rate implicit in the lease cannot be readily determined, the Company's incremental borrowing rate will be used. The Company's incremental borrowing rate is calculated by taking the government borrowing rate in any given currency and adding the estimated Company credit spreads for a variety of tenors. An interpolation is performed to obtain one rate for each of the major lease currencies based on the weighted average life of the lease book. The incremental borrowing rate applied at transition was:

- Leases in GBP: 2.45%

The adoption of IFRS 16 in the year to 31 December 2019 resulted in an increase in depreciation of £0.9m and finance costs of £0.3m. Operating expenses decreased by £0.8m, being the 2018 lease expenses.

For the period to 31 December 2019, the impact on profit before tax from continuing operations (before exceptional items and intangibles amortisation) compared to the prior year is a reduction of £0.4m partly due to the front loading of interest costs.

The reconciliation from operating commitments disclosed under IAS 17 to the lease liability recognised on the balance sheet at 1 January 2019 is as follows:

Reconciliation from IAS 17 disclosure to IFRS 16 at 1 January 2019

	Total £m
Operating lease commitments at 31 December 2018	**(12.5)**
Impact of IFRS 16 data review*	**(0.8)**
Operating lease commitments at 31 December 2018	**(13.3)**
Impact of discounting	**2.3**
Discounted operating lease commitments at 1 January 2019	**(11.0)**
Recognition exemption for leases of low value assets	**0.1**
Lease liabilities reported at 1 January 2019	**(10.9)**

* As part of the transition to IFRS 16, an operating lease commitment was identified that had not been included in the 2018 Company Financial Statements operating lease commitments disclosure.

Use of estimates and 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 that affect the application of accounting policies and estimates that impact the reported amounts of assets, liabilities, income and expense.

Management bases these judgements and estimates 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 judgements and estimates, 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 area where management considers the more complex estimates are required is in respect of 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 Company's retirement benefit obligations. Sensitivities to changes in key assumptions are provided in note 8.

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.

Revenue recognition

Revenue is the consideration received or receivable which reflects the amount expected to be received, mainly the transaction price. Revenue will only be recognised when the fulfilment of performance obligations is achieved. Revenue mainly relates to transactions with other entities within the Group, primarily in relation to management recharges.

Property, plant & equipment

Property, plant & equipment comprises owned assets and right-of-use assets that do not meet the definition of investment property.

i. Owned assets

Owned property, plant & equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Depreciation of property, plant & equipment is provided on a straight-line basis so as to charge the cost less residual value, 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

ii. Right-of-use asset and lease liability

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether it has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset throughout the period of use. The Company recognises a lease liability and right-of-use asset at the lease commencement date.

The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or where the interest rate implicit in the lease cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments consist of the following components:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise that option); and
- payments of penalties for terminating the lease (if the lease term reflects the lessee exercising the option to terminate the lease).

The Company's incremental borrowing rate is calculated by taking the government borrowing rate in any given currency and adding the estimated Company credit spreads for a variety of tenors. An interpolation is performed to obtain one rate for each of the major lease currencies based on the weighted average life of the lease book.

The right-of-use asset is measured as equal to the lease liability and adjusted for:

- lease payments made to the lessor at or before the commencement date;
- lease incentives received;
- initial direct costs associated with the lease; and
- an initial estimate of restoration costs.

The right-of-use asset is depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by any impairment losses.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

1. ACCOUNTING POLICIES continued
The Company has adopted the exemption available for low value assets, with payments being recognised on a straight-line basis over the lease term. Leases relating to laptops, desktop computers, mobile phones, photocopiers, printers and other office equipment, where the asset value is less than £3,500 or the local currency equivalent have been treated as 'low value'. Where the lease contract meets both 'short-term' and 'low value' exemptions, the lease is reported within expenses relating to short-term leases.

For each lease, the lease term has been calculated as the non-cancellable period of the lease contract, except where the Company is reasonably certain that it will exercise contractual extension options. In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Company shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. In certain circumstances the Company will refer to the five year strategic plan period as an appropriate period to consider whether the 'reasonably certain' criteria are met.

Policy applicable before 1 January 2019

Under IAS 17 leases which transferred to the Company substantially all of the risks and rewards of ownership of the leased asset were classified as finance leases. All other assets were classified as operating leases.

Assets held under finance lease were included within property, plant and equipment, initially measured at their fair value or, if lower, the present value of the minimum lease payments, and a corresponding liability was recognised within obligations under finance leases.

Operating lease rentals and any incentives receivable were recognised in the income statement on a straight-line basis over the term of the lease.

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 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 Share Reward Plan (SRP), formerly the Long Term Incentive Plan (LTIP), the Weir ShareBuilder Plan (WSBP) and as a consequence of occasional one-off conditional awards made to employees.

The fair value of SRP awards and one-off 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 conditions of the SRP which took effect in 2018 are summarised in the Directors' Remuneration Policy, which can be found on the Company's website at www.corporategovernance.weir.

The fair value of WSBP awards at grant date is calculated as the share price at the date of the grant less an adjustment for loss of reinvestment return on the dividend equivalent. There are no performance conditions attached to these awards but participants who leave the Company prior to vesting lose their right to the awards. The terms of the share awards granted under the WSBP are set out on the plan's website at www.sharebuilder.weir.

Financial assets and 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. Under IFRS 9, where the modification is not substantial, the modified cash flows are discounted at the original effective interest rate to determine a revised carrying amount of the liability, with any difference in carrying amount recognised in the income statement.

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 and presented within operating profit or finance costs dependent on their nature.

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.
ii) A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

2. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit dealt with in the financial statements of the Company was £53.8m (2018: £22.8m). The corporate tax credit dealt with in the financial statements of the Company was £4.6m (2018: £14.5m).

Dividends paid & proposed	**2019 £m**	2018 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2018: 30.45p (2017: 29.0p)	**78.9**	69.9
Interim dividend for 2019: 16.5p (2018: 15.75p)	**42.8**	40.9
	121.7	110.8
Proposed for approval by Shareholders at the Annual General Meeting		
Final dividend for 2019: 30.45p (2018: 30.45p)	**79.1**	79.0

Up until May 2018, The Weir Group PLC Scrip Dividend Scheme allowed Shareholders on record the opportunity to elect to receive dividends in the form of new fully paid ordinary shares. In 2018, participation in the Scheme resulted in shares with a value of £31.2m being issued and a cash dividend of £38.7m for the 2017 final dividend. The 2018 interim and final dividends were only issued in cash following closure of the Scrip Dividend Scheme.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

2. PROFIT (LOSS) ATTRIBUTABLE TO THE COMPANY continued

The proposed dividend is based on the number of shares in issue, excluding treasury shares held, at the date that 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.

	2019 £m	2018 £m
Employee benefits expense		
Wages & salaries	**21.6**	20.1
Social security costs	**3.1**	2.8
Pension costs		
Defined benefit plans (note 8)	**–**	6.4
Defined contribution plans	**0.6**	0.5
Share-based payments – equity settled transactions	**12.9**	8.6
	38.2	38.4

During 2019, the average number of people employed by the Company was 246 (2018: 183).

Directors

Details of Directors' remuneration, benefits and LTIP awards are included in the Remuneration Report on pages 102-125, and in note 28 to the Group Consolidated Financial Statements.

Auditors' remuneration

The total fees payable by the Company to PricewaterhouseCoopers LLP (PwC) for work performed in respect of the audit of the Company were £21,630 (2018: £20,600). Fees paid to PwC for non-audit services to the Company itself are not disclosed in these financial statements as the Group's Consolidated Financial Statements, in which the Company is included, are required to disclose such fees on a consolidated basis.

Fees payable by the Company to Ernst & Young LLP for work performed in respect of the audit of the pension scheme were £36,550.

3. INTANGIBLE ASSETS

	Purchased software total £m
Cost	
At 31 December 2018	**1.0**
Additions	**0.2**
At 31 December 2019	**1.2**
Aggregate amortisation	
At 31 December 2018	**0.9**
Charge for period	**0.1**
At 31 December 2019	**1.0**
Net book value at 31 December 2018	0.1
Net book value at 31 December 2019	**0.2**

4. PROPERTY, PLANT & EQUIPMENT

	Owned long leasehold land & buildings £m	Owned office & computer equipment £m	Right-of-use land & buildings £m	Right-of-use plant & equipment £m	Total £m
Cost					
At 31 December 2018	**3.7**	**2.4**	**–**	**–**	**6.1**
Transition adjustment (note 1)	**–**	**–**	**8.8**	**–**	**8.8**
At 1 January 2019	**3.7**	**2.4**	**8.8**	**–**	**14.9**
Additions	**–**	**0.5**	**–**	**0.2**	**0.7**
At 31 December 2019	**3.7**	**2.9**	**8.8**	**0.2**	**15.6**
Aggregate depreciation					
At 31 December 2018	**0.5**	**1.9**	**–**	**–**	**2.4**
Charge for period	**0.2**	**0.1**	**0.9**	**–**	**1.2**
At 31 December 2019	**0.7**	**2.0**	**0.9**	**–**	**3.6**
Net book value at 31 December 2018	3.2	0.5	–	–	3.7
Net book value at 31 December 2019	**3.0**	**0.9**	**7.9**	**0.2**	**12.0**

Right-of-use assets

The Company leases buildings, a vehicle and IT equipment. The current and non-current lease liabilities are disclosed in note 11. The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs in the year.

	2019 £m
Depreciation of right-of-use assets	0.9
Charge to operating profit	0.9
Finance cost – interest expense related to lease liabilities	0.3
Charge to profit before tax from continuing operations	1.2

The total cash outflow in the year is £1.0m.

5. INVESTMENTS IN SUBSIDIARIES

	Subsidiaries shares £m	Loans £m	Total £m
Cost			
At 31 December 2018	2,613.9	2,153.3	4,767.2
Additions	1,635.8	920.3	2,556.1
Disposal	(674.9)	–	(674.9)
Settlement	–	(1,552.4)	(1,552.4)
Exchange	–	(53.3)	(53.3)
At 31 December 2019	3,574.8	1,467.9	5,042.7
Impairment			
At 31 December 2018	326.6	5.4	332.0
Impairment of investment in subsidiary	985.7	–	985.7
At 31 December 2019	1,312.3	5.4	1,317.7
Net book value at 31 December 2018	2,287.3	2,147.9	4,435.2
Net book value at 31 December 2019	2,262.5	1,462.5	3,725.0

The subsidiaries and joint ventures of the Company are listed on pages 216-223.

During the year the Company carried out a corporate restructure for internal financing purposes. This resulted in a series of equity investments of £1,596.3m and disposals of £635.8m. Related to this the Company received a dividend of £940.0m from one of its subsidiaries and subsequently impaired its investment in the subsidiary by £949.2m.

The Company carried out an exercise to rationalise the number of its legal entities. This involved an equity investment of £0.4m, dividends received of £114.5m and a subsequent impairment of its investment in some of those entities by £36.5m.

There was a restructure of the Company's investments related to the disposal of Flow Control, resulting in investment additions and disposals to the value of £39.1m each.

Over the term of the loans, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. The majority of the Company's loans are repayable on demand by the Company. In calculating the expected credit loss allowance of repayable on demand loans, the Company considers the financial position and internal forecasts of each subsidiary and their ability to repay on request, or over time. For those loans repayable on maturity, expected credit losses are calculated using market-implied probabilities of default and loss-given-default estimations.

The Company considers the probability of default upon initial recognition of an asset and subsequently whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The primary indicators considered are actual or expected significant adverse changes in business and financial conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

Independent of the primary indicators above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is considered to occur when the counterparty fails to make contractual payments within 90 days of when they fall due. A write-off is considered to be required when there is no reasonable expectation of recovery, or when a debtor fails to make contractual payments greater than 120 days past due. Where loans or receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the income statement.

As at 31 December 2019 and 1 January 2019, the loss allowances for all loans to subsidiaries were measured at an amount equal to 12-month expected credit losses. This did not result in a material change to the loss allowance on 1 January 2019 for the loans, and as such no adjustment has been recorded and comparative figures have not been restated.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

5. INVESTMENTS IN SUBSIDIARIES continued

The closing loss allowances for loans due from subsidiaries as at 31 December 2019 reconcile to the opening loss allowances as follows:

	£m
31 December 2018 – calculated under IAS 39	5.4
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2019 – calculated under IFRS 9 (2018) / IAS 39 (2017)	5.4
At 31 December 2019	5.4

6. DEFERRED TAX

	2019 £m	2018 £m
Deferred income tax assets		
Other timing differences	**2.2**	–
Retirement benefits	**11.8**	12.3
Deferred income tax assets	**14.0**	12.3

Deferred income tax liabilities	**–**	(3.4)

Other timing differences	**2.2**	(3.4)
Retirement benefits	**11.8**	12.3
Deferred income tax	**14.0**	8.9

Deferred income tax assets		
Recoverable after one year	**14.0**	12.3
	14.0	12.3

Deferred income tax liabilities		
Settled after one year	**–**	(3.4)
	–	(3.4)

7. TRADE & OTHER RECEIVABLES

Trade & other receivables presented as non-current on the face of the Company Balance Sheet of £39.5m (2018: £41.6m) 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.

	2019 £m	2018 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	**103.1**	204.4
Tax receivable	**21.2**	18.8
Other debtors	**2.9**	5.6
Prepayments & accrued income	**1.1**	0.9
	128.3	229.7

Amounts owed by subsidiaries relate to management recharges in respect of support services provided. Intercompany balances are typically managed on a Group basis, and the Company's credit risk management practices reflect this. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all such trade receivables.

The amounts owed by subsidiaries do not carry an interest charge, and it is the Company's expectation that materially all the amounts owed by subsidiaries are fully recoverable over time. Expected credit losses at both 1 January 2019 and 31 December 2019 are therefore immaterial, and there has been no material change to the expected loss allowance during the year.

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 Executive Plan entered into an insurance contract in 2017 which will match the liabilities of the plan in full.

The defined benefit plans expose the Company to a number of risks:

Uncertainty in benefit payments

The value of the Company's liabilities for the defined benefit plans will ultimately depend on the amount of benefits paid out. This in turn will depend on the level of inflation (for those benefits that are subject to some form of inflation protection) and how long individuals live. This risk is significantly reduced through the insurance policies held.

Volatility in asset values

The Company is exposed to future movements in the values of assets held in the defined benefit plans to meet future uninsured benefit payments.

Uncertainty in cash funding

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 through the insurance policies held. In addition, the Company is also exposed to adverse changes in pension regulation.

Assumptions

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions and are as follows:

	2019	2018
Significant actuarial assumptions:		
Discount rate (% pa)	**2.1**	2.9
Retail Prices inflation assumption (% pa)	**3.0**	3.2
Post-retirement mortality (life expectancies in years):		
Current pensioners at 65 – male	**21.1**	21.6
Current pensioners at 65 – female	**23.1**	23.5
Future pensioners at 65 – male	**22.5**	23.0
Future pensioners at 65 – female	**24.6**	25.1
Other related actuarial assumptions:		
Rate of increases for pensions in payment (% pa)		
Pre 6 April 2006 service	**2.9**	3.1
Post 5 April 2006 service	**2.0**	2.1
Consumer Prices inflation assumption (% pa)	**1.9**	2.1

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 2040 (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.

	2019 £m	2018 £m
Plan assets at fair value		
Equities (quoted)	**193.8**	177.5
Diversified Growth Funds (primarily quoted)	**62.5**	55.5
Corporate bonds (quoted)	**41.1**	37.3
Government bonds (quoted)	**114.1**	109.2
Insurance policies (unquoted)	**364.7**	360.9
Private Debt (unquoted)	**9.8**	–
Cash (quoted)	**28.4**	8.7
Fair value of plan assets	**814.4**	749.1
Present value of funded obligations	**(882.3)**	(819.8)
Net funded obligations	**(67.9)**	(70.7)
Present value of unfunded obligations	**(1.4)**	(1.4)
Net liability	**(69.3)**	(72.1)
Plan in deficit	**(69.3)**	(72.1)

Of the government bonds held at 31 December 2019, 35% are fixed interest bonds. 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.

	2019 £m	2018 £m
Opening net liabilities	**(72.1)**	(125.1)
Expense charged to profit & loss	**(1.9)**	(9.3)
Amount recognised in Statement of Comprehensive Income	**(3.4)**	59.2
Employer contributions	**8.1**	3.1
Closing net liabilities	**(69.3)**	(72.1)

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

	2019 £m	2018 £m
Recognised in the Income Statement		
Past service cost	**–**	(6.3)
Administrative expenses	**–**	(0.1)
Included in operating loss	**–**	(6.4)
Interest on net pension liability	**(1.9)**	(2.9)
Total expense charged to profit & loss	**(1.9)**	(9.3)
Recognised in the Statement of Comprehensive Income		
Actual return on plan assets	**95.5**	(22.7)
Less: interest on plan assets	**(21.4)**	(19.1)
	74.1	(41.8)
Other actuarial (losses) gains due to:		
Changes in financial assumptions	**(97.9)**	70.2
Changes in demographic assumptions	**20.4**	18.0
Experience on benefit obligations	**–**	12.8
Actuarial losses recognised in the Statement of Comprehensive Income	**(3.4)**	59.2

Past 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 £8.0m in 2019 (2018: £3.0m) in addition to the Company's regular contributions.

In 2015, the Company entered into a pension funding partnership structure under which it has contributed interests in a Scottish Limited Partnership ('SLP') for the Main Plan. The Main Plan's interests in the SLP reduce the deficit on a funding basis, although the agreement will not affect the position directly on an 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, subject to conditions being met. The profits to be shared with the Plan will be reflected in the Company's financial statements as a pension contribution.

The latest actuarial funding valuation of the Main Plan as at 31 December 2017 was completed in 2019. Under the agreed recovery plan, the Company has agreed to contribute £4.3m in each year from 2019 to 2028 inclusive. These contributions are primarily funded by the income payments from the SLP described above. The contributions are subject to an annual review mechanism, and will temporarily cease if the Main Plan's funding level on a funding basis exceeds 105%.

The Trustees of the UK Executive Scheme entered into a full buy-in transaction with Scottish Widows in the third quarter of 2017, meaning all of the benefit payments due from the Executive Scheme are now covered by an insurance policy. There remains an outstanding premium payment (expected to be £1.1m) due from the Trustees to Scottish Widows, which is expected to be paid in 2020 following a data cleanse process to finalise the insurance policy data. The FRS 101 balance sheet at the 2019 year end therefore shows a deficit reflecting this payment due.

The Company has taken legal advice regarding its UK arrangements to confirm the accounting treatment under IFRIC 14 with regard to recognition of a current surplus and also recognition of a minimum funding requirement. This confirmed that there is no requirement to adjust the balance sheet and that recognition of a current surplus is appropriate on the basis that the Company has an unconditional right to a refund of a current (or projected future) surplus at some point in the future. For the same reason, there is no requirement for the Company to adjust the balance sheet to recognise the future agreed deficit recovery contributions. Having considered the position, taking account of the legal input received and noting that the Trustees of the UK arrangements do not have discretionary powers to unilaterally wind up the schemes without cause, the Directors of the Company have concluded that the Company has an unconditional right to a refund of any surplus. Amendments to the current version of IFRIC 14 are currently being considered. The legal advice received by the Company has confirmed that the above accounting treatment will not be affected by the current exposure draft of the revised IFRIC 14.

The total Company contributions for 2020 (including those expected from the SLP) are expected to be £5.4m.

Sensitivity analysis

Changes in key assumptions can have a significant effect on the reported net retirement benefit obligation and the income statement expense for 2020. The effects of changes in those assumptions are set out in the table below.

	Increase 2019 £m	**Decrease 2019 £m**	Increase 2018 £m	Decrease 2018 £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	**132.4**	**(159.9)**	120.4	(144.8)
Effect on net liability of a 1.0% change	**95.2**	**(118.0)**	83.9	(103.7)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	**(99.1)**	**89.6**	(91.0)	82.5
Effect on net liability of a 1.0% change	**(65.5)**	**58.7**	(57.9)	51.9
Life expectancy				
Effect on defined benefit obligation of a 1 year change	**(31.1)**	**31.1**	(28.8)	28.8
Effect on net liability of a 1 year change	**(15.1)**	**15.1**	(13.0)	13.0

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

8. RETIREMENT BENEFITS continued

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

	2019 £m	2018 £m
Opening defined benefit obligations	**(821.2)**	(936.8)
Past service cost	**–**	(6.3)
Interest on benefit obligations	**(23.3)**	(22.0)
Benefits paid	**38.3**	42.9
Actuarial (losses) gains due to		
Changes in financial assumptions	**(97.9)**	70.2
Changes in demographic assumptions	**20.4**	18.0
Experience on benefit obligations	**–**	12.8
Closing defined benefit obligations	**(883.7)**	(821.2)

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

	2019 £m	2018 £m
Opening plan assets	**749.1**	811.7
Interest on plan assets	**21.4**	19.1
Employer contributions	**8.1**	3.1
Administrative expenses	**–**	(0.1)
Benefits paid	**(38.3)**	(42.9)
Actual return on plan assets less interest on plan assets	**74.1**	(41.8)
Closing plan assets	**814.4**	749.1

9. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 £m	2018 £m
Non-current assets		
Cross currency swaps	**4.1**	1.4
Forward foreign currency contracts	**0.6**	0.7
	4.7	2.1
Current assets		
Forward foreign currency contracts	**23.5**	27.6
	23.5	27.6
Current liabilities		
Forward foreign currency contracts	**(31.0)**	(54.8)
	(31.0)	(54.8)
Non-current liabilities		
Forward foreign currency contracts	**(0.3)**	(0.6)
	(0.3)	(0.6)

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

	2019 £m	2018 £m
Bank overdrafts & short-term borrowings	**490.0**	662.0
Loans from subsidiaries (note 11)	**1,125.8**	1,683.6
Lease liability (note 11)	**1.1**	–
Amounts owed to subsidiaries	**14.3**	30.9
Other taxes & social security costs	**1.2**	1.4
Other creditors	**7.6**	15.2
Accruals & deferred income	**23.4**	29.7
	1,663.4	2,422.8

11. INTEREST-BEARING LOANS & BORROWINGS

	2019 £m	2018 £m
Amounts due are repayable as follows		
Less than one year		
– bank loans	**299.6**	–
– fixed-rate notes	**–**	164.6
– commercial paper	**190.5**	497.2
– loans from subsidiaries	**1,125.8**	1,683.6
– lease liability	**1.1**	–
More than one year but not more than two years		
– bank loans	**158.3**	–
– loans from subsidiaries	**65.3**	–
– lease liability	**0.8**	–
More than two years but not more than five years		
– bank loans	**–**	120.0
– fixed-rate notes	**595.4**	619.4
– loans from subsidiaries	**131.7**	172.3
– lease liability	**2.2**	–
More than five years		
– lease liability	**6.2**	–
	2,576.9	3,257.1
Less current instalments due on		
– bank loans	**(299.6)**	–
– fixed-rate notes	**–**	(164.6)
– commercial paper	**(190.5)**	(497.2)
– loans from subsidiaries	**(1,125.8)**	(1,683.6)
– lease liability	**(1.1)**	–
	959.9	911.7

The loans from subsidiaries with a maturity date greater than one year and less than two years are repayable in 2021 and have an interest rate of 6.25%. The loans from subsidiaries with a maturity date greater than two years and less than five years are repayable in 2023 and have an interest rate of 5.65%.

Details of the interest and repayment terms of the bank loans, fixed-rate notes and commercial paper can be found in note 19 to the Group financial statements.

12. PROVISIONS

	Exceptional rationalisation £m
At 31 December 2018	**1.1**
Additions	**0.9**
Utilised	**(1.7)**
At 31 December 2019	**0.3**
Current 2019	**0.2**
Non-current 2019	**0.1**
At 31 December 2019	**0.3**
Current 2018	0.8
Non-current 2018	0.3
At 31 December 2018	1.1

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

13. SHARE CAPITAL & RESERVES

	2019 £m	2018 £m
Allotted, called up & fully paid		
Ordinary shares of 12.5p each	**32.5**	32.5

	2019 Number million	2018 Number million
Shares allotted		
Issued during the period in respect of ESCO acquisition	**–**	33.5
Issued during the period in respect of scrip dividends	**–**	1.4
Treasury shares		
At the beginning of the period	**0.2**	0.5
Purchase of shares in respect of equity settled share-based payments	**0.7**	–
Utilised during the period in respect of equity settled share-based payments	**(0.9)**	(0.3)
At the beginning and end of the period	**–**	0.2
Equity settled share-based payments		
Share awards outstanding at the end of the period	**1.5**	1.7

Merger reserve
The shares issued directly to ESCO Shareholders on 12 July 2018 qualified for merger relief under section 612 of the Companies Act 2006, resulting in an increase to the reserve of £323.2m. The merger reserve was originally 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 a commercial lease for a building with a lease term of 20 years. Future minimum rentals payable under non-cancellable operating leases are shown in the table below for the year ended 31 December 2018. In 2019 this lease has been accounted for under IFRS 16. Lease commitments at 31 December 2019 are displayed in note 11.

	2018 (restated note 1) £m
Less than 1 year	0.8
After 1 year but no more than 5 years	3.0
More than 5 years	8.7
Impact of IFRS 16 data review (note 1)	0.8
	13.3

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 £819.3m (2018: £967.1m) of which £217.1m (2018: £213.3m) was utilised at 31 December 2019. 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. Provisions have been made where the Directors have assessed that a cash outflow is likely and they believe all other claims are remote.

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	**2019**	**–**	**58.5**
	2018	–	56.7
Weir Minerals (India) Private Ltd	**2019**	**–**	**–**
	2018	0.1	–
Vulco SA	**2019**	**1.3**	**0.4**
	2018	(0.5)	1.2

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The description of the Group's financial risk management objectives and policies is provided in note 29 to the Group financial statements.

These financial risk management objectives and policies also apply to the Company.

Shareholder Information

SUBSIDIARY UNDERTAKINGS

Company Name	Country	Registered Office address	Class name	% of class	Directly Held By PLC*
Aislación Sismica Perú SA	Peru	Av. Separadora Industrial, N° 2201 Urb Vulcano Ate, Lima, Peru	Ordinary	**99.99**	
Aspir Pty Ltd	Australia	1-5 Marden Street, Artarmon NSW 2064, Australia	Ordinary	**100**	
Bucyrus Blades de Mexico S.A. DE C.V.	Mexico	Calle 14, Manzana 4, Lote 4, Parque Industrial, Apartado Postal 129, Atlacomulco, Mexico	Fixed Capital, Variable Capital	**100**	
Bucyrus Blades Inc.	United States	C T Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH, 43219	Common	**100**	
Bucyrus Blades of Canada ULC	Canada	1800 - 510 West Georgia Street, Vancouver BC V6B 0M3, Canada	Ordinary-A	**100**	
Capstead Systems Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
CH Warman Asia Limited	Malta	93 Mill Street, Qormi, QRM3102, Malta	Ordinary	**100**	
Comercializadora TEP Limitada	Chile	San José N° 815, San Bernardo, Santiago de Chile, Chile	N/A	**100**	
Cunnington and Cooper Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
Dongying Weir O&G Pump Products Co., Ltd.	China	No. 69 Dengzhou Road, Dongying Area, Dongying City, Shandong, China	N/A	**100**	
Downhole Oiltools Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
Duhn Oil Tool, Inc.	United States	CT Corporation System, 808 West Seventh Street, Suite 930, Los Angeles, CA, 90017	Common A Stock	**100**	
Electric Steel Foundry Co	United States	2141 NW 25th Avenue, Portland OR 97210, United States	Fixed Capital	**100**	
EnviroTech (Pty) Limited	South Africa	31 Isando Road, Isando, Gauteng, 1600, South Africa	Ordinary, Ordinary A	**100**	
EPIX Power Systems, LLC	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801, United States	Units	**50**	
ESCO – Bucyrus Blades Canada	Canada	1800 - 510 West Georgia Street, Vancouver BC V6B 0M3, Canada	N/A	**100**	
ESCO – Bucyrus Blades Financing Ltd. Partnership (RH)	Canada	1800 - 510 West Georgia Street, Vancouver BC V6B 0M3, Canada	N/A	**100**	
ESCO (Shanghai) Trading Co., Ltd.	China	25GH, Lekai Building, No. 660, Shangcheng Road, Pudong New District, Shanghai, China	N/A	**100**	
ESCO (UK) Holdings Limited	England and Wales	Ings Road, Doncaster, DN5 9SN, United Kingdom	Ordinary	**100**	
ESCO (UK) Limited	England and Wales	Ings Road, Doncaster, DN5 9SN, United Kingdom	Ordinary	**100**	
ESCO (Xuzhou) Wearparts Co., Ltd.	China	DaZhai Road andCuiZhuan Nan Road, Tongshan Economic Development Zone, Xuzhou City, Jiangsu Province, 221116, China	N/A	**100**	
ESCO Australia Holdings Pty Limited	Australia	25 Trade Street, Lytton, Queensland QLD 4178, Australia	Ordinary	**100**	
ESCO Belgium SA	Belgium	Rue des Fours à Chaux, Zoning Industriel, Frameries, 7080, Belgium	Ordinary	**100**	
ESCO Canada Finance Company Inc.	Canada	1800 - 510 West Georgia Street, Vancouver BC V6B 0M3, Canada	Common	**100**	
ESCO Canada Ltd.	Canada	1800 - 510 West Georgia Street, Vancouver BC V6B 0M3, Canada	Ordinary	**100**	
ESCO Dunedin Pty Ltd	Australia	25 Trade Street, Lytton, Queensland QLD 4178, Australia	Ordinary	**100**	
ESCO Elecmetal Fundición Limitada	Chile	Calle Miraflores, Numero 222, Piso Veinticuatro, Santiago, Chile	N/A	**50**	
ESCO Electric Steel Foundry Company of Africa (Pty) Ltd	South Africa	22 Chester Road, Parkwood, Johannesburg, 2193, South Africa	Ordinary	**100**	
ESCO EMEA Holdings (UK) Limited	England and Wales	Ings Road, Doncaster, DN5 9SN, United Kingdom	Ordinary	**100**	
ESCO Engineering Kingaroy Pty Ltd	Australia	25 Trade Street, Lytton, Queensland QLD 4178, Australia	Ordinary	**100**	

Company Name	Country	Registered Office address	Class name	% of class	Directly Held By PLC*
ESCO Engineering Pty Ltd	Australia	25 Trade Street, Lytton, Queensland QLD 4178, Australia	Ordinary	**100**	
ESCO GmbH	Germany	Marie-Bernays Ring 1, Moenchengladbach, 41199, Germany	Ordinary	**100**	
ESCO GP Ltd.	Canada	2500, 10175 - 101 Street, Edmonton, Alberta T5J 0H3, Canada	Ordinary	**100**	
ESCO Group Holdings Pty Ltd	Australia	25 Trade Street, Lytton, Queensland QLD 4178, Australia	Ordinary	**100**	
ESCO Group LLC	United States	1209 Orange Street, Wilmington DE 19801, United States	Membership Units	**100**	
ESCO Hydra (UK) Limited	England and Wales	Ings Road, Doncaster, DN5 9SN, United Kingdom	Ordinary, Ordinary A	**100**	
ESCO Indonesia Investco No 1 Pty Ltd	Australia	25 Trade Street, Lytton, Queensland QLD 4178, Australia	Ordinary	**100**	
ESCO Indonesia Investco No 2 Pty Ltd	Australia	25 Trade Street, Lytton, Queensland QLD 4178, Australia	Ordinary	**100**	
ESCO International (H.K.) Holdings Limited	Hong Kong	Suites 5801, 5804-06, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	Ordinary	**100**	
ESCO International Holdings SPRL	Belgium	122,Rue des Four à Chaux, Zoning Industriel, Frameries, 7080, Belgium	Ordinary	**100**	
ESCO Japan, Inc.	Japan	Marunouchi Mitsui Building, 2-2-2 Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan	Common	**100**	
ESCO LATIN AMÉRICA COMÉRCIO E INDÚSTRIA LTDA.	Brazil	Rua Engenheiro Gerhard Ett, nº 1.215, Distrito Industrial Paulo Camilo Sul, CEP 32669-110, Brazil	Ordinary	**100**	
ESCO Limited	Canada	1800 - 510 West Georgia Street, Vancouver BC V6B 0M3, Canada	Ordinary-A	**100**	
ESCO Moçambique S.A.	Mozambique	Avenida Kim Il Sung, no. 961, Maputo, Mozambique	Ordinary	**100**	
ESCO Northgate Pty Limited	Australia	25 Trade Street, Lytton, Queensland QLD 4178, Australia	Ordinary	**100**	
ESCO Peru S.R.L.	Peru	Av. Manuel Olguin 211, Suite 304, Surco, Lima, Peru	Common	**100**	
ESCO RUS Limited Liability Company	Russian Federation	69 Leningradskoe Shosse, Building 1, 125445, Moscow, Russian Federation	Ordinary	**100**	
ESCO S.A.S.	France	57 Rue d'Amsterdam, 75008, Paris, France	Ordinary	**100**	
ESCO Servicios Mineros S.A.	Argentina	Tucuman 1, Piso 4, C1049AAA, Buenos Aires, Argentina	Ordinary	**100**	
ESCO South Africa Wearparts (Pty) Limited	South Africa	22 Chester Road, Parkwood, Johannesburg, 2193, South Africa	Ordinary, Cumulative Reedemable Preference, Empowerment Shares	**100**	
ESCO Supply and Service Kazakhstan	Kazakhstan	4th floor, 192/2 Dostyk avenue, Almaty city, 050051, Kazakhstan	Ordinary	**100**	
ESCO SUPPLY CARAJÁS INDUSTRIA DE PECAS E EQUIPAMENTOS LTDA	Brazil	Rodovia PA-160, Loteamento Parque dos Carajas II, Quadra 73, Lotes 1, 2, 3, 4, 5, 6, 7, 22, 23 e 24 , Parauapebas, Brazil	Ordinary	**100**	
ESCO Supply Ltd.	Canada	2500, 10175 - 101 Street, Edmonton, Alberta T5J 0H3, Canada	Ordinary-A	**100**	
ESCO Turbine Components Europe, sprl	Belgium	122, Rue des Fours à Chaux, Zoning Industriel, Frameries, 7080, Belgium	Ordinary	**100**	
ESCO Wearparts Supply and Services (Namibia) (Proprietary) Limited	Namibia	Private Bag 12012, Ausspannplatz, Windhoek, Namibia	Ordinary	**100**	
ESCO Windber Inc.	United States	2141 NW 25th Avenue, Portland OR 97210, United States	Ordinary	**100**	
Fabrica de Aisladores Sismicos de Chile Limitada	Chile	San José N° 815, San Bernardo, Santiago de Chile, Chile	N/A	**100**	
Fundición Vulco Ltda	Chile	San José N° 815, San Bernardo, Santiago de Chile, Chile	N/A	**100**	
G. & J. Weir, Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	

Shareholder Information

SUBSIDIARY UNDERTAKINGS
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Company Name	Country	Registered Office address	Class name	% of class	Directly Held By PLC*
Hurricane Investments Inc.	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801, United States	Common	**100**	
Inversiones ESCO Chile Limitada	Chile	Calle Miraflores, Numero 222, Piso Veinticuatro, Santiago, Chile	N/A	**99.99**	
Inversiones Linatex Chile (Holdings) Limitada	Chile	San José N° 815, San Bernardo, Santiago de Chile, Chile	N/A	**100**	
JF (Jiangsu) Machinery Co. Ltd	China	East 188, Hutai Road, Liuhe Town, Taicang City, 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	South Africa	5 Clarke Street, Alrode, Alberton, Gauteng, 1449, South Africa	Ordinary	**100**	
Linatex Asset Holdings Malaysia Sdn. Bhd.	Malaysia	2nd Floor, No 2-4 Jalan Manau, 50460 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Ordinary	**100**	
Linatex Australia Pty Limited	Australia	1-5 Marden Street, Artarmon NSW 2064, Australia	Class A Shares, Class B Shares	**100**	
Linatex Chile Limitada	Chile	San José N° 815, San Bernardo, Santiago de Chile, Chile	N/A	**100**	
Linatex Chile SpA	Chile	Santa Catalina de Chena 850, San Bernardo, Santiago de Chile, Chile	Ordinary Nominative Share	**100**	
Linatex Consolidated Holdings Ltd	Virgin Islands, British	Kingston Chambers, PO Box 173, Road Town, Tortola, British, Virgin Islands	Ordinary	**100**	
Linatex Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
Linatex Rubber Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
Linatex Rubber Products Sdn. Bhd.	Malaysia	2nd Floor, No 2-4 Jalan Manau, 50460 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Ordinary	**100**	
Linatex UK Holding Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden Lancashire OL14 5RT, United Kingdom	Ordinary	**100**	
Metalúrgica Vulco Ltda	Chile	San José N° 815, San Bernardo, Santiago de Chile, Chile	N/A	**100**	
Multiflo Pumps Pty Limited	Australia	1-5 Marden Street, Artarmon NSW 2064, Australia	Ordinary	**100**	
Overseas ESCO Corporation Ltd.	Virgin Islands, British	The Lake Building, 1st Floor, Wickams Cay 1, P. O. Box 3152, Road Town, Tortola, British, Virgin Islands	N/A	**100**	
PT ESCO Mining Products	Indonesia	The Garden Centre #3-04, Cilandak Commercial Estate, JL Raya Cilandak KKO, Jakarta, 12075, Indonesia	Ordinary	**100**	
PT Weir Minerals Contract Services Indonesia	Indonesia	Jl. Mulawarman Rt. 20 No. 20 Kelurahan Manggar, Kec, Balikpapan Timur, Kota Balikpapan, 76116, Indonesia	Ordinary	**100**	
PT Weir Minerals Indonesia	Indonesia	Jl. Mulawarman Rt. 20 No. 20 Kelurahan Manggar, Kec, Balikpapan Timur, Kota Balikpapan, 76116, Indonesia	Ordinary	**100**	
PT Weir Oil & Gas Indonesia	Indonesia	Jl. Mulawarman Rt. 20 No. 20 Kelurahan Manggar, Kec, Balikpapan Timur, Kota Balikpapan, 76116, Indonesia	Ordinary	**95**	
PT Weir Pressure Control Indonesia	Indonesia	Suite 701B, 7th Floor, Setiabudi Atrium, Jl. H.R. Rasuna Said Kav 62, Jakarta 12920, Indonesia	Ordinary A, B	**100**	
S.P.M. Flow Control, Inc.	United States	CT Corporation System, 1999 Bryan St., Suite 900, Dallas, TX, 75201	Common	**100**	
Seaboard Canada Ltd.	Canada	5233 49 Ave, Red Deer AB T4N 6G5, Canada	Common	**100**	
Seaboard Holdings, Inc.	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801, United States	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.	United States	CT Corporation System, 1999 Bryan St., Suite 900, Dallas, TX, 75201	Common	**100**	
Seaboard Real Estate, LLC	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801	Units	**100**	
Shanghai JF Engineering Equipment Co. Ltd	China	No.572, Yonghe Road, Jing'an District, Shanghai, China	N/A	**100**	

Company Name	Country	Registered Office address	Class name	% of class	Directly Held By PLC*
Shanghai Vortex Engineering Machinery Co. Ltd	China	Building #3, No.4918, Liuxiang Road, Jiading District, Shanghai, China	N/A	**100**	
Shanxi Changfeng Wearparts Co. Ltd.	China	No. 53, Yuhe Street, Wanbailin District, Taiyuan, Shanxi, 030024, China	N/A	**54.43**	
Slurry Holdings Limited	Malta	93 Mill Street, Qormi, QRM3102, Malta	Ordinary	**100**	
Soldering Comércio e indústria ltda.	Brazil	Rua Engenheiro Gerhard Ett, nº 1.215, Distrito Industrial Paulo Camilo Sul, CEP 32669-110, Brazil	Ordinary	**100**	
Specialised Petroleum Manufacturing Limited	Scotland	SPM House, Badentoy Crescent, Badentoy Industrial Park, Portlethen, Aberdeen, AB12 4YD, United Kingdom	Ordinary	**100**	
SPM Flow Control de Mexico, 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	Serie A	**100**	
SPM Flow Control Ltd.	Canada	5233 49 Ave, Red Deer AB T4N 6G5, Canada	Class A Common	**100**	
SPM UK Limited	Cayman Islands	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Ordinary	**100**	
Thandilwa Training Centre (Pty) Ltd	South Africa	22 Chester Road, Parkwood, Johannesburg, 2193, South Africa	Ordinary	**100**	
The Weir Group Insurance Company Limited	Isle of Man	1st Floor, Rose House, 51-59 Circular Road, Douglas, Isle of Man	Ordinary	**100**	
The Weir Group International S.A.	Switzerland	Rue de Romont 35, c/o Daniel Schneuwly, 1700 FRIBOURG, Fribourg, Switzerland	Ordinary	**100**	
The Weir Group Pension Trust Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	N/A	**100**	*
Trio Engineered Products (Hong Kong) Limited	Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	Ordinary	**100**	
Trio Engineered Products, Inc.	United States	CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles CA 90017, United States	Common	**100**	
TWG Canada Holdings Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
TWG Cayman Limited	Cayman Islands	M & C Corporate Services Limited, PO Box 309, Ugland House, South George Street, George Town, Grand Cayman, KY1-1104, Cayman Islands	Ordinary	**100**	
TWG Drilling Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
TWG Engineering (No.1) Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
TWG Engineering (No.2) Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	*
TWG Engineering (No.3) Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
TWG Engineering (No.4) Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
TWG Engineering (No.5) Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
TWG Engineering (No.7) Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	
TWG Finance, Inc.	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801	Common	**100**	
TWG Investments (No. 6) Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
TWG Investments (No. 7) Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*
TWG Investments (No. 8) Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
TWG Investments (No.10) Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*
TWG Investments (No.11) Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
TWG Investments (No.3) Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary, Preference	**100**	*

Shareholder Information

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Company Name	Country	Registered Office address	Class name	% of class	Directly Held By PLC*
TWG Investments (No.4) Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary, Preference	**100**	
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, G2 1RW, United Kingdom	Ordinary, Preference	**100**	
TWG UK Holdings Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
TWG US Finance LLC	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801	Membership Units	**100**	*
TWG US Holdings LLC	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801	Units	**100**	
TWG Young Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*
Vulco Peru SA	Peru	Av. Separadora Industrial, N° 2201 Urb Vulcano Ate, Lima, Peru	Ordinary	**99.99**	
Vulco S.A.	Chile	San José N° 815, San Bernardo, Santiago de Chile, Chile	Ordinary Nominative Share	**99.17063**	
Warman Pumps Ltd	Australia	1-3 Marden Street, Artarmon NSW 2064, Australia	Ordinary	**100**	
Waterloo West Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	*
Weir ABF LP	Scotland	1 West Regent Street, Glasgow, G2 1RW, United Kingdom	N/A	**100**	
Weir Arabian Metals Company	Saudi Arabia	Makkah Street, Dammam 2nd, Industrial City, Al Khobar, Saudi Arabia	Common	**49**	
Weir B.V.	Netherlands	PO Box 249, 5900 AE, Venlo, Netherlands, Netherlands	Ordinary	**100**	
Weir Brasil Comercio Ltda	Brazil	Rua Dona Francisca 8.300, Perini Business Park, Bloco C6, Joinville, Santa Catarina, CEP 89.219-600, Brazil	Ordinary	**100**	
Weir Canada, Inc.	Canada	2360 Millrace Court, Mississauga ON L5N 1W2, Canada	Common	**100**	
Weir Canadian Investments, Inc.	Canada	2360 Millrace Court, Mississauga ON L5N 1W2, Canada	Common	**100**	
Weir do Brasil Ltda	Brazil	Av Jose Benassi, 2151 - Condomini, FAZGRAN, CEP 13213-085 -, Brazil	Nominal	**100**	
Weir Drilling Services Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	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	1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
Weir Group (Australian Holdings) Pty Limited	Australia	1-5 Marden Street, Artarmon NSW 2064, Australia	Ordinary	**100**	*
Weir Group (Overseas Holdings) Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	
Weir Group African IP Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary £,$	**100**	
Weir Group Engineering Hong Kong Limited	Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	Ordinary	**100**	
Weir Group Executive SUURB Trustee Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*
Weir Group General Partner Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*
Weir Group Holdings Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*
Weir Group Inc.	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801	Common, Preferred	**100**	
Weir Group Investments Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*
Weir Group IP Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*
Weir Group Machinery Equipment (Shanghai) Co. Ltd.	China	No.4918, Liuxiang Road, Xuxing Town, Jiading District, Shanghai, China	N/A	**100**	
Weir Group Management Services Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	**100**	*

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Weir Group Trading (Shanghai) Co., Ltd.	China	Room 02,03, Longlife Level 14 No. 1566, West Yan'an Road, Shanghai, China	N/A	**100**	
Weir Group Trading Mexico, S.A. de C.V.	Mexico	Av. Nafta No. 775, Col. Parque Industrial, Stiva Aeropuerto, Mexico	Ordinary Nominative Share	**100**	
Weir HBF (Pty) Ltd	South Africa	50 Strudebaker Street, Markman Industria, Port Elizabeth, South Africa	Ordinary	**100**	
Weir Holdings B.V.	Netherlands	PO Box 249, 5900 AE, Venlo, Netherlands, Netherlands	Ordinary	**100**	
Weir Investments Two Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary A, B	**100**	*
Weir Malaysia Sdn. Bhd.	Malaysia	2nd Floor, No 2-4 Jalan Manau, 50460 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Ordinary, Preference	**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, India	Ordinary	**97.25**	
Weir Minerals Africa (Proprietary) Limited	South Africa	5 Clarke Street South, Alrode, Alberton, South Africa, 1149, South Africa	Ordinary	**100**	
Weir Minerals Armenia LLC	Armenia	Index 0069, 16/35 Kamarak Str, Yerevan, Armenia	Ordinary	**100**	
Weir Minerals Australia Limited	Australia	1-3 Marden Street, Artarmon NSW 2064, Australia	Ordinary	**100**	
Weir Minerals Botswana (Proprietary) Limited	Botswana	Plot 5039/5040, Somerset East Industrial, Francistown, Botswana	Ordinary	**100**	
Weir Minerals Caribe SRL	Dominican Republic	Kk 22,5 Autopista Duarte, Parque Industrial Duarte, Parque De Naves Pid 4, Santo Domingo, Dominican Republic	Ordinary	**100**	
Weir Minerals Central Africa Limited	Zambia	Plot 3655, Chimbuluma Road, Kitwe, Zambia	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 Czech & Slovak, s.r.o.	Czech Republic	Hlinky 118, 603 00 Brno, Czech Rep., Brno, Czech Republic	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, United Kingdom	Ordinary	**100**	
Weir Minerals Finland Oy	Finland	Askonkatu 9F, Lahti, FIN-15100, Finland	Ordinary	**100**	
Weir Minerals France SAS	France	10 Rue Jacquard, Chassieu, 69680, France	Ordinary	**100**	
Weir Minerals Germany GmbH	Germany	Lise-Meitner-Straße 12, 74074, Heilbronn, Germany	Capital	**100**	
Weir Minerals Hungary Kft	Hungary	Teleki László utca 11 1/.3 Tatabánya, 2800-HU, Hungary	Issued Capital	**100**	
Weir Minerals Isando (Pty) Ltd	South Africa	5 Clarke Street, Alrode, Alberton, Gauteng, 1449, South Africa	Ordinary	**100**	
Weir Minerals Italy S.r.l.	Italy	Via F.lli Cervi 1/D, Cernusco sul Naviglio, 20063, Milan, Italy	Ordinary	**100**	
Weir Minerals Kazakhstan LLP	Kazakhstan	4th Floor, 192/2 Dostyk Avenue, Almaty, 050051, Kazakhstan	Charter capital	**100**	
Weir Minerals Kenya Limited	Kenya	LR No. 1870/1/569, Ring Road Parklands, P.O. Box 764 - 00606 - Sarit Centre, Nairobi, Kenya	Ordinary	**100**	
Weir Minerals Madagascar Sarlu	Madagascar	Immcuble Mining Business Center sis a Mamory Ivato, 10518 Ivato Aeroport, Analamanga, Madagascar	Ordinary	**100**	
Weir Minerals Mexico Servicios, S.A. de C.V.	Mexico	Av. Nafta No. 775, Col. Parque Industrial, Stiva Aeropuerto, Mexico	Ordinary Nominative Share	**100**	
Weir Minerals México, SA de CV	Mexico	Av. Nafta No. 775, Col. Parque Industrial, Stiva Aeropuerto, Mexico	Ordinary Nominative Share	**100**	
Weir Minerals Mongolia LLC	Mongolia	205, 2nd Khoroo, Bayangol District, Ulaanbaatar, Mongolia	Ordinary	**100**	
Weir Minerals Mozambique Ltd	Mozambique	Mozambique, Maputo Cidade, Distrito urbano1, Bairro, Centrall, AV. Zedequias, Manganhela, Mozambique	Ordinary	**100**	
Weir Minerals Netherlands B.V.	Netherlands	PO Box 249, 5900 AE, Venlo, Netherlands, Netherlands	Ordinary	**100**	
Weir Minerals North Africa SARL	Morocco	Boulevard Sidi Mohamed, Ben Abdellah, Im B, 1Er Etage N 29., Casablanca, 20160, Morocco	Ordinary	**100**	

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Company Name	Country	Registered Office address	Class name	% of class	Directly Held By PLC*
Weir Minerals Panama S.A.	Panama	Ciudad de Panama, Panama	Ordinary	100	
Weir Minerals Poland Sp. z.o.o.	Poland	Ul. Ignacego Domeyki 2, 30-066, Krakow, Poland	Company Capital	100	
Weir Minerals Processing Equipment & Services LLC	United Arab Emirates	EFCO Cement Products Factory, Plot No 597901, Dubai Investment Park II, Dubai, United Arab Emirates	Ordinary	49	
Weir Minerals Pump & Mining Solutions Namibia (Proprietary) Limited	Namibia	54 Hidipo Hamutenya Avenue, Swakopmund, Namibia	Ordinary	100	
Weir Minerals RFW LLC (OOO)	Russian Federation	Entrance 2, Floor 3, Business Center TRIO, Building 1, House 12, 8 Marta Street, 127083, Moscow, Russian Federation	N/A	100	
Weir Minerals Shared Services Proprietary Limited	South Africa	5 Clarke Street South, Alrode, Alberton, South Africa, 1149, South Africa	Ordinary	100	
Weir Minerals South Africa Proprietary Limited	South Africa	5 Clarke Street, Alrode, Alberton, Gauteng, 1449, South Africa	Ordinary	100	
Weir Minerals Sweden AB	Sweden	Metallvägen 6, 982 38 Gällivare, Sweden	A, B Class Shares	100	
Weir Minerals Taiwan Corp. Ltd	Taiwan	4F, No 433, Ruiguang Road, Neihu Dist, TAIPEI, Taiwan	Ordinary	90	
Weir Minerals Ukraine LLC	Ukraine	Blagoyeva 31 Str, Dnipro, Dnepropetrovsk Reg, 49054, Ukraine	Share Capital	100	
Weir Minerals West Africa Limited	Ghana	No.4, 3rd Close, Airport Residential Area, Accra Post Box CT3170, Accra, Ghana	Ordinary	100	
Weir Oil & Gas Australia Pty Limited	Australia	1-5 Marden Street, Artarmon NSW 2064, Australia	Ordinary	100	
Weir Oil & Gas Malaysia Sdn Bhd	Malaysia	Level 16, Integra Tower, The Intermark 348 Jalan Tun Razak, Kuala Lumpur, Malaysia	Ordinary	100	
Weir Oil & Gas Singapore (Services) Pte Ltd	Singapore	77 Science Park Drive, #04-01/08, Cintech III Building, 118256, Singapore	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 Oil and Gas Colombia S.A.S.	Colombia	Cra 25 A N° 11- 64, Bogota D.c., 111411221 (No Lo Exigen Colocar En Camara De Comercio), Colombia	Ordinary	100	
Weir Pump and Valve Solutions, Inc	United States	The Corporation Company, 40600 Ann Arbour Road, Este, 201, Plymouth Mi 48170 4675, United States	Common	100	
Weir Pumps Limited	Scotland	10th Floor, 1 West Regent Street, Glasgow, G2 1RW, United Kingdom	Ordinary	100	
Weir Services Australia Pty Ltd	Australia	1-5 Marden Street, Artarmon NSW 2064, Australia	Ordinary	100	
Weir Services Tanzania (Pty) Limited.	Tanzania	Plot No.137, Capri Point, Mwanza, Tanzania	Ordinary	100	
Weir Slurry Group, Inc.	United States	CT Corporation System, 301 South Bedford Street, Suite 1, Madison, 53703	Common	100	
Weir Solutions Caspian LLC	Azerbaijan	29 Zarifa Aliyeva Street, Apt 77/77A, Sabayil District, Baku, 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 102, Muscat, Oman	Ordinary	100	
Weir SOS Limited	Bahamas	Ocean Centre, Montagu Foreshore, East Bay Street, Nassau, New Providence, 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, CEP 27933-420, Brazil	Nominal	100	
Weir SPM Singapore Pte. Ltd.	Singapore	77 Science Park Drive, #04-01/06, Cintech III Building, 118256, Singapore	Ordinary	100	
Weir Sudamerica S.A.	Chile	San José N° 815, San Bernardo, Santiago de Chile, Chile	Ordinary Nominative Share	99.99	
Weir Turkey Mineralleri Limited Sirketi	Turkey	Istanbul Tuzla Organize Sanayi Bölgesi, 2 Cadde No. 12, Tepeören Tuzla, Istanbul, 34959, Turkey	Bearer	100	

Company Name	Country	Registered Office address	Class name	% of class	Directly Held By PLC*
Weir US Holdings Inc.	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801	Common	**100**	
Weir Valves & Controls USA Inc.	United States	CT Corporation System, 155 Federal Street, Suite 700, Boston MA 02110	Common, Preferred	**100**	
Weir Vulco Argentina S.A.	Argentina	Sarmiento 511 Sur 1°Piso A, San Juan, CP 5400, Argentina	Ordinary	**100**	
Weir Warman (U.K.) Limited	England and Wales	Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	*
Wesco LLC	United Arab Emirates	Bin Hamoodah Towers, Floor 13, Khalifa Street, Abu Dhabi, United Arab Emirates	Ordinary	**49**	
WHW Group Inc.	United States	The Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801	Common	**100**	
Wokingham Finance Company Limited	England and Wales	C/o Weir Minerals Europe, Halifax Road, Todmorden, Lancashire, OL14 5RT, United Kingdom	Ordinary	**100**	*
Wuxi Weir Minerals Equipments Co., Ltd.	China	Lot 265, Wuxi-Singapore Industrial Park, Wuxi City, Jiangsu Province, China	N/A	**100**	

SHAREHOLDER INFORMATION

COMPANY SECRETARY & REGISTERED OFFICE

Graham Vanhegan
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

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

Online Communications

Shareholders are encouraged to visit the Company's corporate website (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 email and via our website. Not only is this quick, it helps to reduce paper, printing and costs.

To register for e-communications, log on to 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. 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:

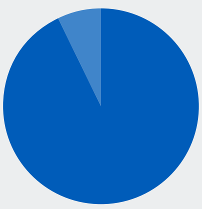
- View share balances and market values for all of your Computershare-managed holdings
- Update dividend mandate bank instructions including global payments and view dividend payment history
- Register to receive company communications online
- Cast your Proxy Vote online for forthcoming General Meetings
- Update personal details, such as your address

Registration is quick and easy. Just visit www.investorcentre.co.uk with your Shareholder Reference Number (SRN) to hand.

After registering, you may be sent an activation code in the post, used to validate your account. Once activated, you will have full access to Investor Centre services.

ORDINARY SHAREHOLDER ANALYSIS AT 31 DECEMBER 2019

By country



UK shareholders	92.97%
Overseas shareholders	7.03%

By holding size

Range	No. of Shareholders	%	No. of Shares	%
1 – 1,000	**2,756**	**57.02**	1,089,884	0.42
1,001 – 5,000	**1,223**	**25.31**	2,670,108	1.03
5,001 – 10,000	**223**	**4.61**	1,577,635	0.61
10,001 – 100,000	**378**	**7.82**	12,670,996	4.88
100,001 – 500,000	**166**	**3.43**	39,309,782	15.14
500,001 – 1,000,000	**39**	**0.81**	27,089,097	10.43
1,000,001 – 999,999,999	**48**	**0.99**	175,206,015	67.49
Total	**4,833**	**100.00**	259,613,517	100.00

By shareholder category

Individuals	**3,162**	**65.43**	4,724,139	1.82
Bank or Nominees	**1,593**	**32.96**	252,054,247	97.09
Investment Trust	**13**	**0.27**	27,343	0.01
Insurance Company	**1**	**0.02**	41,711	0.02
Other Company	**47**	**0.97**	506,492	0.20
Pension Trust	**1**	**0.02**	1	0.00
Other Corporate Body	**16**	**0.33**	2,259,584	0.87
Total	**4,833**	**100.00**	259,613,517	100.00

ANNUAL GENERAL MEETING 2020

Our Annual General Meeting will be held at our Head Office, 1 West Regent Street, Glasgow, at 2.30pm on Tuesday 28 April 2020. Further details are contained in the Notice of Annual General Meeting 2020 which is available to download from our website at www.global.weir/shareholder-information/agm

VOTING

Information on how you can vote electronically on the resolutions which will be put forward at our 2020 AGM can be obtained through our Registrar by visiting 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 email, if you have asked to be sent email communications.

DIVIDENDS

2020 final dividend

The Directors have recommended a final dividend of 30.45 pence per share, for the year ended 31 December 2019. Payment of this dividend is subject to approval at the 2020 Annual General Meeting. Key dates relating to this dividend are given below.

Annual General Meeting	**28 April 2020**
Ex-dividend date	**23 April 2020**
Record date	**24 April 2020**
Mandatory Direct Credit deadline	**18 May 2020**
Payment date	**5 June 2020**

DIVIDEND HISTORY – (PENCE PER SHARE)

	2014	2015	2016	2017	2018	**2019**
Interim	15.0	15.0	15.0	15.0	15.75	**16.50**
Final	29.0	29.0	29.0	29.0	30.45	**30.45**
Total	44.0	44.0	44.0	44.0	46.20	**46.95**

IMPORTANT – PAYMENT OF DIVIDENDS BY MANDATORY DIRECT CREDIT

From 2019, the Company simplified the way in which pay our dividends to shareholders and now pays cash dividends by direct credit only. If our Registrar Computershare does not have any bank/building society details on record for you and you do not register these with Computershare by 18 May 2020, the forthcoming dividend and future payments will remain unissued and you may then be charged to have your payments issued at a later date.

Paying dividends into a bank or building society account is a quicker and more secure way for your dividends to be paid directly to you. In order to receive your dividends directly into your bank account, you will need to register your bank/building society details on our Registrars' website at investorcentre.co.uk. You will need your ten digit Shareholder Reference Number (SRN) which starts with the letter C or G to log in.

This can be found on your share certificate(s) and dividend confirmation. Alternatively, you can call Computershare on the dedicated Shareholder helpline 0370 707 1402, should you have any questions about registering your payment instruction.

An Annual Dividend Confirmation detailing all payments made throughout the tax year will be sent to you once a year either electronically or to your registered address. In 2020, the Dividend Confirmation will be dispatched with the November 2020 dividend payment and contains the payment information for dividends paid during the 2020/2021 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 then select the information tab followed by FAQs then select the Dividends and Payments tab and the Global Payment Service tab.

AMERICAN DEPOSITARY RECEIPT (ADR) PROGRAMME

The Company has a sponsored level 1 ADR programme in the United States. Each ADR represents two 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.
Email: 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

DIVIDEND TAX ALLOWANCE

With effect from April 2018, the annual tax free allowance on dividend income was reduced from £5,000 to £2,000.

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 adviser.

SHAREHOLDER INFORMATION
CONTINUED

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. You will need to register for this service prior to using it. To access this service, go to www.computershare.trade.

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 (0800 to 1630 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.computershare.trade. 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 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 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.
- 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, 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.

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, lease payments, net interest payments, dividends paid, settlement of derivatives, purchase of shares for employee share plans and pension contributions

GAAP
Generally Accepted Accounting Practice

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

RPI
UK Retail Prices Index

SHE
Safety, Health and Environment

SME
Small and medium-sized enterprises

subsidiary
An entity that is controlled, either directly or indirectly, by the Company

tCO_2e
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

WACC
Weighted average cost of capital

WTI
West Texas Intermediate

Cautionary statement
This Annual Report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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