The Weir Group PLC

Annual report and financial statements 2011














Excellent
Engineering
Solutions

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The Weir Way
The drivers of growth

A focus on operational excellence and customer requirements provides the strong operating platform from which the Weir Group drives growth. We continue to invest in engineering expertise and technical skills to meet our strategy of prioritising product and service innovation. The development of collaborative working practices across the divisions and our expanding geographical footprint are key enablers of growth as we provide our full capability to our chosen end markets.

1 INNOVATIVE ACTION

Innovation is at the heart of our processes as we seek to provide existing and new customers with a competitive advantage. We focus on delivering enhanced product and service capability wherever it is required by investing in people, engineering skills, technology and research to ensure that our products deliver longer plant life, extend maintenance cycles, reduce downtime and lower whole-life operating costs. In 2011, our innovative action delivered new products into all our end markets and established a research partnership to support breakthrough technology development.

2 COLLABORATIVE MINDSET

Weir people work together and with customers and partners to provide the best solutions. This collaborative approach ensures that the Group's complete capability can be offered to the end markets that we serve. During 2011, through effective collaboration across our divisions and geographical regions, we offered a broader product and service portfolio to customers.

3 GLOBAL CAPABILITY

Weir's global capability means delivering consistently excellent products and services as we work alongside our customers in the territories that drive demand in minerals, oil and gas and power generation. Global capability during 2011 has internationalised further our products and services through our existing and expanding routes to market.

Financial highlights
2011

Group results
Continuing operations

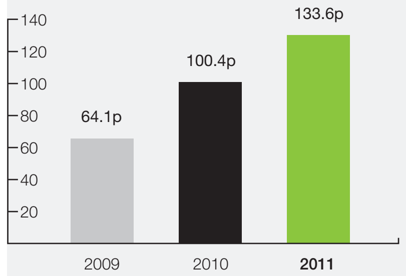
Revenue
£2,292m Up 40%

Operating profit[2]
£413m Up 33%

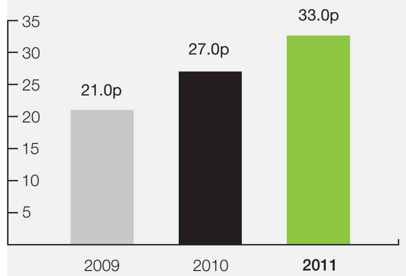
Profit before tax[2]
£396m Up 34%

Order input[1]
£2,467m Up 30%

Earnings per share[2]
133.6p Up 33%



Dividend per share
33.0p Up 22%



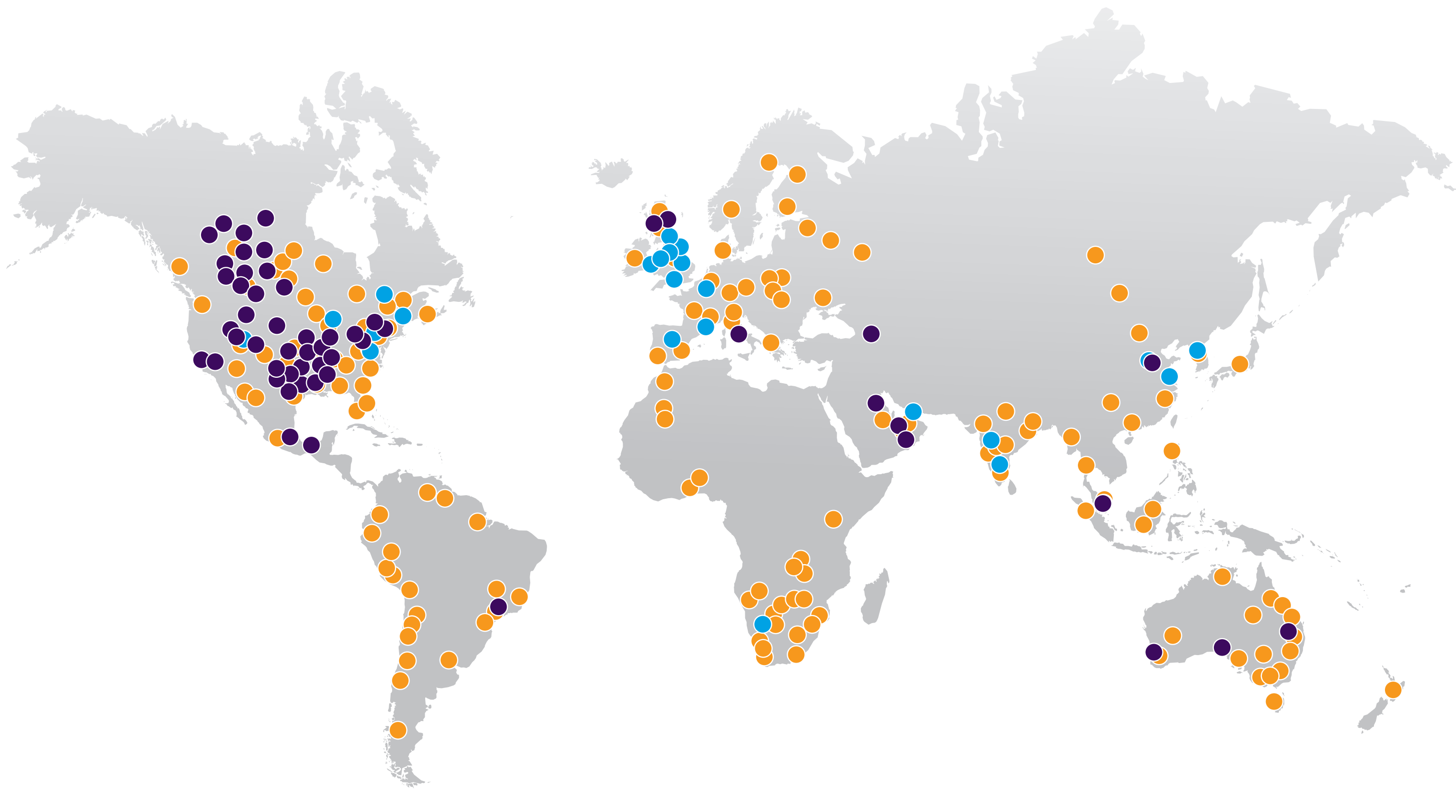
Net debt
£673m Up 137%

[1] 2010 restated at 2011 average exchange rates
[2] Continuing operations adjusted to exclude exceptional items & intangibles amortisation

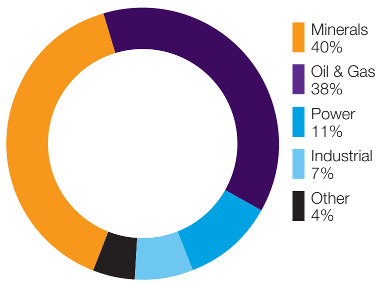
- Growth ahead of strong markets: order input up 30%, revenue up 40%;
- Record performance by Minerals and Oil & Gas Divisions;
- Upstream oil and gas revenues doubled to US$982m with input of US$1,160m;
- Momentum continued in H2 with order input and revenue ahead of H1;
- Strategic progress with two value enhancing acquisitions during the year and ongoing organic growth initiatives;
- Pre-tax profits up 34% to £396m;
- Full year dividend increased by 22% to 33.0p;
- Strong orderbook entering 2012.

The Weir Group PLC
Operational excellence

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



2011 revenue by market



The Weir Group is well established in all three of our chosen markets: minerals, oil and gas and power. Throughout 2011, our strong manufacturing platform, operational excellence and flexible business model combined to enable the effective execution and acceleration of our growth plans in rapidly growing markets.

Our priority of extending our positions in the high growth, long cycle minerals, oil and gas and power sectors through customer focus and operational excellence has been underpinned by our drivers of growth, Innovation, Collaboration and Global Capability.

Innovation
Customer focus and investment in engineering resources led to the successful launch of the WBH® pump, just one of a number of new or enhanced core product launches.

Collaboration
Weir's collaborative mindset was further developed through a range of initiatives including a broadened shared engineering services capability in India, eliminating bottlenecks in product development.

Global Capability
Weir is committed to going where its customers are and growing its presence in fast growing markets. This was underscored by the acquisition of Seaboard and the acquisition of a majority stake in HIM Tech, as well as an expansion of the Group's service footprint in all its end markets.

Market overview
Capital expenditure in the mining sector increased as miners broke ground on a number of greenfield developments and brownfield expansions. Activity levels increased strongly in South America, Australia and Asia-Pacific, while promising progress was seen in North America, Africa, Eastern Europe and the Middle East. Activity levels in Western Europe remained low due to macro economic concerns in the region.

Sustained high oil prices supported increased investment and activity levels in the North American oil sands market.

WEIR MINERALS

Weir Minerals is the global leader in the provision of slurry handling equipment and associated spare parts for abrasive high wear applications. Mining and minerals constitutes the division's largest sector but it has aligned product sales into niche markets, including oil sands. Products include pumps, hydrocyclones, valves, dewatering equipment, wear resistant linings, rubber products and screening machines.

The division has a presence in the world's key mining markets including South America, Australia, Asia-Pacific, Africa and North America.

Facts and figures

No. of people	c7,750
No. of businesses	20
2011 order input	£1,263m
2011 revenue	£1,216m
Addressable market	£4.5bn

Major customers
Alcoa
AMEC
Anglo American
Barrick Group
BHP Billiton
Codelco
Rio Tinto
Suncor Energy
Vale Inco
Xstrata

Market overview
The North American upstream market experienced a second year of rapid growth, underpinned by increased horizontal drilling of oil and liquids rich shale formations. Average US horizontal rig count, a leading indicator of upstream pressure pumping demand, increased 22% on 2010, while greater operating efficiency resulted in an estimated 32% increase in horizontal wells drilled.

Middle East services markets benefited from oilfield development in Iraq and Saudi Arabia while downstream markets continue to be challenging.

WEIR OIL & GAS

Weir Oil & Gas designs and manufactures pumps and ancillary equipment and provides aftermarket service and support activities principally for the upstream oil and gas markets. The acquisitions of Seaboard and Novatech expand the division's conventional and unconventional upstream equipment product portfolio to include high-pressure wellhead equipment and a broadened range of aftermarket pressure-pump expendable components.

The downstream business occupies a niche position in the design and manufacture of centrifugal pumps for the refining industry. The division's main operations are in North America, Europe and the Middle East with an expanding footprint in Asia-Pacific and South America.

Facts and figures

No. of people	c3,100
No. of businesses	15
2011 order input	£865m
2011 revenue	£743m
Addressable market	£5.3bn

Major customers
Baker Hughes
Cal Frac
Enerflow
Frac Tech Services
Schlumberger
Stewart & Stevenson LLC
Surefire Industries
Trican Well Services
United Engines
Weatherford International

Market overview
The global nuclear market, active in the early part of the year, slowed following the Fukushima reactor incident. Demand for original equipment and spares across European and US thermal power markets remained subdued although growth continued in emerging markets, particularly India. Activity picked up in the oil and gas markets with good project activity in the Middle East and Asia-Pacific. The North American hydro power market saw good levels of activity. While renewables markets remained challenging in Europe, a number of opportunities have emerged across South America and Africa. General industrial and municipal markets remained subdued while unrest in Libya led to the cessation of all project activity in February 2011.

WEIR POWER & INDUSTRIAL

Weir Power & Industrial designs and manufactures valves, pumps and turbines as well as providing specialist and support services to the global power generation, industrial and oil and gas sectors. The division has locations in Europe, the Middle East, North America, India, China, Asia-Pacific and South Africa.

The division's capability in emerging markets was strengthened in 2011 with the acquisition of a majority stake in HIM Tech, a valves manufacturer in South Korea.

Facts and figures

No. of people	c3,050
No. of businesses	15
2011 order input	£312m
2011 revenue	£307m
Addressable power market	£6bn

Major customers
Ameren Missouri
The Government of Canada
CNPEC & CNEIC
EADS
EDF
FirstLight Power Resources
PPL Generation
Toshiba Corporation
US Bureau of Reclamation
Westinghouse

Overview by Chairman Lord Smith of Kelvin

Structured for growth

In a year of slowing global economic growth and considerable uncertainty in the eurozone, I am pleased to report that 2011 was a successful year for the Weir Group, delivering another record financial performance.

Underpinning this were three main factors: the ability of our operations to execute effectively against our growth plans; positive conditions in the main markets that we serve; and our focus on consolidating and extending our positions in the world's fastest growing economies. Whilst this is a business that always guards against complacency, the Group demonstrated during 2011 the strength of its business model and its ability, through the balance of its chosen end markets and operating geographies, to create shareholder value.

Revenues were up 40% and we are able to report an increase in Group pre-tax profit from continuing operations before exceptional items and intangibles amortisation of 34% to a record £396m with cashflow from operations of £303m.

We are proposing a final payment to shareholders of 25.8p per share, making 33p for the full year, an increase of 22%. This reflects the Board's confidence in the ability of the Group's strategy, management and employees to continue to deliver sustainable growth.

An important theme of 2011 has been the progress made by the business in developing new products and enhancing underlying technologies. Whilst there has been strong momentum across the Group behind the other strategic priorities of collaboration and global capability, innovation has been a particular focus. Weir produces and supports technologically advanced products that are relied upon to function in many of the world's harshest and most remote operating environments. Our passion for continuously improving these products and developing new technology to meet changing market challenges has resulted in a number of important new products and research developments during 2011. Innovation creates sustainable competitive advantage for Weir, high barriers to entry and is a key enabler of our continued aim to grow faster than our end markets.

In addition to important organic growth initiatives, the acquisition in December 2011 of Seaboard Holdings extends our leading position in the production and servicing of a wide range of surface equipment targeted at unconventional upstream oil and gas markets, with strong opportunities to take Seaboard products into new markets through Weir's global networks. The acquisition in February 2012 of Novatech expands Weir's offering in the fast-growing hydraulic fracturing pump consumables markets.

Doing business the right way means behaving with integrity, respecting the environment and the communities where we operate and providing safe working conditions for our employees and contractors. We have continued to focus on these commitments. The Group's Code of Conduct and programme of training for Weir employees supporting the Code creates an ethical framework that is well understood and acted upon by Weir employees, wherever they operate. The Group's sustainability initiatives have also progressed, with actions underway to reduce greenhouse gas emissions across our businesses. A number of initiatives are in place to improve safety performance and bolster the safety culture across the Group. Our sustainability report on pages 54 to 68 provides more detail.

During 2011, the Board visited our operations in South America to develop a better understanding of one of our key markets. The visit reinforced yet again the major contribution made to the success of the Weir Group by our people, wherever they operate. The substantial investment this year in a new management and leadership development framework across the Group is a positive illustration of how we are developing talent across the organisation. A key element in sustaining the success of the Group lies in ensuring that the right people are in the right roles and that sufficient leadership potential is being nurtured throughout the organisation to enable effective succession planning. This framework will play an important role in developing and supporting these aims.

Central to the effective management of the business and maintaining the confidence of investors are high standards of corporate governance. As Chairman, I seek to ensure that the Board is as effective as possible and I believe strongly that this is the case. This year the issue of diversity was focused upon, considering how this applies both at Board level and throughout the wider organisation. The Board composition today includes experts in our principal end markets alongside City and relevant financial experience. Of our ten directors, one is female and one a foreign national. We will continue to consider the benefits of greater diversity, in balance with ensuring the best person is appointed to the relevant role.

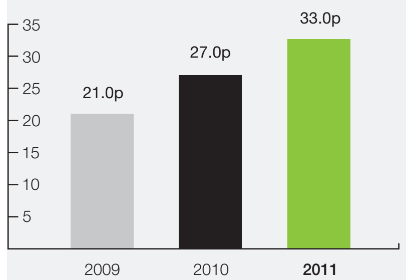
I would like to thank my fellow directors for their hard work and support throughout the year, including two new non-executive directors, Melanie Gee and Alan Ferguson, who added their skills and experience to the Board during 2011. I would also like to thank three members of the Board who stand down at our annual general meeting in May. Michael Dearden, our senior independent director and Remuneration Committee chairman, leaves the Board after nine years and Stephen King, Audit Committee chairman, leaves after six years. Alan Mitchelson, Legal and Commercial Director, also stands down after 12 years with the Group, 11 of those as an executive director. On behalf of the Board, I would like to thank them for their excellent contributions to the Group.

Lord Robertson will become senior independent director, Alan Ferguson Audit Committee chairman and Melanie Gee Remuneration Committee chairman. At the same time, Keith Ruddock, who is currently General Counsel for Upstream International, Royal Dutch Shell plc, will take over as General Counsel and Company Secretary.

As we seek to grow ahead of our end markets, concerns over the health of many of the world's major economies continue. It is difficult to predict how strong these economic headwinds could become, but we approach 2012 with the confidence that our clear strategy and flexible business model will enable continued progress.

Lord Smith of Kelvin
Chairman
29 February 2012

Dividend per share



The Board visits Weir Minerals operation in Jundiai, Brasil in October 2011

Overview by Chief Executive Keith Cochrane

Driving growth The Weir Way

The Group has successfully advanced its strategy in 2011, extending its positions in the mining, oil and gas and power markets and adding business capability. Combined with effective execution in rapidly growing markets, this has resulted in a strong performance, achieving in two years our ambition set out in June 2010 to double 2009 profits in five years.

New product introductions, further benefits from cross-divisional collaboration and an expansion of our global sales and service footprint contributed to these results. We also benefited from accelerating our upstream capacity expansion plans announced in March last year and our focus on growing sales of the broader product portfolio. Successful delivery of our growth plans is due to the efforts of the more than 14,000 people who work for Weir and I want to thank each of them for their contribution.

Against an uncertain macro-economic environment, conditions in our two principal markets remained positive. In mining, continued growth in emerging market demand alongside forecast shortages of key commodities triggered a significant pick-up in capital spending with a number of greenfield projects now underway across South America, Australia and the Asia-Pacific region. In oil and gas, North American upstream markets experienced further rapid growth from onshore drilling in oil and liquids rich shale formations with US domestic oil production at its highest level for nearly a decade and over US$80 billion of investment by exploration and production majors in this sector. In power markets, following the Fukushima incident, safety assessments delayed new nuclear developments and low levels of conventional generation new build and general industrial activity continued in North America and Europe.

2011 performance

Overall order input, in constant currency, was up 30% with original equipment input up 36% as expansion of the North American frac fleet continued and procurement for greenfield mining projects commenced. Aftermarket input was up 25% as we benefited from increased activity levels across our main markets and market share gains across the broader minerals product portfolio.

Group revenues were up 40% on a constant currency basis, while the proportion of revenues from original equipment sales increased to 48% from 42% last year. Our upstream oil and gas operations more than doubled their revenues for the second year in succession. Together these contributed to a record profits performance. While operating margins were impacted by the swing to lower margin original equipment, this investment will provide an increasing installed base to drive future higher margin aftermarket opportunities.

Across our divisions a number of notable successes contributed to the financial performance. In Minerals, significant contract awards were achieved in all mining markets, with South America particularly strong. The division benefited from growing sales of our enlarged mine dewatering portfolio and a broader range of ancillary products and services. In upstream oil and gas, rapid market acceptance of the new Destiny™ pump, combined with capacity and supply chain expansion, helped to gain market share in the fast growing North American market. Power & Industrial achieved a landmark contract win for nuclear control valves in South Korea and the 2010 acquisitions have contributed positively to divisional performance.

During 2011, we continued to invest in growth plans with around 2,000 new employees joining the Group. Investment in research and development increased by 24% to £18m, whilst capital expenditure of £95m supported growth plans including capacity expansion at Weir SPM with a further US$75m investment in capacity now underway for that operation.

We generated free cashflow from continuing operations of £29m after significant investment in working capital and fixed assets to support business growth. Despite this investment, our return on capital employed increased by over 2% as we leveraged our global operating platform in delivering this growth. Following the year end, the balance sheet has been strengthened by the issue of attractively priced long term debt to refinance short term bank debt taken on to fund the Seaboard acquisition and provide additional financial resources. We retain financial flexibility to pursue both organic growth initiatives and further acquisition opportunities in line with our strategy.

Group strategy and business model

The Group will continue to extend its position in the minerals, oil and gas and power sectors and aims to deliver growth ahead of these end markets. These are high growth, long cycle markets with positive fundamentals. This strategy is delivered through sustainable organic growth supplemented by targeted acquisitions consistent with our disciplined financial criteria. We invest in people, technology and infrastructure to develop and maintain the strong and lean operating platform from which we grow market share and create competitive advantage. Our strategy is underpinned by our three pillars - Innovation, Collaboration and Global Capability.

During 2011 we continued to make good progress against our key priorities:

- Took new major products such as the Destiny™ and Warman® WBH® pumps successfully to market.
- Established the Weir Advanced Research Centre to provide technological competitive advantage.
- Captured market share with strong growth in sales of the dewatering portfolio and ancillary products and services in minerals markets and in upstream oil and gas markets through new products and operational responsiveness.
- Accelerated growth with strategically aligned and value-enhancing acquisitions in South Korea and the North American upstream oil and gas sector.
- Extended the Group's presence in fast growing economies through the growth of the Indian and Chinese operations.
- Invested over £95m in capital expenditure to improve operating efficiency, customer focus and extend manufacturing and service capability including:
  - Investment in manufacturing and service capacity in North American upstream operations to address demand for pressure pumping and related flow control equipment
  - Growing the global sales and service footprint with new facilities in Europe, Africa, North America and Asia-Pacific.

Continuing operations

Revenue
£2,292m
Up 40%

Operating profit[1]
£413m
Up 33%

[1] Continuing operations adjusted to exclude exceptional items & intangibles amortisation

Group Executive (pictured)
From left to right: Gavin Nicol (Director of Operations Support and Development), Alan Mitchelson (Legal & Commercial Director), Keith Cochrane (Chief Executive), Steve Noon (Oil & Gas Divisional Managing Director), Pauline Lafferty (Director of Human Resources), Dean Jenkins (Power & Industrial Divisional Managing Director), Scot Smith (Minerals Divisional Managing Director), Jon Stanton (Finance Director)

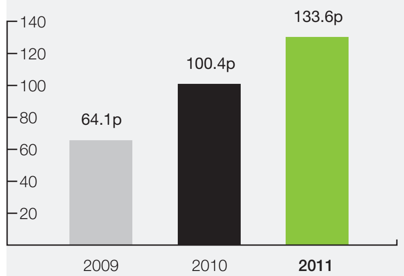
3-fold strategy

1 INNOVATIVE SOLUTIONS

2 COLLABORATIVE MINDSET

3 GLOBAL CAPABILITY

Earnings per share[1]



[1] Continuing operations adjusted to exclude exceptional items & intangibles amortisation

Weir provides mission critical engineering solutions that can operate in highly abrasive environments and require specialised service and support, often in remote locations. Engineering expertise, supply chain quality and global support capability provide the operating context for our business model. This focuses on supplying innovative and highly engineered original equipment to grow an installed base which in turn provides future aftermarket opportunities, enabling exposure to customers capital and operating budgets and providing resilience in cyclical markets.

Driving growth

The Group has made good progress against its strategic priorities throughout the year. Each division introduced new products during the period, including the launch of enhanced core products for the Oil & Gas and Minerals Divisions. We have invested in engineering resources across our divisions, recruiting more engineers and developing Group-wide engineering initiatives. The Weir Advanced Research Centre, aimed at developing breakthrough technologies in the form of new products and enhancements to existing products for our key markets was established during the year and a number of projects are underway. All three divisions have worked together to ensure that the full capability of the Group can be brought to bear on the markets that we serve with the upstream oil and gas sector an area of particular focus through the work of the Oil & Gas Forum, which brings together cross-divisional technical and market expertise to target growth opportunities.

In December 2011, we extended our presence in the fast growing upstream oil and gas markets with the acquisition of Seaboard, a leading US manufacturer of wellhead solutions and in February 2012 completed the acquisition of Novatech, a US supplier of pressure pump expendables. Seaboard broadens our product portfolio and service footprint in attractive conventional and unconventional markets and acquisition integration is now well underway. The acquisition of a majority stake in HIM Tech, now Weir International, a South Korean valves manufacturer, expands our control valve expertise and provides access to the domestic market and Korea's successful international engineering contractors. Our priority of driving growth in our Indian and Chinese businesses has progressed, with a 65% increase in like-for-like revenues and a growing contribution to the best-cost sourcing activities of the Group.

This progress has been supported by an ongoing focus on operational excellence and functional initiatives. A number of procurement activities were introduced during 2011 which will increase the efficiency of the supply chain in 2012 and enable the Group to better leverage its purchasing power. Improving metrics for the Weir Commercial System, Weir Production System and Net Promoter Score demonstrate our continued focus on customer service and the application of a lean philosophy across our operating platform.

People

Keeping our people safe remains our number one priority. Following a strong performance in 2010, our safety record during 2011 was disappointing. The imperative to improve led to a reinvigorated focus on safety across the Group and an improved performance in the second half of the year. An Environment, Health and Safety (EHS) excellence committee has been established under the leadership of the director of operations support and development. The committee has introduced a number of important initiatives to ensure adherence to high and globally consistent standards in health and safety practices across our operations.

Strong progress was made during 2011 on the priority of developing the capability of our people as the Group continues to grow in size, complexity and geographical reach. Key senior management appointments were made focused on operational support and talent development. A consistent management and leadership development framework aligned to the Weir strategy was also established during the year, creating a talent pipeline to support the present and future capability needs of our global operations.

Finally, I am proud of the professional and responsive way in which our people acted to evacuate safely colleagues and contractors from Libya at the onset of unrest in February 2011.

Outlook

The Group remains well positioned to benefit from the medium term growth prospects of our end markets despite the uncertain global economic environment:

- Demand for minerals, oil and gas and power is underpinned by the continuing population growth and industrialisation of major developing economies such as China and India.
- The development of the world's growing unconventional oil and gas resources will provide greater energy security for many countries.
- Industrialisation, environmental concerns and ageing power plants will accelerate the need for new and refurbished power infrastructure in both the developed and developing world.

We will maintain our focus on our three strategic pillars and continue to drive operational excellence throughout the Group. In 2012, we aim to grow ahead of our end markets by:

- Successfully integrating Seaboard and Novatech to leverage products, skills and geographic reach.
- Delivering on our Weir SPM multi-site expansion plans and adding capacity in the Minerals Division.
- Building on the new products momentum with a specific focus on Oil & Gas Forum initiatives.
- Enhancing supply chain performance to drive operational efficiency and increase customer responsiveness.
- Improving operational and safety performance through ongoing investment and the work of the EHS excellence committee.

The Group enters 2012 with a strong orderbook and with our clear strategy and flexible business model we expect a year of further good progress consistent with current consensus expectations.

Keith Cochrane
Chief Executive
29 February 2012

Around the world

Top – Lord Smith, Chairman and Keith Cochrane break ground for the next phase of capacity expansion at Weir SPM in Fort Worth, Texas, flanked by Steve Noon, Divisional Managing Director, Weir Oil & Gas (left of picture) and Paul Coppinger, President, Weir SPM (right of picture).

Bottom – Keith Cochrane lays the foundation stone for a new block at Gokul Primary School, Hubli, India, part of Weir's commitment to supporting local education projects. Naveen Ganzu, Country Head, Weir India is in the foreground.

1

Driving growth The Weir Way
INNOVATIVE SOLUTIONS

Innovation is central to Weir's growth plans. The development of new products and technologies provides the Group and our customers with competitive advantage. Innovation also applies to the operational improvements that we make and how we extend our existing product ranges into new markets. During 2011, we introduced new products in each of our key markets, focusing on enabling our customers to operate for longer, with less frequent maintenance requirements. We invested in the infrastructure to support innovation, establishing the Weir Advanced Research Centre with Strathclyde University, providing a platform for creating breakthrough technologies in areas such as materials development and flow control. We also continued to invest heavily in engineering resources across the Group.

A dewatering 'mega-barge' developed by Weir Minerals Canada

The Destiny™ pump from Weir Oil & Gas

Weir Minerals Linatex, Malaysia

Significant new product introductions during 2011 included the market leading Destiny™ pump for the onshore upstream oil and gas sector. The pump offers higher output and pressure loads, responding to customer demand for equipment to meet the challenges of harsher shale environments. The new Warman® WBH® centrifugal slurry pump was also launched across our global minerals networks, featuring more than 20 design enhancements compared to existing technology and good progress was made on the development of new technology for nuclear markets.

One of the key differentiators of Weir products is the superiority of our materials and wear life. This year we have committed to developing our underlying technologies with a cross-divisional team of Weir engineers and leading engineering academics from the Weir Advanced Research Centre examining how our products can benefit from the use of specialist coatings used in applications in other industries. This project is an early example of the potential commercial application this new research framework provides the Group.

Enhanced engineering processes were developed throughout the year with the establishment of best practice audits and cross-divisional groups to ensure new approaches in technology can be leveraged across all our businesses. We also invested in state-of-the-art software to enhance failure and performance analysis to ensure our engineering capability remains at the leading edge of the industry.

Innovation also applies to extending our product offering to new and existing markets. Strong growth this year in sales of ancillary products and services, such as Linatex rubber products in the minerals and oil and gas sectors, demonstrates how products from our recently acquired businesses are enabling the Group to build out its position in important markets. After engineers and service experts worked with customers around the world, this year, for the first time, Minerals took a full mine dewatering product portfolio to global mining markets.

The Weir Advanced Research Centre, Strathclyde University

"During 2011, we introduced new products in each of our key markets, focusing on enabling our customers to operate for longer, with less frequent maintenance requirements."

2

Driving growth The Weir Way
COLLABORATIVE MINDSET

The end markets served by Weir share similar technical challenges and production characteristics, allowing us to apply expertise and engineering skills in abrasive and critical applications from all our divisions to one particular sector. To make the most of this Group-wide capability, we work together across our businesses, divisions and regions to share expertise, solve problems and help our customers. Weir people worked in partnership with each other, our customers and other partners throughout 2011 to optimise our performance across our key markets.

The Oil & Gas Forum, a cross-divisional initiative, uses the expertise and resources across the Group to focus on a wider customer and market base within the oil and gas sector. The Forum has 13 projects underway, with successful trials being held, several millions of dollars in revenue generated and new products taken to market. One example is the development of STAMPEDE™, a new line of downhole packing equipment applying Minerals leading elastomer expertise to upstream oil and gas applications.

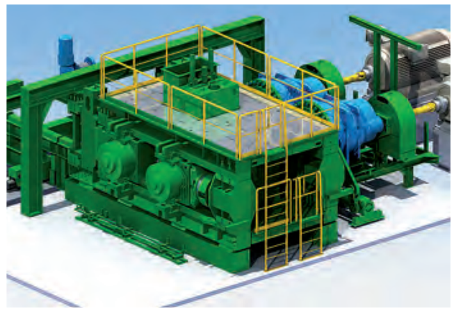
A broadened shared engineering services capability in India, offering design, value engineering and automation solutions has provided additional engineering resources to all divisions in 2011, eliminating bottlenecks in product development and reducing product time to market.

In Africa and Australia, a new approach to sales and customer targeting has led to the Power & Industrial Division joining forces with Minerals colleagues to leverage the strength of Minerals infrastructure and operations in order to increase market share.

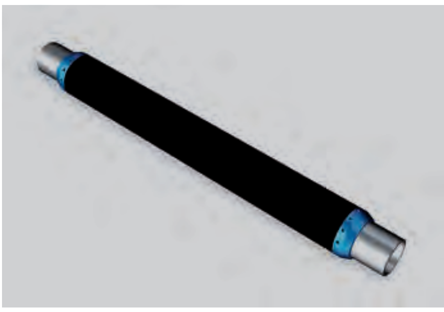
The alliance between Minerals and KHD Humboldt on High Pressure Grinding Rollers (HPGR) made good progress this year with a number of new projects secured and increasing aftermarket support for HPGR as acceptance of the benefits of this technology by the mill circuit industry grows. As capital costs associated with traditional SAG mills have increased with the growth of large scale minerals processing plants, the HPGR alternative offers lower initial start up costs, which is further enhanced by reduced operating costs owing to its more efficient grinding action.

Closer collaboration with customers has also been made possible by the opening this year of new onsite service centres at some of the largest mining operations in the Asia-Pacific region, enabling Weir to provide rapid support.

Shared engineering services in India



HPGR technology



STAMPEDE™, the first product taken to market by the Oil & Gas Forum

Weir Minerals service team at a customer site in Indonesia

3

Driving growth The Weir Way
GLOBAL CAPABILITY

Weir is one of the few engineering solutions providers with global capability. Around one third of our revenues during 2011 came from the fast growing economies of Asia-Pacific, South America, the Middle East and Africa as global demand for resources continues. We are committed to be where our customers are, from upstream oil and gas production in North America to nuclear power generation in South Korea and copper mining in Chile. This commitment to global capability enables Weir to best serve our customers and provide our products and services to new international markets.

In 2011, good progress was made in developing Weir's presence in fast growing markets.

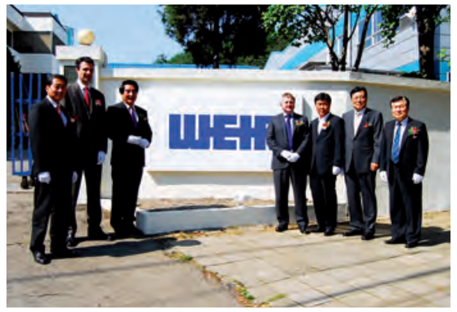
The acquisitions of Seaboard and Novatech accelerate Weir's growth momentum in North American unconventional oil and gas markets, whilst also strengthening Weir's product offering for emergent international shale opportunities and further expanding the service footprint. The addition to the Group of the South Korean valves business, Weir International, provides access to a developing domestic market as well as to the increasing international success of Korean engineering, procurement and construction contractors.

Prompted by the growth and increasing geographical spread of US and Canadian shale drilling operations, our upstream operations have expanded manufacturing and service capacity, utilising other Group facilities in North America to support growth. The development of North American multi-site manufacturing is at an advanced stage, with key aftermarket products now produced from three sites, ensuring customer equipment is supplied, repaired and put back in the field as quickly as possible.

Growth ambitions in China were supported by the opening by Weir Minerals Netherlands of an assembly facility for its GEHO® pumps in Taicang, enhancing customer relationships by ensuring rapid original equipment and parts supply for the large installed base of GEHO® pumps in China. Weir Shengli Highland, the joint venture established in 2010 to serve the emergent onshore oil and gas drilling sector in China, assembled and tested its first pumps during the year.

Expansion of the Minerals service centre network during 2011 supported sales of a broadening product portfolio in all key mining markets. Fifteen new centres were opened across Europe, Africa, the US, Australia and Asia-Pacific.

Weir Minerals Netherlands, Taicang, China



Weir International, South Korea

Weir Oil & Gas Services, Deer Park, Texas

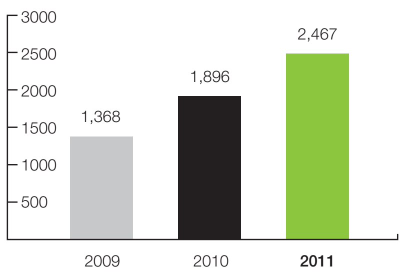
"We are committed to be where our customers are, from upstream oil and gas production in North America to nuclear power generation in South Korea and copper mining in Chile."

Weir Seaboard, Houston, Texas

Key Performance Indicators
Delivering excellent global performance

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

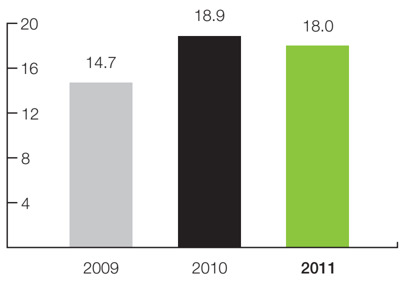
Input[1,3] (£m)



During 2011 the Group has driven orders through:

- Broadening our product portfolio.
- Strong performances by recent acquisitions.
- Product innovation and development.
- Extending our service coverage.
- Continued drive for greater customer focus.

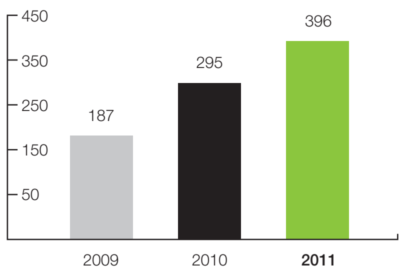
Operating margin[2,3] (%)



During 2011 the Group has been:

- Delivering efficiencies by leveraging our global capability.
- Driving growth in sales of original equipment.
- Maximising aftermarket opportunities.
- Maintaining a proactive approach to capacity planning and associated management of our cost base.

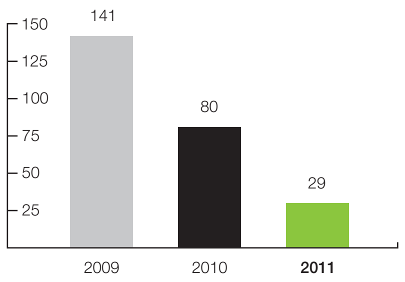
Profit before tax[2,3] (£m)



During 2011 the Group has been:

- Successfully driving organic growth initiatives.
- Driving operating efficiency.
- Expanding our low cost sourcing.

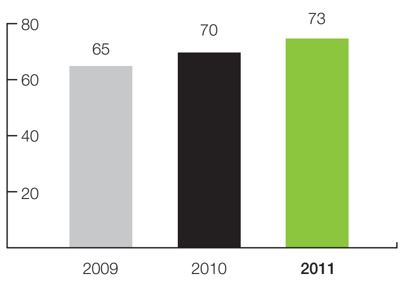
Free cashflow[3] (£m)



During 2011 the Group has been:

- Enhancing treasury risk management and hedging processes and developing best cost sources of finance.
- Committing capital expenditure in support of growth plans across all divisions.
- Focusing on working capital management recognising absolute growth requirements.

Group Lean Score (%)

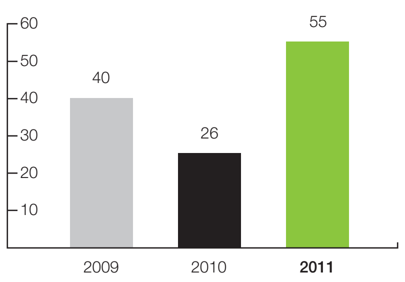


During 2011 the Group has been:

- Developing the world-class platform established in recent years.
- Eliminating waste and reducing lead times in business processes.
- Focusing on on-time delivery.

The Lean Score is determined by comparing our current processes against world-class practice and performance.

Lost time accidents



During 2011 the Group has been:

- Seeking improvement in safety performance through a range of initiatives including the establishment of an EHS excellence committee and the Weir EHS System.
- Prioritising the introduction of a behavioural safety system with high global standards.

[1] Calculated at 2011 average exchange rates [2] Adjusted to exclude exceptional items & intangibles amortisation [3] Continuing operations

Weir Minerals Division
Operational review

Weir Minerals is the global leader in abrasive high wear applications of slurry handling and dewatering solutions, providing comprehensive 'through life' service and aftermarket support. Mining is the division's largest sector with aligned product sales into other markets, particularly the North American oil sands. The division continues to extend successfully its market reach through adjacent product areas including wear resistant linings, rubber products and screening machines. Collaboration with KHD Humboldt has ensured a growing presence in high pressure grinding rollers, a new and more efficient milling technology that lowers capital and operating costs on large mining projects.

The division's leadership position is underpinned by specialist engineering expertise and ongoing investment in wear resistant materials technology and engineered hydraulics. This focus delivers high performance equipment in a range of applications that are critical to customer operations.

The division has a growing manufacturing, service and support footprint in all key mining markets, including South America, Australia, Asia-Pacific, Africa and North America.

Market review

Capital expenditure in the mining sector increased by over 20% in 2011, as miners broke ground on a number of greenfield developments and brownfield expansions. Activity levels increased strongly in South America, Australia and Asia-Pacific in particular, driven by copper and iron ore projects, while promising progress was seen in North America, Africa, Eastern Europe and the Middle East. In contrast, activity levels in Western Europe remained low due to macro-economic concerns in the region. Although the timing of orders for large projects is unpredictable, quotation activity continued at elevated levels throughout the year, despite falling industrial metal prices in the second half. Copper prices fell by around 20% in the year but, similar to most industrial metals, remained above the incentive level required for new investment. Gold prices gained 11% in the year and continue to attract investment.

Global ore production increased by an estimated 5% in 2011, again driven by increasing demand from China and other emerging markets, particularly for copper, iron ore and coal. Average ore yields continued to fall as lower grade ores were developed, necessitating increased rock processing to obtain similar volumes of refined commodities.

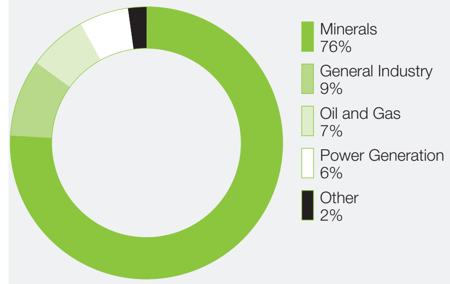
Divisional results[1]

Order input
£1,263m
Up 27%

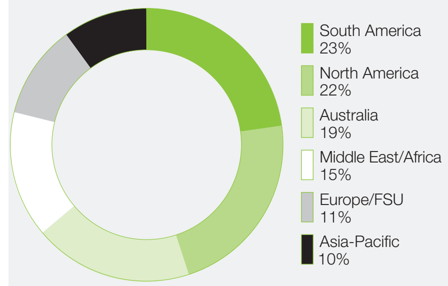
Revenue
£1,216m
Up 33%

Operating profit
£214m
Up 22%

Sector input breakdown



Geographic input breakdown



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

Weir Minerals Division
Operational review (continued)

GEHO® pumps in place at the Anglo Ferrous iron ore mine in Brasil, the world's biggest pump station

Sustained high oil prices supported increased investment and activity levels in the North American oil sands market, with new project developments and increased production across the market. Demand for flue gas desulphurisation projects remained low, with customers in the US postponing investment pending clarity on the impact of new environmental legislation.

Achievements and contract awards

- Engineering innovation brought key new products and product enhancements to the market, including the Warman® WBH® pump, Multiflo® CF and MF dewatering pumps, Warman® mechanical seals, the Warman® 750MCR mill circuit pump and Isogate® Pinch Valves.
- Strong growth in sales of a full dewatering portfolio and ancillary products and services, benefiting from a strategic focus on offering a broader portfolio in all markets.
- Major contract awards included the second largest order ever for pipeline transportation equipment for a Brazilian iron ore project, two multimillion dollar orders for Canadian oil sands projects and a multimillion dollar contract for supplying molten salt pumps to the solar power sector.
- Successfully integrated Linatex® into Weir Minerals global sales, branding and manufacturing organisation.
- New service centres opened in Europe, Africa, Australia and at customer sites throughout Asia-Pacific, enhancing customer focus and service capability.

Operational performance

The division delivered a record financial performance in positive conditions in mining and oil sands markets and through the successful execution of its strategic growth plans. Delivery of the division's strategic priorities of product innovation, extending service coverage and growing complementary product sales enabled it to capitalise on high levels of investment and increased production volumes in its end markets. Global sales of a full dewatering portfolio nearly doubled and included the successful delivery of a dewatering 'mega barge' to a North American oil sands project, an engineering first for the Group. In its first full year within the Group, Linatex has been an important driver of growth in ancillary products and services, a key strategic focus as the division broadens its offering of mill circuit solutions. In addition, annualised synergies of more than US$15m were achieved from the Linatex integration against initial expectations of between US$5m and US$10m. The opening of new service centres in major mining markets increased local support for customers and enhanced the division's opportunities to drive sales of the broader portfolio.

Order input increased by 27% to £1,263m (2010: £996m). On a like-for-like basis, excluding the impact of the September 2010 acquisition of Linatex, which contributed £108m (2010: £27m), order input increased 19%. Original equipment orders grew 24% (23% on a like-for-like basis). Aftermarket orders grew 29% and 16% on a like-for-like basis, benefiting from the strategic focus on the sale of ancillary products and services with organic growth of 26%. Original equipment orders represented 42% of total input (2010: 43%) and 45% (2010: 43%) excluding the impact of Linatex.

The division secured orders from every major greenfield and brownfield project in South America, with greenfield projects driving strong demand for slurry and dewatering pumps. Orders were received for GEHO® positive displacement pumps for iron ore and copper pipeline transportation projects totalling £40m. Elsewhere, notable orders included a £6m contract to supply a range of pumps and hoses for a Canadian oil sands project. Strong growth in ancillary products and services included the supply of cyclones and mill liners to a Polish copper mine, valves, cyclones and hoses for a large Russian gold mining project and a £2m order for Linatex screens for a North American iron ore project. Emerging markets accounted for 48% of input (2010: 51%), with order growth from North American and European markets rising by 35% and 57% respectively.

Revenue increased by 33% to £1,216m (2010: £911m). Like-for-like revenues increased 26%, reflecting high activity levels across all main mining markets throughout the year, excluding Western Europe. Original equipment sales accounted for 42% of revenues (2010: 39%) or 45% (2010: 39%) on a like-for-like basis.

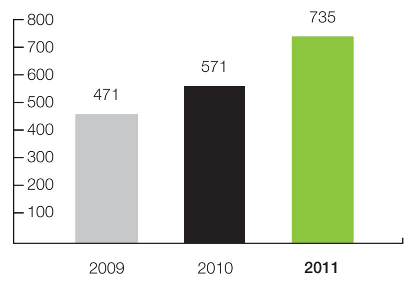
Operating profit increased by 22% to £214m (2010: £176m) as the division benefited from strong revenue growth and a full year profit contribution from Linatex of £14m, including synergies realised in the year.

Operating margin declined to 17.6% (2010: 19.3%), reflecting a shift in mix towards original equipment deliveries, investment to support strategic growth initiatives and an increased proportion of lower margin ancillary products and service revenues.

The division has a number of key priorities in 2012:

- Expand global production capacity.
- Continue to drive market share in ancillary products and services.
- Take product innovation to new areas within the mill circuit.
- Build further on the collaborative successes of the Oil & Gas Forum to develop new products and services.

Aftermarket input (£m)



A dewatering solution from Weir Minerals Multiflo in Amurskaya, Russia

Weir Minerals Division
Operational review (continued)

Weir in action

Customer
Sibelco Australia and New Zealand processes and supplies raw materials for the Asia-Pacific region. It is part of the Sibelco Group, one of the largest industrial minerals companies in the world, with more than 225 sites in 41 countries.

The WBH® centrifugal slurry pump onsite in New South Wales, Australia

Brief
Sibelco constantly seeks to use innovative methods and sophisticated equipment in its work of processing and supplying raw materials for the Australian, New Zealand and Asian markets. Its Tallawang mine in central western New South Wales was chosen as the site for the world's first trial of Weir Minerals new Warman® WBH® centrifugal slurry pump.

Solution
Weir staff were onsite to oversee and assist with the pump installation. It was a trouble-free process, even with the need to make up a base plate for the WBH® to bring it to the same height as its predecessor, a Warman® 8/6 AH. The changeover was completed in half the timescale estimated by Sibelco and the pump functioned effectively straight away.

Result
The pump uses less power, runs cooler and can be adjusted during production, something that could not be achieved with previous pumps, extending the production cycle at the Tallawang site. When pump maintenance was required, Weir Minerals staff performed a complete rebuild onsite in one day, serving the additional purpose of training mine staff to perform the task in the future. "We had no hesitation in purchasing the pump at the end of the trial," said Matt Cosgrove, Sibelco maintenance supervisor. Since the Sibelco trial, a further 39 WBH® units are being trialled across global mining markets.

Investment

The division has invested throughout 2011 in people, research and facilities in order to align capacity to strategic growth plans. Capital expenditure was £49m (2010: £30m) while research and development spend increased by 28% to £10m as the division took a range of new products to market and continued to develop its technology position for minerals markets and Oil & Gas Forum applications.

Expansion of an existing facility in Johannesburg enabled the consolidation of Linatex activities in South Africa with investment in heavy duty rubber presses, supporting strong sales growth of Linatex elastomer products.

During 2011, Weir Minerals Netherlands opened an assembly facility for its GEHO® pumps brand in Taicang, China. This facility is a key element in delivering GEHO®'s objective to enhance customer relationships by ensuring rapid original equipment and spare parts supply and excellent services for the installed base of some 200 industrial GEHO® pumps in China.

Fifteen new service centres were added to the Minerals service footprint during 2011, in South Africa, Indonesia, Malaysia, Europe, the US and Australia, enhancing customer focus and extending opportunities to provide ancillary products and services. The acquisition in January 2012 of Swedish service business Gema expands Weir's presence in one of Europe's biggest centres for iron ore and copper mining.

Foundry upgrades in Chile led to production increases of 30% with operational efficiency gains and improved customer delivery performance.

Weir Minerals has also added around 900 employees during the year to support the division's growth. The Mill Circuit University was expanded with employees from around the globe attending an extensive programme in which they learn about the entire minerals processing circuit, enhancing the professionalism with which the division provides total solutions for customers.

Outlook

Market fundamentals remain strong, driven by continued urbanisation and industrialisation in emerging markets and their increasing demand for raw materials. This increased demand, coupled with declining ore grades, supports the continued high level of investment planned by miners over the coming years, although industry-wide resource and skill shortages are likely to smooth and extend the current capital cycle. Forecasts show global mining capital expenditure remaining above 2011 levels through to 2015. Global ore production is expected to grow by around 5% per annum over the same period, supporting aftermarket products and services growth.

In 2012, our expectations are that mining activity levels will remain robust and we expect moderate growth in original equipment input, albeit the timing of orders for large projects is hard to predict. Market forecasts of ore production volume growth and a continuing focus on ancillary products and services mean that we anticipate good progress in shorter cycle aftermarket orders. Together with delivery of its strong opening orderbook, this is expected to result in higher 2012 revenues and operating profits compared to 2011, while operating margins will stabilise at a broadly similar level.

Weir Oil & Gas Division
Operational review

Weir Oil & Gas designs and manufactures pumps and ancillary equipment and provides aftermarket service and support activities principally for the upstream oil and gas markets. The acquisitions of Seaboard and Novatech expand the division's unconventional and conventional upstream equipment product portfolio to include high-pressure wellhead equipment and a broadened range of aftermarket pressure-pump expendable components. The downstream business occupies a niche position in the design and manufacture of centrifugal pumps for the refining industry. The division's main operations are in North America, Europe and the Middle East with an expanding footprint in Asia-Pacific and South America.

Market review

The North American upstream market experienced a second year of rapid growth, underpinned by increased horizontal drilling of oil and liquids rich shale formations, reflecting the attractive economics flowing from an average price for WTI crude of around US$90 a barrel and ending the year at over US$100. Average US horizontal rig count, a leading indicator of upstream pressure pumping demand, increased 22% on 2010, with the rate of growth moderating in the final quarter of the year, while greater operating efficiency resulted in an estimated 32% increase in horizontal wells drilled. Oil and liquids rich shale drilling now accounts for over half of all activity in North America and US domestic oil production rose to its highest level for nearly a decade. Conversely, falling US natural gas prices, driven by excess supply from the abundance of unconventional sources, led to an 11% reduction in the number of North American rigs targeting gas formations.

Merger and acquisition interest in US and Canadian oil shale assets increased materially in 2011, with national oil and major exploration and production companies purchasing acreage and service companies to increase their exposure to this fast-developing market. Investment began in infrastructure aligned to shale markets with pipeline construction and petrochemical plant expansion. Responsible shale development was identified by President Obama as a key part of the US energy future and a US Energy Secretary-appointed committee recommended ways to ensure the adoption of best practice across the rapidly growing industry.

Outside of North America, China, Poland, Argentina and Australia started to develop their own significant shale resources with exploratory drilling underway while elsewhere there is growing international interest.

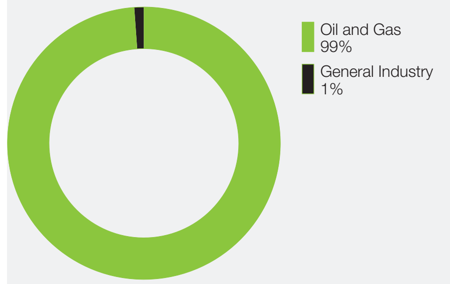
Divisional results[1]

Order Input
£865m
Up 42%

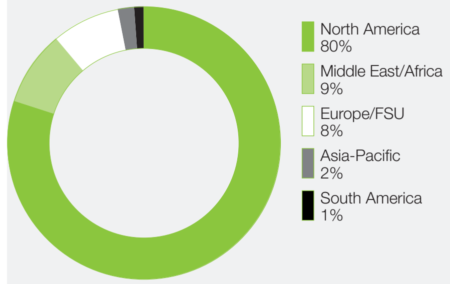
Revenue
£743m
Up 65%

Operating profit
£183m
Up 61%

Sector input breakdown



Geographic input breakdown



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

Weir Oil & Gas Division
Operational review (continued)

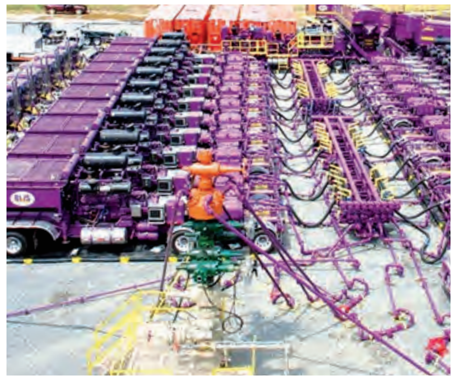
Middle East services markets benefited from investment in Iraqi and Saudi Arabian oilfield developments to increase production levels while downstream markets continue to be challenging.

Achievements & contract wins

- Accelerated upstream capacity expansion to meet growing market demand with a further US$75m investment now underway.
- Rapid market acceptance of the new Destiny™ pump.
- Completed development and commenced testing of 'Mousetrap', a more durable pump fluid end, due to launch in 2012, providing technological leadership in onshore completion operations.
- Expanded service centre network in North America and Australia, increasing market share and providing improved levels of customer service.
- Established a service operation in Iraq and achieved input of more than US$20 million for Iraqi oilfield service contracts.
- Executed effectively ongoing restructuring plans in downstream operations.

Operational performance

The division has again delivered a record financial performance, ahead of expectations, benefiting from rapid growth in the upstream shale markets and an ability to respond quickly to these trends. During 2011, upstream operations added manufacturing and support capacity, introduced new products and extended the service centre footprint as it seeks to meet growing customer demands. Good progress was also made by the Middle East Service operations, while downstream performance was impacted by competitive market conditions. No contribution has been recognised for the two week post-acquisition period of Seaboard given the close proximity to the year end.



Weir SPM staff and equipment at a North American hydraulic fracturing site

Order input increased by 42% to £865m (2010: £609m). Upstream operations achieved input growth of 58% to a record £723m (US$1,160m), benefiting from strong market conditions, higher operating intensities and market share gains. This reflects a strengthening in orders through the second half with growth of 18% against the first half of the year with a new input record established in the fourth quarter as we saw significant forward ordering for delivery in the first half of 2012. Demand for original equipment continued to be driven by increased utilisation, fleet expansion and a replacement cycle accelerated by longer duration, higher pressure applications while aftermarket demand is benefiting from a growing installed base. Input across downstream and service operations fell by 5% with growth in the Middle East service markets benefiting from growing activity in Iraq, offset by a challenging downstream market.

Revenue increased by 65% to £743m (2010: £451m). Upstream revenues more than doubled to £613m (US$982m), benefiting from the strong opening orderbook, positive original equipment and aftermarket trends and market share increases over the year. This was achieved by the acceleration of capacity expansion plans, additional third party outsourcing and greater use of the Group's North American existing capacity alongside the opening of four new service centres.

Operating profit including joint ventures increased by 61% to £183m (2010: £114m) driven by the substantial increase in upstream activity and growing profits from the Middle East Service operations offset by a substantially reduced contribution from the downstream operations. In addition, one-off restructuring and transaction costs of £11m have been expensed, including those for the Seaboard acquisition.

Operating margin was 24.7% in 2011 (2010: 25.2%), with a positive mix effect from the upstream business and improving margins at the Middle East Service operations being offset by lower downstream margins reflecting reduced activity and one-off costs. Excluding one-off costs, margins were 26.1%.

Investment

Weir Oil & Gas continued to invest in its growth plans with capital expenditure of £32m (2010: £17m). During the year, Weir SPM expanded capacity at the Fort Worth facility completing the US$40m initial expansion plans, while a state-of-the-art plunger facility was installed at Weir Mesa and further investment was made in the Edmonton and Houston operations. A further US$75m investment was announced in the upstream business encompassing both additional machining capacity and office accommodation at the Fort Worth facility, further investment in Edmonton and the transfer of the Washington, North Carolina facility from the Power & Industrial Division. These projects will be completed by the end of 2012.

Operating facilities are now established for the joint venture formed in 2010 with Shengli Oilfield Highland Petroleum Equipment Co. Ltd to provide high-pressure well service pumps and related flow control equipment to the developing shale gas industry in China, with the first pumps manufactured locally towards the end of 2011.

In December 2011, Seaboard Holdings was acquired for US$671m (£432m) and the acquisition of Novatech for an equivalent enterprise value of US$176m (£112m) was completed in February 2012. Seaboard is a respected manufacturer of wellhead equipment with extensive North American service operations and strong product adjacency to Weir's existing upstream equipment portfolio. The acquisition increases the division's contribution from high-growth markets, broadens activities beyond pressure pumping and increases Weir's profile with service companies and end-user E&P companies. As well as driving the international growth of Seaboard's products through the Weir network, the combination of Weir's products and Seaboard's field service capabilities will open up new adjacent markets. Novatech, a market leading valve and valve seat manufacturer, provides a platform to significantly increase aftermarket revenues in expendable components across the pressure pumping market.

The division has a number of key priorities in 2012:

- Delivering on capacity expansion.
- Acquisition integration and capturing effectively synergy opportunities.
- New product development.
- Completion of downstream restructuring.

Weir Seaboard, Houston, Texas

Weir Oil & Gas Division
Operational review (continued)

Weir in action

Customer
With the world's largest identified shale gas reserves, the nascent Chinese onshore oil and gas industry is an attractive future market for shale developments, with the Chinese Government identifying natural gas development as a key economic development goal. In late 2010, Weir Oil & Gas entered into a joint venture with Shengli Oilfield Highland Petroleum Equipment Company and began building a well service pump manufacturing facility in Dongying, China.

Pump assembly at Weir Shengli Highland, Dongying, China

Brief
This new well service pump manufacturing facility would manufacture SPM® pumps in China for the Chinese market using the technology and expertise of the Weir SPM business in Fort Worth, Texas. The goal was to begin manufacturing SPM® cement and frac pumps by the end of 2011.

Solution
In late 2010 work commenced to locate and build the facility that would manufacture, assemble and test the SPM® pumps. Almost £1m of capital was invested in the building, machine tools and testing equipment. A new Chinese supply chain was developed to source most of the components locally with support from Weir SPM in Fort Worth.

Result
Within a year of signing the joint venture agreement the local business in Dongying was operational, with the first pumps assembled and tested. Weir Shengli Highland is now well positioned to capitalise on the growing unconventional shale gas opportunities in China.

Overall spending on research and development increased by 13% to £5m. In addition to the development of 'Mousetrap', a quintuplex version of the Destiny™ pump will be launched in the first half of 2012, a product specifically designed for the longer duty cycles increasingly required in fracturing operations.

A review of downstream operations was completed in the year to identify actions to improve product positioning and cost competitiveness in challenging market conditions. Restructuring of Italian operations is underway while a new assembly operation will open in Poland in early 2012. At the same time, investment in broadening routes to market and developing a range of more cost competitive products, positions the business to compete more effectively in 2012. Begemann, a range of process pumps focused on the downstream markets, was transferred to Oil & Gas from the Minerals Division, extending the division's existing product portfolio.

Reflecting strong growth, over 500 employees joined the division this year, with effective assimilation and training programmes a key priority. Business capability was also expanded in the year to ensure the division has the appropriate skills, expertise and capacity to support higher activity levels and to embed a talent pipeline to support future growth and market needs. Management training and development initiatives continue across each operation in support of Group-wide plans while senior management resources were added to the upstream operations to support future growth potential.

Outlook

Weir Oil & Gas remains well positioned to deliver further growth. Current forecasts for 2012 indicate overall modest growth in average horizontal rig count in North America with a reduction in gas drilling offset by the continued shift towards oil and liquids rich drilling.

We expect 2012 original equipment input for SPM and Mesa to be lower than 2011 as pressure pumping market supply and demand move into balance, lead times reduce and the effects of forward ordering in 2011 unwind. This will be partly offset by good aftermarket input growth, driven by the larger installed base, continuing high activity levels and our recent and planned capacity additions. As a result, with a record opening orderbook providing good visibility over the first half, we now expect 2012 full year revenues from these operations to slightly exceed US$1 billion, somewhat ahead of our previous expectations.

The outlook for Seaboard and Novatech is in line with our expectations at the time of acquisition. Further growth is expected in the Middle East in 2012, underpinned by increased activity in Iraq and Saudi Arabia. A modest improvement in the 2012 performance of downstream operations is anticipated.

The medium term outlook for upstream remains positive with continued investment and associated infrastructure development anticipated in the North American onshore oil and gas sector. Responsible shale development was identified in 2012 by President Obama as a key part of the US energy future. Outside North America, international shale development is expected to grow, with exploration already underway in the large shale formations of Argentina, China and Australia.

Weir Power & Industrial Division
Operational review

Weir Power & Industrial designs and manufactures valves, pumps and turbines as well as providing specialist support services to the global power generation, industrial and oil and gas sectors. The division has locations in Europe, the Middle East, North America, India, China, Asia-Pacific and South Africa.

The valve portfolio was extended in 2011 with the acquisition of Weir International in South Korea, strengthening the division's emerging market focus.

Market review

The global nuclear market, active in the early part of the year, slowed following the Fukushima reactor incident. New build projects and non-essential maintenance and repair work were delayed with operators and developers awaiting clarification on the expected changes to safety requirements as a result of this incident. Demand for original equipment and spares across European and US thermal power markets remained subdued while growth continued in emerging markets, particularly India. The oil and gas markets saw good project activity in the Middle East and Asia-Pacific. The North American hydro power market saw good levels of activity with a number of significant projects started in the year. The European renewables market remained challenging while opportunities across South America and Africa emerged during the year. General industrial and municipal markets remained subdued with unrest in Libya leading to the cessation of all project activity in February 2011.

Achievements & contract wins

- Awarded breakthrough Shin Ulchin reactor contract for nuclear service control valves with KHNP in South Korea.
- First full year revenues from Indian valves business Weir BDK more than 50% higher than the prior year period with increasing sales to the oil and gas and minerals sectors.
- Developed product localisation strategy in China and India through Weir BDK and our Chinese control valves joint venture.
- Secured large order to supply specialist sub-sea gate valves to major oil and gas customer.
- Weir American Hydro secured several multimillion dollar orders from major North American power companies for rehabilitation and turbine runner replacement and related field service work.
- Developed renewables presence in South America with a contract to erect 44 wind turbines in Brasil.

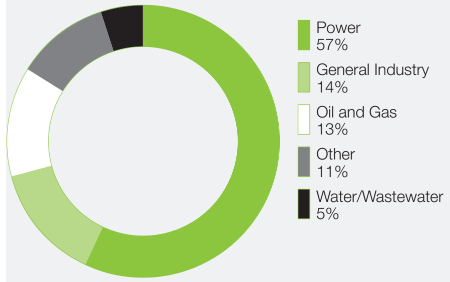
Divisional results[1]

Order Input
£312m
Up 18%

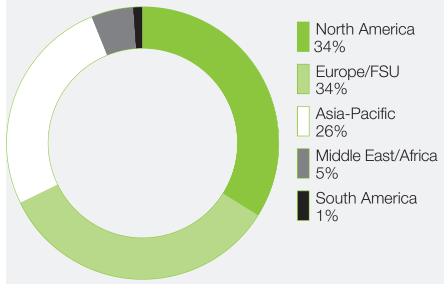
Revenue
£307m
Up 26%

Operating profit
£27m
Up 3%

Sector input breakdown



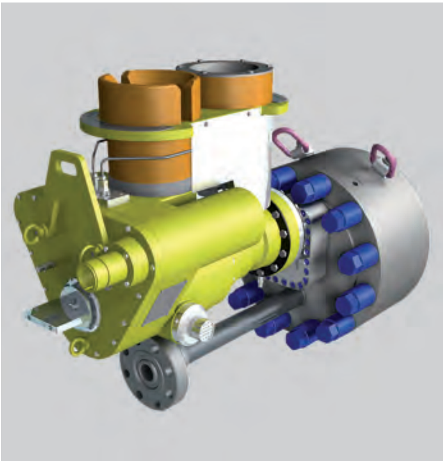
Geographic input breakdown



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

Weir Power & Industrial Division
Operational review (continued)

Weir American Hydro, York, Pennsylvania



The sub-sea rotary gate valve

Operational performance

During the year, the division has focused on extending its product offering and routes to market, leveraging its low cost supply chain and integrating its 2010 and 2011 acquisitions. Good progress has been made against these strategic objectives, with a growing emerging market presence. The division has retained its focus on global power markets, particularly nuclear and hydro and at the same time is targeting the growing opportunities in the oil and gas sector for many of the division's products and fully participating in the Oil & Gas Forum. The sub-sea rotary gate valve has been one example of this, with sales of the product to a broader range of oil and gas customers.

Order input increased by 18% to £312m (2010: £264m) with a £63m (2010: £17m) contribution from the 2010 and 2011 acquisitions and like-for-like growth of 1%. Despite the South Korean contract success, nuclear input at £72m (2010: £82m) reflected the broader global slowdown in new projects and maintenance activity following the Fukushima reactor incident. Control and safety valve orders were up 34% benefiting from strategic investment in 2010. Strong domestic markets supported positive input trends at Weir BDK with the ability to now package a broader range of valve types already achieving good results while Weir American Hydro saw increased project activity levels. The proportion of orders from the power sector was 57% (2010: 61%).

Revenue increased by 26% to £307m (2010: £244m) with a positive contribution from the 2010 and 2011 acquisitions. Underlying like-for-like revenues were up 1% and impacted by reduced power-focused maintenance activity and the cessation of work in Libya. Revenues from emerging markets increased by 17% as the division benefits from its increased presence.

Operating profit increased by £1m to £27m (2010: £26m). There was a £6.4m contribution from current and prior year acquisitions compared to £1.0m last year, although this was offset by acquisition related costs of £2.9m (2010: £2.6m). A provision of £2.0m was recorded in the year for Libyan working capital exposures while further incremental investment was made in building business capability in support of the division's strategic growth plans.

Operating margin fell to 8.7% from 10.7% in 2010. While margins benefited from a positive contribution from the acquisitions, they were impacted by one-off costs, the Libya trading and provision impact and further investment in our strategic growth plans. Excluding acquisition related and other one-off costs, margins were 10.6% (2010: 11.7%).

Investment

Weir Power & Industrial continued to pursue its growth plans with capital expenditure of £13m and investment of £2m in research and development as new product initiatives gained further momentum.

A new facility in Marseille for the French nuclear business was opened in December 2011 and will consolidate previous facilities on a single site, while the construction of a new service centre in Montreal is well underway. This will add capacity to hydro power operations, supporting the important Canadian market and providing additional service and backup manufacturing capability to Weir American Hydro's main facility in Pennsylvania. The manufacture of control valves through the Chinese joint venture commenced towards the end of the year, providing a cost competitive product for this important market.

The division has also announced plans to consolidate its US valve production at the Ipswich, Massachusetts facility in 2012 with the Washington, North Carolina facility transferring to Weir Oil & Gas providing additional manufacturing capacity to support their growth plans.

The division added to its valve portfolio through the acquisition of a majority stake in July 2011 of Weir International, a South Korean valve manufacturer. The business adds local content in Korea, expands engineering capabilities and provides strong links to important Korean contractors who supply both the home and international markets.

Growth plans have been supported with the external appointments of key people to the divisional management team. Driving product innovation is the remit for the division's first engineering director and a divisional sales director will ensure the division capitalises on its broader product portfolio and greater routes to market and grows opportunities for Power & Industrial products in aligned sectors.

Outlook

Current market conditions remain mixed with global economic concerns and ongoing delays in both new power plant build programmes and maintenance activities offset by continuing good opportunities to drive growth through our strategic initiatives and recent acquisitions. The oil and gas sector will continue to offer good opportunities in 2012 and we are hopeful of a pick up in nuclear activity as safety recommendations following the Fukushima incident are reflected in new build designs and generate increased service and aftermarket demand from the installed base. The global power market outlook across the medium term remains positive given a structural shortage of power in emerging markets extending over a number of years while growing environmental requirements and ageing plant drives growth in developed markets.

An improved financial performance is expected in 2012 as the division benefits from a strong opening orderbook, a reduction in one-off costs and an increased focus on opportunities in oil and gas markets.

The division has a number of key priorities in 2012:

- Improving cost competitiveness through increased product localisation in India, South Korea and China.
- Capitalising on a broader product range and increased routes to market through a fully integrated sales structure.
- Expanding presence in oil and gas end markets.
- Developing competitive advantage through product innovation.

Weir in action

Customer
Keokuk Hydroelectric Station on the Mississippi river was the world's largest hydropower facility when it was completed in 1913. Recently, the owner of the plant, Ameren Missouri of St Louis, sought to increase efficiency by upgrading and refurbishing turbine units at the facility.

Keokuk Hydroelectric Station, USA

Brief
Weir American Hydro, based in York, Pennsylvania had previously worked on upgrading and refurbishing nine of the plant's 15 units. The business was awarded a contract to design, manufacture and install two advanced technology runners at the power station.

Solution
Scheduled to be completed in mid-2012, the project has involved two years of engineering design, hydraulics research and testing and manufacturing. The massive runners are more than five metres in diameter, weighing over 60 tons.

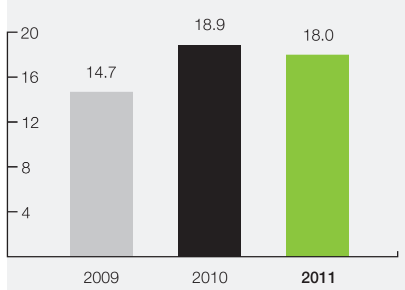
Result
The site crew arrived in October 2011 to begin the disassembly of the first unit. The new design has higher turbine efficiencies with a maximum power more than 35% above the current turbines.

Review by Jon Stanton
Finance Director

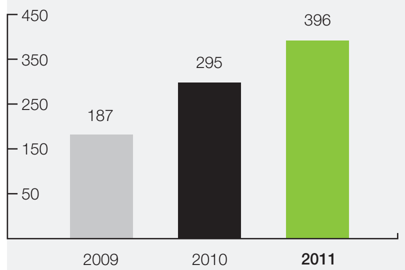
Building on success

Continuing operations

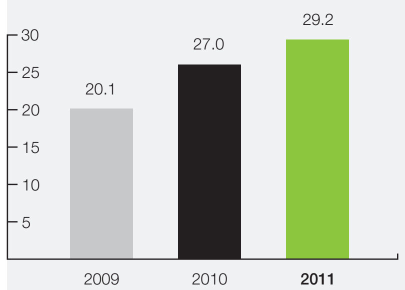
Operating margins[1] (%)



Profit before tax[1] (£m)



Return on capital employed[2] (%)



[1] Continuing operations adjusted to exclude exceptional items and intangibles amortisation.
[2] Continuing operations EBIT (excluding exceptional pension gain) divided by average net assets excluding net debt, pension deficit (net of deferred tax asset) and, for 2011, Seaboard net assets.

2011 saw the Group build very successfully on what was the record financial performance of 2010 with continued strength across our key end markets and another increase in operating profit of more than £100m. Our organic growth was complemented by strong performances from our 2010 acquisitions where integration was completed swiftly delivering results above expectations. In July, we completed the acquisition of Weir International in South Korea and the acquisition of Seaboard was completed in December. Due to the completion of this deal taking place so near the year end there is no contribution from Seaboard included in the results for the year. Since the year end, we have re-financed the Seaboard acquisition facilities raising US$1 billion in the US private placement market at very attractive maturities and coupons.

Order input at £2,467m on a constant currency basis increased 30% on 2010 and was 24% higher on a like-for-like basis (excluding the impact of acquisitions). Original equipment orders were up 36% (32% like-for-like), driven by continued expansion of the North American pressure pumping market and increasing mining capital expenditure. Aftermarket orders were up 25% (17% like-for-like) with increased activity levels across the Group's main markets and market share gains across the Oil & Gas and Minerals product ranges and represented 52% (2010: 54%) of total input in 2011. Each of the divisions reported year on year order input growth with Oil & Gas delivering the largest increase, up 42% on 2010 to £865m (constant currency and like-for-like). Minerals order input for 2011 was £1,263m, an increase of 27% on 2010 (19% like-for-like) with Power & Industrial reporting an 18% increase to £312m (1% up excluding the impact of Weir BDK, Weir American Hydro, Weir YES and Weir International).

Revenue grew by 40% to £2,292m on a constant currency basis, with like-for-like revenues up 33%. Original equipment represented 48% of revenues with aftermarket sales accounting for 52%, a shift towards original equipment when compared to last year. The continued strength of our North American businesses resulted in our exposure to emerging markets decreasing to 35% (2010: 39%) although emerging markets revenues have increased by 25% in absolute terms. On a divisional basis, each division translated increased order input into increased revenues. Minerals revenues were 33% higher at £1,216m (2010: £911m) with like-for-like revenues 26% up year on year. Oil & Gas revenues increased by 65% to £743m (constant currency and like-for-like). Power & Industrial revenues grew from £244m in the prior year to £307m in 2011, an increase of 26% (up 1% like-for-like). Together, the acquisitions made in 2010 contributed £171m of revenue against a 2010 proforma annualised figure of £151m. Revenues from other Group companies increased by 2% to £26m.

Operating profit from continuing operations before exceptional items and intangibles amortisation increased by 33% to £412.7m (2010: £309.7m) after a negative currency translation impact of £2.4m, with the strengthening of sterling relative to the average US dollar rate in the prior year largely offset by weakness against the Australian dollar. Excluding this impact, year on year growth in constant currency was 34%, with the increase in underlying performance being driven by growth in upstream oil and gas operations, strong performances across the Minerals portfolio and the impact of 2010 acquisitions within Power & Industrial. One-off acquisition related transaction and integration costs and other restructuring costs of £16.6m (2010: £11.0m) include £5.1m of costs associated with the acquisition of Seaboard. The 2010 acquisitions contributed £21.1m to EBITA against a 2010 proforma annualised contribution of £15.5m. The profit contribution from other Group companies was £3.0m (2010: £3.5m) while central costs were £14.1m (2010: £12.0m).

Operating margin (also from continuing operations before exceptional items and intangibles amortisation) decreased from 18.9% (18.8% on a constant currency basis) to 18.0%, reflecting the impact of the 2010 acquisitions, the shift in revenue mix towards original equipment and ancillary products and services and the increase in one-off charges in the period. Excluding one-off costs and acquisitions, the operating margin was 19.3% (2010: 19.7%). On a constant currency basis, Minerals operating profits increased by 22% to £213.9m (2010: £176.0m) giving a divisional operating margin of 17.6% (2010: 19.3%) with the reduction driven by revenue mix and the dilution impact of Linatex margins. Oil & Gas operating profits including joint venture interests increased to £183.1m (2010: £113.8m) with an operating margin of 24.7% (2010: 25.2%); excluding the impact of acquisitions and one-off costs, the Oil & Gas divisional margin was 26.1% (2010: 25.2%). The operating profit from Power & Industrial for 2011 was £26.8m, an increase of £0.8m or 3% on 2010. This represents a margin of 8.7% (2010: 10.7% constant currency) and excluding the impact of acquisitions and one-off costs a margin of 10.6% (2010: 11.7%).

Depreciation and impairment of property, plant and equipment and investment property in the year was £37.7m (2010: £34.3m) resulting in operating profits from continuing operations before depreciation and intangibles amortisation ("EBITDA") of £450.4m (2010: £344.0m).

Exceptional items and intangibles amortisation

Total Group operating profit for the year of £408.6m (2010: £291.5m) includes an exceptional credit of £19.0m (2010: £nil) and intangibles amortisation of £23.1m (2010: £18.2m). The exceptional credit of £19.0m is a past service gain recognised under IAS19 following the decision by the Trustees of the Group's main staff and executive plans in the UK to provide CPI and not RPI-linked benefits to deferred members. This follows the Government's recent changes in legislation to use CPI rather than RPI as the statutory measure by which to increase pensions.

Net finance costs

Net finance costs were £17.1m (2010: £15.0m) due to higher average net debt than the prior year given the timing of acquisitions in 2010. This charge comprises four components, the most significant of which is the interest cost of £19.4m (2010: £14.9m) on the Group's net borrowings (including amounts in relation to derivative financial instruments). The balance comprises finance income of £4.3m (2010: £1.5m), a £1.3m charge (2010: £1.6m) in relation to the Group's defined benefit pension plans and an exceptional cost of £0.7m (2010: £nil) being the unwinding of the discount on the contingent consideration for the Weir International acquisition in the second half of the year. This last component has been disclosed as exceptional due to its nature.

Net finance costs (excluding retirement benefit related amounts and exceptional items) were covered 27.3 times by operating profit from continuing operations (before exceptional items and intangibles amortisation) (2010: 23.1 times).

Profit before tax from continuing operations but before exceptional items and intangibles amortisation increased by 34% to £396.3m (2010: £294.7m). Reported profit before tax from continuing operations increased by 42% to £391.5m (2010: £276.5m) after intangibles amortisation of £23.1m (2010: £18.2m) and the exceptional pension past service gain of £19.0m (2010: £nil).

The tax charge for the year of £114.2m (2010: £82.8m) on profit before tax from continuing operations before exceptional items and intangibles amortisation of £396.3m (2010: £294.7m) represents an underlying effective tax rate of 28.8% (2010: 28.1%), reflecting a greater proportion of US profits which are taxed at a higher rate. The expected tax rate of 32.0% (2010: 31.0%) is higher than the effective rate due to adjustments in respect of prior years, predominantly from the release of provisions in relation to tax judgements now agreed with the relevant tax authority and the availability of indexation relief to offset the exceptional gain following disposal of the Cathcart, Glasgow property.

Discontinued operations

The sale of the former Weir Pumps facility at Cathcart, Glasgow to Clyde Union was completed in December 2011. Net proceeds on the sale were £25.0m giving rise to a gain on disposal of £19.9m taking account of asset carrying value, disposal costs and other costs arising from discontinued operations. This gain has been recorded as an exceptional item in the year.

Earnings per share

Earnings per share from continuing operations before exceptional items and intangibles amortisation increased by 33% to 133.6p (2010: 100.4p). Reported earnings per share including exceptional items, intangibles amortisation and discontinued operations was 141.5p (2010: 87.9p), reflecting the net post-tax charge of £3.1m (2010: £12.8m) for exceptional items and intangibles amortisation from continuing operations and the exceptional net gain on sale of investment property within discontinued operations of £19.9m (2010: net charge of £13.6m). The weighted average number of shares in issue increased to 211.2m (2010: 210.6m).

Financial review (continued)

Cash flows
Cash generated by operations before working capital movements increased by 34% to £457.9m (2010: £342.3m). Working capital outflows of £155.3m (2010: £67.4m) were driven by receivables increases in line with revenue growth, the impact on inventory of the shift in orders towards longer cycle original equipment projects and the impact of the 2010 and 2011 acquisitions. Net cash generated from operations increased by 10% from £274.9m to £302.6m representing an EBITDA to cash conversion ratio of 67% (2010: 80%), a direct result of the investment in working capital.

Capital expenditure increased from £50.9m in 2010 to £95.4m in 2011 principally in support of Minerals and Oil & Gas growth plans. The settlement of financing derivatives resulted in a net cash outflow of £10.9m (2010: £13.4m). Additional pension contributions of £6.6m (2010: £9.3m) were paid in the period in respect of agreed special contributions to the UK schemes.

Free cash flow from continuing operations was £28.9m (2010: £79.9m) and from discontinued operations was £24.6m (2010: outflow of £18.6m). Outflows in respect of acquisitions were £441.4m including the payment to settle external debt of Seaboard on acquisition giving a year end net debt of £673.2m (2010: £283.6m). On a reported basis, the ratio of net debt to EBITDA was 1.5 times and on a proforma basis including the Seaboard and Weir International acquisitions from the beginning of 2011 was 1.3 times.

Return on capital employed ("ROCE")
The Group's ROCE is 29.2% for 2011, an increase of 220 basis points on the return of 27.0% in 2010.

Dividends
The Board is recommending a final dividend of 25.8p per share which, together with the interim dividend of 7.2p per share paid on 4 November 2011, makes the total dividend for the year 33.0p, an increase of 22% over last year's total of 27.0p. This results in dividend cover (being the ratio of earnings per share from continuing operations before exceptional items and intangibles amortisation to dividend per share) of 4.0 times compared to 3.7 times in 2010.

Once approved, the final dividend will be payable on 1 June 2012 to ordinary shareholders whose names are on the Company's register of members at close of business on 4 May 2012.

Acquisitions
The Group made two acquisitions during the year. The first of these was of 60% of the voting shares of a new Korean company, Weir International, into which the HIM Tech Co Ltd valves business was transferred. The acquisition was structured as an initial 60% purchase including an earn out with the remaining 40% being subject to put and call options exercisable between 2014 and 2019 and based on an EBITDA multiple of profits in the two years immediately preceding exercise of the option. The cash consideration paid was £9.8m and the estimated fair value of the contingent consideration recognised is £14.0m. The second acquisition was of 100% of Seaboard Holdings Inc ("Seaboard") for a cash consideration of US$671m (£432.1m), which was completed on 14 December 2011. In addition an amount of £9.1m has been recognised in respect of contingent consideration. The costs associated with these acquisitions totalled £5.6m and this has been charged in full to the Income Statement in 2011.

The post acquisition trading by Weir International is included in these results although there is no contribution from Seaboard due to completion of the transaction just prior to the end of the year. There are clear plans in place to integrate the Seaboard business into the Group in 2012. Further information on these acquisitions can be found in note 13 to the Group financial statements.

Together with the acquisition of Novatech in February 2012, the proforma revenue and EBITA (excluding integration costs) from these three recently acquired businesses for 2011 is £172m and £43m respectively.

Treasury management
The Group is financed through a combination of bank debt, fixed rate private placement notes and equity. The capital structure is managed centrally with the objectives of optimising capital efficiency, diversifying the investor base, achieving an orderly maturity of funding yet maintaining a good degree of financial headroom.

The principal financial risks faced by the Group are those relating to liquidity, foreign currency and credit risk. The Group's treasury policies and procedures, which are reviewed and updated on a regular basis, seek to reduce these financial risks. Within this framework, the Group uses financial assets and liabilities including derivatives to hedge certain foreign exchange and interest rate risks.

Funding and liquidity
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and long term fixed rate notes.

On 16 February 2012, the Group made a further placing of attractively priced long term debt with the private placement market in the US. Notes to the value of US$1billion have been issued with a variety of maturities; US$210m of seven year notes, US$590m of ten year notes and US$200m of eleven year notes. The weighted average coupon is 4.16%. These fixed rate notes improve the Group's financial flexibility by diversifying our sources of finance and investor base and lengthening the maturity profile of borrowings, with US$380m of the proceeds from the placing being used to repay the short-term bridging loan taken out at the time of the Seaboard acquisition, fund the acquisition of Novatech and repay other borrowing facilities.

With regard to the US$800m revolving credit facility, £163.0m was drawn down under these at the end of the year leaving an undrawn amount of £352.8m.

All covenants were met at 30 December 2011 with significant headroom under each financial ratio.

The Group also held net cash balances of £108.6m at the end of 2011 (2010: £79.5m) representing operating balances held by the Group's subsidiaries. Of this total, £48.5m was held in the UK (2010: £5.4m).

The Group has additional committed and uncommitted bonding facilities under which guarantees are issued in order to support commercial activities.

Credit management
The Group's credit risk is primarily attributable to its trade receivables with risk spread over a large number of countries and customers. There is no significant concentration of credit risk. Credit worthiness checks are undertaken before entering into contracts with new customers and credit limits are set as appropriate. We will also use trade finance instruments such as letters of credit and insurance to mitigate any identified risk. The Group's exposure to the credit risk of financial institutions is limited by the adherence to counterparty limits and by only trading with counterparties that have a strong credit standing based on ratings provided by the major agencies.

Interest rate risk management
The Group's debt is denominated in a combination of fixed and variable rates of interest. It is our policy to maintain a proportion of debt at fixed rates of interest subject to the future outlook for the level of interest rates. As at the end of 2011, the proportion of the Group's gross debt at fixed rates was 20% compared to 44% as at 31 December 2010, due to the initial funding of the Seaboard acquisition via floating rate bank borrowings. Following the issuance of US$1billion fixed rate notes on 16 February 2012, the proportion of the Group's debt at fixed rates has increased post year end.

Foreign exchange
The Group is exposed to movements in exchange rates for transactions undertaken in non-functional currencies of the operating companies concerned and the translation of foreign currency denominated net assets and profit and loss items.

All material transactional currency exposures are hedged, usually by means of forward contracts thereby ensuring certainty over revenue and costs. Subject to local exchange controls, foreign exchange transactions are executed by the central treasury function. No speculative transactions are undertaken. Although hedging is carried out for all material economic exposures, only two subsidiaries apply cash flow hedge accounting under IAS39.

The Group manages a proportion of the potential currency translation exposures from US dollar denominated net investments through a combination of US dollar borrowing, forward foreign currency contracts and cross currency swaps. The strengthening of sterling relative to the US dollar offset by its weakening against the Australian dollar resulted in a net loss on translation of net assets of £20.3m, including the effect of the balance sheet hedging programme. The fair value of derivatives designated as net investment hedges at 30 December 2011 was a liability of £27.6m (2010: £38.8m) reflecting primarily the part settlement of floating rate cross currency swaps during the year.

The Group does not hedge foreign currency translation exposures related to profit and loss items.

Further information on financial risk management objectives and policies can be found in note 30 to the Group financial statements.

Retirement benefits
The Group has five defined benefit pension plans, the largest of these being the two UK plans.

The Group has continued to pro-actively manage its exposure to its pension plans. However, reflecting a reduction in the discount rate, partially offset by a reduction in inflation assumptions, the net deficit for the Group's retirement benefit obligations at the end of the year was £84.7m (2010: £65.0m).

Net assets
Net assets at the end of 2011 were £1,118.1m, an increase of £196.4m on the 2010 level of £921.7m. This increase is driven by the total net comprehensive income for the year of £243.2m less dividends paid of £59.5m.

Litigation
The Company and certain subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the normal course of business.

There are 585 asbestos related claims in the US (2010: 411) outstanding against Group companies. There are 24 such claims in the UK (2010: 22). All actions are robustly defended.

There has been little progress on the claim against the Company relating to a civil action for damages arising from the UN Oil for Food programme which has been raised in the US. Weir is one of around 100 companies targeted in this claim and we are defending the action vigorously.

To the extent not already provided for, the Directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect on the Group's financial position.

Critical accounting policies
The financial statements have been prepared in accordance with IFRS and the material accounting policies are set out on pages 77 to 83 of this report. There have been no significant changes to the accounting policies adopted in 2010.

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

Intangible assets
On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired, provided they meet the recognition criteria. The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cash flows, as well as appropriate discount rates. In addition, the allocation of useful lives to acquired intangible assets requires the application of judgement based on available information and management expectations at the time of recognition.

Impairment
IFRS requires companies to carry out impairment testing on any assets that show indications of impairment as well as annually for goodwill and other intangible assets with indefinite lives and so not subject to amortisation. This testing includes exercising management judgement about future cash flows and other events which are, by their nature, uncertain.

Retirement benefits
The assumptions underlying the valuation of retirement benefits assets and liabilities are important and based on actuarial advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligations.

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

Jon Stanton
Finance Director
29 February 2012

Board of Directors

Lord Smith of Kelvin
Chairman (67) ●

Lord Smith joined the Board in February 2002 and was appointed chairman in July of the same year. He is chairman of Scottish & Southern Energy plc and a non-executive director of Standard Bank Group Ltd. He is also chairman of Glasgow 2014 Ltd, the organising committee for the Commonwealth Games.

He is chancellor of the University of the West of Scotland and patron of the Scottish Community Foundation.

He was formerly chairman and chief executive of Morgan Grenfell Private Equity and was chief executive of Morgan Grenfell Asset Management from 1996 until 2000 before becoming vice chairman of Deutsche Asset Management between 2000 and 2002.

He has also held a number of other positions in the financial services industry, was a member of the Judicial Appointments Board for Scotland and former chairman of the trustees of the National Museums of Scotland.

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

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

Keith Cochrane
Chief Executive (47) ●

Keith Cochrane joined the Group as finance director in July 2006 and was appointed chief executive in November 2009. Following a number of years with Arthur Andersen, Keith joined Stagecoach Group plc in 1993. He was appointed finance director in 1996 and group chief executive in 2000. He joined ScottishPower plc in 2003 where he became director of group finance.

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

Keith is currently a non-executive director of the Royal Scottish National Orchestra Society Ltd.

Lord Robertson of Port Ellen (George) KT, GCMG, HonFRSE, PC
Non-Executive Director (65) ■●

Lord Robertson was appointed a non-executive director in February 2004. He is deputy chairman of TNK-BP and a non-executive director of Western Ferries (Clyde) Ltd. He is senior international advisor to Cable and Wireless Communications plc and a senior counsellor with The Cohen Group (USA). He was the Secretary of State for Defence from 1997 until 1999 before becoming Secretary General of NATO from 1999 until 2003. He was formerly a director of Smiths Group plc (2004-2006) and deputy chairman of Cable & Wireless plc (2004-2006).

A member of Her Majesty's Privy Council, he is Chairman of the Ditchley Foundation and of the Commission on Global Road Safety. He is honorary Professor of Politics at Stirling University, an honorary Fellow of the Royal Society of Edinburgh, an Elder Brother of the Corporation of Trinity House and is Chancellor of the Order of St Michael and St George.

Michael Dearden
Non-Executive Director (69) ■●

Michael Dearden was appointed a non-executive director in February 2003 and retires at this year's annual general meeting. Michael worked for Burmah Castrol plc in a number of senior roles, including director and chief executive of Castrol Worldwide over a 20 year period. He was a non-executive director of Johnson Matthey plc (1999-2008) and Travis Perkins plc (2000-2009) and chairman of Galileo Brick Ltd (2003-2004) and Minova International Ltd (2003-2007).

He is chairman of the Remuneration Committee and the senior independent director.

Stephen King
Non-Executive Director (51) ▲

Stephen King was appointed a non-executive director in February 2005 and retires at this year's annual general meeting. Stephen is group finance director of Caledonia Investments plc. In February 2011, Stephen was appointed to the board of Bristow Group Inc. and in October 2011 he was appointed to the board of TT Electronics plc. Between 2003 and 2009 he was the group finance director of De La Rue plc and prior to that, finance director of Aquila Networks plc (formerly Midlands Electricity plc). Stephen has held senior financial positions in several companies including Lucas Industries plc and Seeboard plc, having qualified as a chartered accountant with Coopers & Lybrand.

He was a non-executive director of Camelot Group plc from 2008 until 2009. He is a fellow of the Institute of Chartered Accountants in England & Wales and an associate member of the Association of Corporate Treasurers.

He is chairman of the Audit Committee.

Jon Stanton
Finance Director (45)

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

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

Alan Ferguson
Non-Executive Director (54) ▲

Alan Ferguson was appointed a non-executive director in December 2011. He is a non-executive director of Johnson Matthey plc and Croda International plc where he chairs the audit committees. Between 2007 and 2010, he was chief financial officer of Lonmin plc, one of the world's largest producers of platinum group metals. Prior to his role with Lonmin, he held the position of group finance director with the BOC Group plc and Inchcape plc. Alan is a member of the Institute of Chartered Accountants of Scotland.

Melanie Gee
Non-Executive Director (50) ▲

Melanie Gee was appointed a non-executive director in April 2011. Melanie was appointed a Managing Director of Lazard & Co. Limited in 2008. Formerly, she spent a number of years with S.G. Warburg (now part of UBS) and was appointed a Managing Director of UBS in 1999. Between 2006 and 2008 she was a Senior Relationship Director of UBS. Melanie has been an alternate member of The Takeover Panel – LIBA (CFC) since 2006.

Richard Menell
Non-Executive Director (56) ■

Richard Menell was appointed a non-executive director in April 2009. Richard was previously an investment banker with JP Morgan in New York and Australia and an executive director of gold producer Delta Gold in Australia. He returned to South Africa in 1992 to join the Anglovaal Group and was appointed chief executive of Anglovaal Mining in 1996 and executive chairman in 2002. He was president and chief executive of TEAL Exploration & Mining Inc from 2005 until 2008. He was also formerly chairman of Avgold Ltd (1996-2004) and Bateman Engineering BV (2005-2009) and director of Mutual & Federal Insurance Company Ltd (1996 -2010) and Standard Bank Group Ltd (1997-2011).

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

John Mogford
Non-Executive Director (58) ▲

John Mogford was appointed a non-executive director in June 2008. He is currently advising private equity and investment banking on the energy sector and sits on several private company boards. He was formerly an executive vice president of BP plc having been with BP for over 30 years, initially in their exploration division and progressively rising to Executive Vice President (Chief Operating Officer US Downstream & Head of Refining). He held numerous positions in every area of operations from gas and renewables to upstream and downstream oil.

He is a fellow of the Institution of Mechanical Engineers.

Alan Mitchelson
Legal and Commercial Director & Company Secretary (62)

Alan Mitchelson joined the Group as company secretary in March 2000 and was appointed a director in December 2001. Alan is retiring at the annual general meeting in 2012.

Following a period in legal private practice, a number of years were spent in the oil industry before joining Trafalgar House as a legal advisor. He joined Highland Distillers plc in 1988 where he was company secretary before being appointed legal and personnel director in 1991. He is currently a non-executive director of Glasgow 2014 Ltd.

He is a solicitor and member of the Law Society of Scotland.

▲ Audit Committee
■ Remuneration Committee
● Nomination Committee

Managing risk The Weir Way
Principal risks and uncertainties

The Weir Group is committed to identifying and managing the full spectrum of risks faced across its global operations, many of which have the potential to adversely impact its operational, financial and reputational performance.

To support this approach, the Group operates a rigorous and transparent risk management framework which promotes the use of quality risk information in the development of strategy and decision-making. The risk and control framework is described in detail in the Corporate Governance report.

The Group has identified the following principal risks which could have a material impact on the business.

RISK	POTENTIAL IMPACT	MITIGATION
Environmental, health & safety		
Our principal environmental, health and safety (EHS) risks relate to the potential for a serious environmental incident, serious injury and fatal accidents in the workplace and regulatory action for non-compliance with statutory requirements.	Failure to manage these risks could result in a serious deterioration of the Group's safety performance or an environmental regulatory breach which could lead to: • fines and penalties; • loss of key customers; • exclusion from market sectors deemed important for future growth; and • damage to reputation.	The Group is committed to a zero accident workplace and the highest environmental standards. During 2011, Weir has established the EHS excellence committee to drive improvement in the environmental, health and safety agenda. A programme of external audits of EHS performance has begun from which global standards will be developed and improvement plans created and implemented. In addition, initiatives to address the most common accident types have been developed and the implementation in 2012 of a Weir behavioural safety system will further reduce the risk of incidents.
Technology & innovation		
The Group's growth and success depends not only on its ability to innovate and ensure the continuous improvement of its existing product portfolio, but also its ability to develop and produce new and enhanced products in a cost effective and timely manner to meet customer demands.	Failure of the Group to drive innovation and continue to ensure the development of attractive, sustainable products and solutions has the potential to give rise to customer dissatisfaction, loss of market share and/or competitors developing superior Weir product substitutes.	To remain competitive, the Group invests continuously in its research and development, manufacturing, marketing, customer service support and distribution networks. During 2011, the Group established the Weir Advanced Research Centre (WARC) in conjunction with the University of Strathclyde, tasked with supporting new product innovation and delivering enhancements to the Group's existing product range. The Group maintains the highest manufacturing and quality standards which include regular dialogue with customers to ensure that their requirements are met through the Group's key account management process. It also takes appropriate action to ensure that its cost base remains competitive and margins are protected through its global procurement activities.
Compliance & corruption		
As the business grows in size and geographical scope, the potential for fraudulent and dishonest activity by our suppliers, customers and employees increases.	Potential impacts include fines, penalties, regulatory scrutiny, reputational damage and imprisonment.	The Group has a central legal and compliance function which assists and monitors all Group businesses. The recent appointments of in-house counsel has strengthened internal resource in the Americas and Asia-Pacific. The Group's internal audit activities have been expanded to incorporate regular review of the anti-bribery and corruption assurance framework. In addition, the Group's Code of Conduct provides a clear framework within which all employees have to operate to maintain the Group's high standards of doing business. In 2011, online training modules on the Code were completed by staff, with a self-certification process ensuring compliance. Face to face presentations on the Code and UK Bribery Act were also carried out across the business.
Acquisitions		
The continued pursuit of our growth plans through a blend of organic growth initiatives and acquisitions brings with it a degree of risk, the most significant being that a poorly executed acquisition fails to deliver the anticipated benefits.	While the Group identifies expected synergies, cost savings and growth opportunities prior to completing any acquisitions, these benefits may not always be achieved or be achieved within the anticipated timescales. Furthermore, the Group could find itself liable for past acts or omissions of the acquired business without any adequate right of redress.	The Group operates a strategic planning process to review its corporate strategy with market and competitive position assessments driving the acquisition agenda. In addition, the Group implements a rigorous due diligence process and ensures clear financial targets are in place. The Group implements an internal 100 day plan to ensure that the integration process is actioned with the minimum of disruption.
Key suppliers & delivery		
The Group's ability to meet customer delivery schedules is dependent on a number of factors including sufficient manufacturing capacity, access to raw materials, inventory control, sufficient trained and equipped employees, engineering expertise and the appropriate planning and scheduling of the manufacturing process. Many of the contracts it enters into require long lead times and therefore contain clauses in relation to on-time delivery. In addition, the Group is dependent on the continued availability and effective management of subcontractors and other service providers.	Failure to deliver in accordance with customer expectation could subject the Group to financial penalties, damage customer relationships and, as a result, impact on the Group's financial performance. In addition, failure of a supplier or availability of scarce raw materials could result in the Group incurring additional costs in sourcing an alternative.	Manufacturing scheduling and planning is subject to stringent internal assurance processes to optimise each business unit's order book. The effect of this is to maximise capacity and minimise reworking costs and delays in delivery times. This is complemented by the use of the Group's Manufacturing Resource Planning systems, together with the slotting and scheduling achieved through the Weir Production System. The Group seeks to develop long-term relationships with its subcontractors and the Group's procurement function is responsible for establishing robust supplier relationships. In addition, the procurement function conducts a regular review of strategically important suppliers.

Managing risk The Weir Way
Principal risks and uncertainties (continued)

RISK	POTENTIAL IMPACT	MITIGATION
Global & economic conditions		
The Group is exposed to global growth trends and continued weakness in the global economy and banking sectors may trigger a subsequent downturn in customer demand.	Failure to successfully anticipate any future market downturns and not execute our developed mitigation strategies effectively could adversely affect Group revenues, profitability and cash flows.	As part of our strategic planning process the Group utilises extensive market intelligence to closely monitor the stability of and opportunities within all our markets. The Group continues to maintain proactive downturn plans with identified trigger points, enabling a quick response to deteriorating market conditions.
Commodity prices		
The Group is exposed to volatility in commodity prices.	An inability to respond to input price volatility could have a potential impact on the Group's operating results, revenue and cash flows.	The Group closely monitors commodity inputs and adapts a range of mechanisms to protect margins including back to back contractual terms, indexation agreements with customers and hedging of certain commodity input prices.
Dependency risk		
The Group generates a material proportion of its profits from Weir SPM, its Texas based well service pump business. Market, operational and technological developments may adversely affect the position of Weir SPM.	Its high proportional contribution to the Group and changes to the demand for hydraulic fracturing equipment in its end markets could have a significant impact on the Group's profits and free cashflow.	The Group closely monitors the leading indicators impacting Weir SPM's end markets and, together with Weir SPM's flexible business model and continued investment in new product offerings, will ensure that Weir SPM can react to changes in demand. Over time organic and acquisitive growth of other operations in the Group is expected to dilute the dependency on Weir SPM.
Employees		
The future success of the Group depends on the skills and efforts of its employees across all of its businesses and the ability to retain and develop these individuals. In addition, the success of Group acquisitions will depend on the ability to retain management personnel of acquired companies.	If it is unable to attract and retain excellent talent, the Group may not be able to effectively implement its business strategies.	The Group constantly reviews its remuneration packages to ensure they remain competitive and has also established in 2011 a management and leadership development framework to ensure present and future capability and facilitate effective succession planning. The Group's employee development programmes are explained in more detail on pages 60 to 62.

RISK	POTENTIAL IMPACT	MITIGATION
Legal		
Manufacturing companies are, from time to time, exposed to personal injury claims and class actions or other litigation resulting from injuries sustained at work, including asbestosis or other health problems associated from working in industries that used asbestos in the 20th century.	The Group has insurance cover for certain claims but not for all potential claims. The number and size of the claims is dependent on the number of third parties that are still in existence and can be included in such actions. Both of these can change over time and as a result the Group's exposure could increase.	The Group has internal policies and procedures for monitoring these risks, managing and mitigating against these liabilities and to ensure that there is regular reporting to the Board on any changes or developments.
Low-cost competition		
Increasing competitive threat from low-cost markets which are using total "cost innovation" in product design, supply chain and low labour costs to gain a competitive advantage.	Failure to build on our emerging market presence and realise growth through the delivery of innovative and creative product solutions may result in our existing customer base switching to low-cost suppliers, leading to a reduction in market share.	The Group has an established and growing global footprint to ensure proximity to customers and consistent quality of service coupled with continued product innovation to provide technological differentiation and barriers to entry. The Group continues to drive operational excellence across all plants with a continued focus on the key areas of lean, on time delivery, global sourcing and other procurement and supply chain initiatives and the Weir Production System, all of which contribute to the delivery of enhanced operational efficiencies.

Corporate governance report

Introduction

The Board is committed to the principles of good governance and good corporate governance is an integral part of the Board's stewardship obligations. The Group constantly aims for best practice in all matters and, by doing so, promotes the success of the business to the benefit of the shareholders.

The Board's review of its effectiveness, conducted during the period, considered its composition and skills and concluded that it has the right experience to address and respond to the challenges it faces.

Corporate governance code

The UK Corporate Governance Code 2010 (the "Code") took effect from 29 June 2010, replacing the Combined Code on Corporate Governance 2008 as the standard of good governance practice in the UK. The Financial Services Authority requires listed companies to disclose whether they have complied with the provisions of the Code throughout the financial year. The Board considers that the Company complied with the Code for the whole of the 52 weeks ended 30 December 2011. In respect of Code provision B.7.1 the Board decided in early 2011 to adopt this provision and therefore all executive and non-executive directors retired and offered themselves for re-election commencing from the 2011 annual general meeting.

This section of the Annual Report along with the Remuneration report on pages 44 to 53 provide details of how the Company has applied the main principles of the Code during the 52 weeks ended 30 December 2011. Further information on the Code is publicly available on the Financial Reporting Council's website www.frc.org.uk.

The Board of directors

The Board has a schedule of matters reserved to it for its decision. This schedule is reviewed regularly and includes approval of:

- Environmental, health and safety and sustainability policies.
- Annual and half-year financial results, interim management statements and trading updates.
- Dividend policy.
- Board appointments.
- Group strategy and the annual operating budget.
- Group corporate governance policy.
- Changes to the Group's management and control structure.
- Major capital expenditure, acquisitions and disposals.
- Treasury policies.
- Risk management strategy and the system of internal control.

Board meetings

In the 52 weeks ended 30 December 2011, the Board met eight times, with one meeting in Santiago, which combined visits to the Weir Minerals sites in Chile and Brasil, one meeting at the Group conference in Perthshire, one held in London and the remainder held at the Company's head office in Glasgow. There is regular contact outside formal meetings between the chairman, chief executive and the other directors.

The following table identifies the attendance record of individual directors at the eight board meetings held during 2011.

Name	Attendance
Lord Smith	8 of 8
Keith Cochrane	8 of 8
Michael Dearden	8 of 8
Alan Ferguson[1]	1 of 1
Melanie Gee[2]	5 of 5
Stephen King	7 of 8
Richard Menell	7 of 8
Alan Mitchelson	8 of 8
John Mogford	8 of 8
Lord Robertson	8 of 8
Jon Stanton	8 of 8

[1] Alan Ferguson joined the board on 13 December 2011.
[2] Melanie Gee joined the board on 4 May 2011.

Changes to the Board

Details of the current directors of the Company are set out on pages 30 to 31. Melanie Gee joined the Board on 4 May 2011 and Alan Ferguson on 13 December 2011.

Re-election of directors

In accordance with the Code, all directors submit themselves for annual re-election by shareholders. Each new director may be appointed by the Board, but is subject to election by shareholders at the first opportunity after their appointment.

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

Board information and development

On joining the Board, directors are provided with documentation on the Group and its activities. New directors are provided with an appropriate induction programme and, where appropriate, site visits are arranged to major business units. Ongoing training is provided as necessary.

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

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties and any further back-up papers and information are readily available to all directors on request to the company secretary. The chairman ensures that non-executive directors are properly briefed on any issues arising at board meetings and non-executive directors have access to the chairman at any time.

Review of board effectiveness

Our 2011 review of board effectiveness was led by an independent third party who undertook interviews with the chairman, each of the directors and the external auditors, in addition, an assessment of the chairman's performance was carried out by the senior independent director. Feedback was sought on the operation of the principal board committees and on the contributions of individual directors.

The review considered the effectiveness of leadership, governance arrangements and management practices in a number of areas including:

- Board constitution including the mix of skills, knowledge and experience.
- Relationships between the Board, committees and executive directors.
- Responsibilities, delegated authorities and reporting lines.
- Succession planning, induction and training.
- Communication with shareholders.

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

Board balance and independence

As at 30 December 2011, the Board comprises the chairman, chief executive, finance director, legal and commercial director and seven non-executive directors. Michael Dearden is the senior independent director. Lord Robertson will replace Michael Dearden as senior independent director following his retirement from the board after the annual general meeting in 2012.

There is an agreed procedure for directors to take independent professional advice, where appropriate, on any matter at the Company's expense. The company secretary is responsible for ensuring that board procedures are followed and all directors have direct access to the advice and services of the company secretary. The company secretary is also responsible for facilitating the induction and professional development of the board members and information flows within the Board, its committees and between the non-executive directors and senior management.

All directors bring their own independent judgement to major matters affecting the Group. Each of the non-executive directors is considered by the Company to be independent.

None of the non-executive directors has any material business or other relationship with the Company or its management. Each member of the Board has considerable experience at a senior level in other companies, which allows for well informed and broad based debate. The board structure ensures that no individual or group dominates the decision-making process.

There is a division of responsibilities between the chairman, who is responsible for leading and running the Board and related matters, and the chief executive, who has executive responsibility for running the Group's business and developing the appropriate organisational structure for a global organisation. The chief executive chairs the Group Executive Committee.

The executive directors have contracts of service with one year's notice, whilst non-executive directors appointments can be terminated at any time with six months notice. The letters of appointment of the chairman and the non-executive directors, which are available for inspection at the Company's registered office, set out the required commitment to the Company. Details of the directors service contracts, remuneration and interests in share awards are set out in the Remuneration report on pages 44 to 53.

Corporate governance report (continued)

Directors conflicts of interests
Each director has a duty under the Companies Act 2006 (the "2006 Act") to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Company has adopted a formal procedure for the disclosure, review, authorisation and management of directors conflicts of interest and potential conflicts of interest in accordance with these provisions. The procedure requires directors formally to notify the Board, via the company secretary, as soon as they become aware of any actual or potential conflict of interest with their duties to the Company or of any material change in existing or potential conflicts that may have been authorised by the Board. The Board continues to monitor and review potential conflicts of interest on a regular basis. A register is maintained of all such disclosures and the terms of any such authorisation.

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

Shareholders
The Company is committed to a process of continual dialogue with its shareholders. This dialogue is taken forward by the Group's investor relations programme and includes regular update meetings and presentations with major shareholders and industry analysts. Feedback from these presentations, which is reported to the Board, gives investors an opportunity to comment on the quality of the communications they receive in their contact with the chief executive and finance director. Attendees at the results presentations include the chairman, the executive directors, the senior independent director and a number of the non-executive directors. The Company also encourages communication with private shareholders throughout the year and welcomes their participation at shareholder meetings. In addition to the chairman's statement at the annual general meeting, a trading update to shareholders is given and details of the Company's trading activities are on display. The directors attend the annual general meeting and the chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions. The date of the key publications in 2012 can be found on the Company's website.

Notice of the annual general meeting is sent to shareholders at least 20 working days before the meeting. The Company conducts the vote at the annual general meeting by electronic poll and the result of the votes (including proxies) is published on the Company's website after the annual general meeting. Electronic proxy voting, details of which are included in the notice of the 2012 annual general meeting, is available. Voting participation at the annual general meetings in 2009, 2010 and 2011 was 64%, 63% and 67% respectively.

Communications
The Board considers that the annual report and financial statements and interim statements present a balanced and understandable assessment of the Group's performance and prospects. The Group frequently publicises other business developments through the specialised trade press and its own internal bulletins, which have wide circulation, and through the news section on both the divisional and Company websites. During 2011, the Group produced a corporate brochure which is available on the Group website at www.weir.co.uk. The website also provides additional company information, is regularly updated and includes the presentations to shareholders given at the announcements of the full year and interim results. The website also contains an online version of the notice of the annual general meeting, the annual report and financial statements and the interim report.

Board committees
Where appropriate, matters are delegated to board committees, all of which have written terms of reference which are available on the Company's website. The company secretary acts as secretary to all these committees.

Group Executive Committee
The Group Executive Committee comprises the chief executive, finance director, legal and commercial director (whose biographies are on pages 30 and 31), three divisional managing directors, the director of operations support and development and HR director whose details are set out below:

Dean Jenkins (40) was appointed the Power & Industrial Divisional Managing Director on 1 January 2011 and is based in East Kilbride, UK. He previously worked for Qantas Airlines and the Australian listed infrastructure services company UGL Ltd, most recently as Chief Executive of the latter's Rail Division.

Steve Noon (47) is the Oil & Gas Divisional Managing Director based in Fort Worth, USA. Steve has worked with several multi-nationals including Schefenacker Vision Systems, James Hardie Industries and The Toro Company. Before joining the Group in 2007, he held the position of president of Schefenacker Vision Systems, North America.

Scot Smith (48) is the Minerals Divisional Managing Director based in Madison, USA. Prior to joining the Group in 2001, Scot spent 18 years in the automotive industry with companies such as Van Dresser Corporation, General Motors and Britax. Within Britax, Scot held a number of positions including marketing director, managing director of Britax Geco and latterly regional managing director for the Americas.

Pauline Lafferty (46) is the Director of Human Resources based at the Group's Head Office. Before joining the Group in July 2011, Pauline spent 13 years in executive search with Miles Partnership and Russell Reynolds Associates in the UK and Australia. Prior to this, Pauline held business planning and operational roles for 11 years with Motorola and Digital Equipment Corporation (DEC) in Scotland, Australia and Hong Kong, ultimately becoming Asia Pacific Director of Supply for DEC.

Gavin Nicol (51) is the Director of Operations Support & Development based at the Group's Head Office. Before joining the Group Executive in July 2011, he was President of Weir SPM for two years, based in Fort Worth, Texas. Gavin joined Weir in 2005 and was managing director of the Weir Pumps business prior to its sale in 2007. Before joining Weir, Gavin worked for a number of multinationals including the Terex Corporation, PWC and Coats Viyella.

In the 52 weeks ended 30 December 2011, the Group Executive Committee met 12 times.

The Group Executive Committee is responsible for ensuring that each of the Group's businesses is managed effectively and that the key performance indicators of the Group, as approved by the Board, are achieved.

The Committee's role includes the preparation of the Group budget for approval by the Board, management of business performance to achieve the Group budget, establishing and maintaining reporting systems which provide clear and consistent information on all aspects of business performance, managing and minimising corporate risk and ensuring that the necessary mechanisms are in place to achieve effective inter-divisional coordination in areas such as purchasing, branding and career development planning. It also approves major items of capital expenditure within limits authorised by the Board.

General Administration Committee
The principal duties of the General Administration Committee are to allot shares under the Group Long Term Incentive Plan and other matters of a routine nature. This Committee comprises the executive members of the Board and meets as required.

Remuneration Committee
The chairman of the Committee is Michael Dearden. The other members of the Committee are Lord Robertson, John Mogford until 29 July 2011 and Richard Menell from 29 July 2011. Melanie Gee will become a member of the Committee and Committee chairman following the annual general meeting. The secretary to the Committee is Alan Mitchelson.

The Committee consists exclusively of non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters decided by the Committee.

The minutes of each meeting are circulated to the Board.

The responsibilities of the Committee are as follows:

- To determine the policy on the remuneration and performance of executive directors of the Company.
- To determine the conditions of employment, including levels of salary, pension arrangements, bonuses and share awards of the members of the Group Executive Committee.
- To determine targets for any performance-related pay schemes.
- To recommend to the Board the remuneration of the chairman of the Board.

The Committee is constituted and operated throughout 2011 in accordance with the relevant provisions of the Code. The Committee's terms of reference can be found on the Company's website.

The Committee met five times in 2011. The following table identifies the attendance record of individual directors at the Committee meetings held during 2011.

Name	Attendance
Michael Dearden (chairman)	5 of 5
John Mogford	3 of 3
Lord Robertson	5 of 5
Richard Menell	1 of 2

Corporate governance report (continued)

Nomination Committee

The members of the Committee during 2011 were Lord Smith (chairman), Keith Cochrane, Michael Dearden and Lord Robertson. Alan Mitchelson acts as secretary to the Committee. The Committee meets at least twice a year and at other times when necessary and in 2011 met four times. The following table identifies the attendance record of individual directors at the Committee meetings held during 2011.

Name	Attendance
Lord Smith (chairman)	4 of 4
Keith Cochrane	4 of 4
Michael Dearden	4 of 4
Lord Robertson	4 of 4

The Committee uses external search consultants to assist it in its work.

The Committee primarily monitors the composition and balance of the Board and its committees and identifies and recommends to the Board the appointment of new directors. During the year, following discussion of the recommendations of the Lord Davies report on boardroom diversity, the Committee determined not to set a specific female Board member quota. All appointments to the Board will continue to be based on the diversity of contribution, experience and required skills, irrespective of gender.

The Committee's terms of reference establish a framework through which it can operate to ensure the selection process of Board candidates is conducted in a formal, disciplined and objective manner. When considering candidates, the Committee evaluates the balance in skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for the particular appointment. The Committee also reviews the succession planning and leadership needs of the organisation and ensures that, on appointment, all directors receive a formal contract or letter of appointment as appropriate. The Committee's terms of reference are available on the Company's website.

Audit Committee

The chairman of the Committee is Stephen King. During 2011, the other members of the Committee were Melanie Gee from 4 May 2011 and John Mogford. Richard Menell served on the Committee until 4 May 2011. Alan Ferguson was appointed to the Committee on 13 December 2011. The secretary to the Committee is Alan Mitchelson. In addition, the chairman, chief executive, finance director, head of internal audit and external auditors attend each meeting. The head of internal audit and external auditors also have access to the chairman of the Committee outside formal Committee meetings.

The Board is satisfied that Stephen King has recent and relevant financial experience. As previously announced, Alan Ferguson will take over from Stephen King as chairman of the Committee. The Board is satisfied that Alan Ferguson has recent and relevant financial experience.

The Committee has the ability to call on Group employees to assist in its work and also has access to independent advice.

The Board has delegated to the Committee responsibility for overseeing the financial reporting and internal risk management control functions and for making recommendations to the Board in relation to the appointment of the Group's external auditors.

The Committee's terms of reference can be found on the Company's website.

The Committee is charged with responsibility to the Board for satisfying itself, on behalf of the Board as a whole, that the financial affairs of the Group are conducted with openness, integrity and accountability and in accordance with such existing statutory and regulatory provisions and codes as are applicable to the Group and to report on these matters to the Board.

Its duties are to:

- Consider the appointment, resignation or dismissal of the auditors and the level of audit fee.
- Discuss with the auditors the nature and scope of the audit.
- Review the draft interim and annual financial statements before submission to the Board for approval.
- Discuss any problems and reservations arising from the annual audit and any matters the auditors may wish to raise.
- Discuss with the auditors the Group's system of internal financial controls and any recommendations for improvement.
- Consider the findings of internal investigations and managements response.
- Oversee the implementation of systems for financial control and risk management.
- Pre-approve non-audit services provided by the auditor.
- Review the internal audit programme and its implementation.
- Receive and review internal audit reports.
- Review treasury policy.

The Committee also reviews the guidance issued by bodies such as the Financial Reporting Council into the work of audit committees and incorporates any recommendations into its working practices.

There were four meetings in 2011, in January, March, July and September. The following table identifies the attendance record of individual directors at the Committee meetings held during 2011.

Name	Attendance
Stephen King (chairman)	4 of 4
Richard Menell	2 of 2
John Mogford	4 of 4
Melanie Gee	2 of 2

The Committee maintains a formal calendar of items for consideration at its meetings and within the annual audit cycle to ensure that its work is in line with the requirements of the Code. During the March meeting, the Committee undertook a full review of the audit with the Group's auditors.

In the course of 2011, the Committee discussed the following matters:

- The annual report and financial statements, the half year report and interim management statements, any significant audit issues, accounting policies and financial reporting issues and judgements identified by the finance director and the auditors.
- The annual report disclosures relevant to the Committee, including the going concern statement and the reports on risk management and internal control.
- The internal audit scope and approach for 2011.
- The Group accounting policies.
- The findings of internal audit reviews.
- The Group's risk process and the results of the compliance scorecard.
- The fees for Ernst & Young LLP for 2011.
- The anti-bribery and corruption assurance framework.
- The audit strategy for year end 2011 audit.
- The fraud and error guidelines contained in ISA240.

During 2011, the Committee conducted an in depth review of the performance of the external auditors with a scope that went beyond the regular effectiveness review. The review considered, *inter alia,* the team, the scope of the audit and overall value for money provided. The review identified improvement areas which have been addressed by the external auditors and accordingly it was not considered necessary to conduct a broader tender process. In accordance with applicable ethical and professional standards the external auditors are required to periodically rotate partners at a Group, divisional or country level in order to maintain their independence and objectivity with the lead partner required to rotate every five years. Such changes are carefully planned to ensure the Company benefits from continuity of staffing without incurring undue risk or inefficiency. The Annual Report 2011 is the final signing year for the incumbent lead partner and during the year the Committee has reviewed the process to select the new lead partner culminating in the approval of the appointment for the next five years from 2012. Having carried out the review described above and having satisfied itself that the external auditors remain independent and effective, the Committee recommended to the Board that Ernst & Young LLP be re-appointed as the Company's external auditor for 2012. There are no contractual obligations restricting the Group's choice of external auditors and the Committee also keeps under review the value for money of the audit.

Non-audit fee work conducted by Ernst & Young LLP over the past year for assurance services amounted to 14% of the total fees including audit fees. The Committee considers that the level and nature of non-audit work does not compromise the independence of the external auditors.

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

The Committee maintains a policy on the appointment and role of the auditors. This includes guidelines on their appointment which is subject to regular review and on their ongoing work to ensure that the independence of the Group's auditors is not threatened, particularly by the provision of non-audit services.

Prior approval of the Committee is required where the expected cost of non-audit services provided by the appointed external auditors is in excess of £75,000.

The day-to-day implementation of the Committee's policies is delegated to the finance director who in turn monitors each of the Group's subsidiaries to ensure that all engagements fall within the Committee's guidelines. Fees payable to Ernst & Young LLP in respect of audit and assurance services of £1.8m (2010: £1.6m) in respect of 2011 were approved by the Committee.

Corporate governance report (continued)

Code of Conduct

The Weir Code of Conduct was launched on the Group's global Intranet and the company's website at the end of December 2010. The Code of Conduct sets out the Group's commitment to doing business at all times in an ethical and transparent manner and explains in practical terms the behaviours and values expected from all Group employees and how they can raise concerns or ask questions.

The Code of Conduct is supported by:

- A hotline which is available to all employees to report any concerns or apparent breaches of the Code of Conduct. This is a confidential service run by an independent provider.
- Online training modules provide an introduction to the Code of Conduct and practical scenarios that may be faced by employees in their day to day work.
- A training module on anti-bribery and corruption which is mandatory for employees in high risk territories.
- Further training in the form of local 'Town Hall' meetings for individual business units.

The Board and Group Executive Committee regularly review performance against the Code of Conduct. More information can be found in the Sustainability report on pages 67 to 68.

Internal control

In accordance with the Turnbull Guidance on internal control, the Board ensures that there is an ongoing process for identifying, evaluating and managing the significant risks faced by Group companies. This process has been in place throughout 2011 and up until the date of this report, applying to all Group companies but not the Group's joint ventures. The directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring both the system and the maintenance of effective internal control in each of the businesses which comprise the Group. In addition, each operating company is responsible for the operation of key internal controls and to formally assess the effectiveness of the internal control environment through the submission, twice yearly, of the Group compliance scorecard.

An internal audit function is in place to review and challenge the effectiveness of key internal controls and to suggest relevant actions to address potential weaknesses. The internal audit review programme is based on a risk based approach that helps to prioritise resource upon the areas of perceived greatest risk to the Group. This process is supplemented by a number of peer reviews that seek to further monitor and evaluate the process of internal control and share best practice around the Group.

Internal audit and peer review reports are reviewed by the Audit Committee which considers and determines relevant action in respect of any control issues raised.

To support this approach the Group operates a rigorous and transparent risk management framework which promotes the use of quality risk information in the development of strategy and decision making.

The Weir Group risk management framework provides guidance and focus across the organisation and facilitates the embedding of risk management practices and culture. The company managing directors are responsible for the day-to-day control of risk management within their individual companies. The Group divisional managing directors are ultimately responsible for risk management throughout their divisions and ensuring that they comply with the Group's corporate risk appetite. The Group's risk and control manager is responsible for the co-ordination for all risk activities within the Group. Each division will assist the risk and control manager in the flow of risk information and the active monitoring of the risk management process within their area of responsibility.

In the first instance, each Group operating company and business identifies all key risks that might reduce the ability of that operating company to achieve its business objectives. As part of this process, the operating companies prepare a report identifying the relative probability and severity of the risks identified, the process for managing and mitigating these risks and the means by which management might be assured that the processes are effective. This risk assessment process and the accompanying action plans are identified on a risk dashboard for their respective business. These are reported through the divisions to the Group Executive Committee on a monthly basis.

Finally, a Group-wide risk dashboard is prepared, which identifies the key divisional and Group risks. The Group risk dashboard is considered and adopted by the Board which is responsible for the risk management strategy.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The principal risks and uncertainties identified by the Group risk dashboard and how they are managed or mitigated are summarised on pages 32 to 35.

The Board has monitored the effectiveness of the Group's system of internal control during the financial year. This is refined as necessary to meet changes in the Group's business and associated risks.

Regular performance reports are provided to the executive directors, the Audit Committee and the Board, as appropriate. Where weaknesses are identified, plans and timetables for addressing them are also reported.

In addition to the Group risk and control framework, other procedures which are fundamental to the Group's system of internal control are as follows:

- A clearly defined organisational structure within which individual responsibilities are identified and monitored.
- A Group compliance scorecard which records compliance with policies and procedures.
- Policies and procedures manuals which are in place and communicated to all Group operating companies through the Global Intranet. The managing directors are responsible for ensuring that each company observes and implements these policies and procedures, which are continuously reviewed and updated.
- A comprehensive annual planning and financial reporting system incorporating consolidated management accounts, which compares results with forecast and the previous year on a monthly and cumulative basis. Management information systems provide directors with relevant and timely reports that identify significant variations from approved forecasts, and revised forecasts for the financial year are produced four times a year.

The Group's internal control procedures described in this section have not been extended to cover its interests in joint ventures. The Group has board representation on each of its joint venture companies where separate systems of internal control have been adopted.

Directors statement of responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Company financial statements in accordance with UK Accounting Standards and applicable law.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State that the Group financial statements have complied with IFRS as adopted by the European Union, subject to any material departures being disclosed and explained.
- State for the Company financial statements whether the applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Each of the directors, as at the date of this report, confirms to the best of his knowledge that:

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

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

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the directors have reviewed the Group's budgets, plans and cash flow forecasts, including market downturn sensitivities. In addition, the directors have considered the potential impact of credit risk and liquidity risk detailed in note 30 to the Group financial statements on pages 113 to 121. Each of these items has been considered in relation to the Group's banking facilities described on page 101.

Audit and auditors

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

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

Alan Mitchelson
Secretary
Signed and approved for and on behalf of the Board
29 February 2012

Remuneration report

Introduction

In 2011, the Group performed successfully in uncertain macro-economic conditions. The Group delivered record financial results and continued to demonstrate significant year on year growth in revenue and profits. The Group's full results are discussed in more detail in the Directors report.

Our successful performance, effective delivery of the Group's strategy and strong business model have been reflected in a rising share price and ranking in the FTSE 100. As we continue to pursue further growth through organic initiatives and value enhancing acquisitions, the Remuneration Committee is committed to ensuring that the remuneration structures in place remain appropriate to drive our business needs.

During 2011, as a Committee we have reviewed the remuneration arrangements for the executive directors and senior managers against the established remuneration policy. The Committee is satisfied that the remuneration structure remains appropriate and that the incentive arrangements are aligned to business strategy.

Actual performance of strategic and financial measures

Bonus Plan - Profit before tax[1]

£396.3m

Up 34% in 2011

Long Term Incentive Plan - Earnings per share[1, 2]

133.6p

Up 125%

Share Price Increase[2]

435%

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

[2] Calculated over the three year performance period relevant for the awards under the Long Term Incentive Plan made in 2009 showing the relative growth between 2008 and 2011.

The Committee has adjusted the chief executive's and finance director's base salaries for 2012 observing the commitment made to shareholders in 2010. Full details of the proposed salary increases are provided in this Remuneration report. In addition a clawback provision has been introduced under the bonus in order to ensure alignment with prevailing market practice. All other components of the executive directors remuneration packages remain unchanged.

Membership of the Remuneration Committee

During 2011, the Committee was chaired by Michael Dearden. The other members were Lord Robertson, John Mogford until his retirement from the Committee on 29 July 2011, and Richard Menell, who was appointed a member of the Committee on 29 July 2011. Melanie Gee will become a member of the Committee and Committee chairman following the annual general meeting. All members of the Committee are considered independent non-executive directors. The secretary to the Committee is Alan Mitchelson.

No individual plays a part in the determination of their own remuneration.

The Committee is responsible for formulating and implementing policy on remuneration for executive directors and senior management. The Committee also has regard to pay and conditions amongst the wider employee population.

The Committee's terms of reference can be found on the Company's website.

Hewitt New Bridge Street (a trading name of Aon Corporation) ("HNBS"), having been appointed by the Committee in 2003, provided independent external advice to the Committee until September 2011. HNBS provided no other services to the Group.

The Committee undertook a selection process to appoint new advisors during 2011 and appointed PwC as its independent external advisors with effect from December 2011. PwC provides additional services to the Group including advice on the Group's pension plans, taxation and valuation of long term incentive arrangements. In 2011, PwC also provided internal audit services, due diligence in relation to acquisitions and advice in relation to the Group's carbon emissions.

Remuneration strategy and policy for executive directors

The Committee ensures that effective remuneration arrangements are in place that drive appropriate behaviours and create alignment with the Group's strategy and business objectives. The Committee has adopted the following policy which forms the basis upon which the remuneration arrangements have been implemented:

- The Group's remuneration policy is to attract, motivate and retain executive directors with the necessary abilities to manage and develop the Group's activities successfully for the benefit of shareholders.
- For all senior executives, the Group policy is to provide a significant part of their potential reward through performance-based incentive plans.
- To ensure the interests of management remain aligned with those of shareholders, executive directors will be expected to build a meaningful shareholding in the Company of 100% of base salary over a five year period. This may be achieved by purchasing shares or retaining a proportion of share awards that vest. In addition, executive directors are obliged to convert part of their bonus into shares under the Group's Long Term Incentive Plan (LTIP).

Elements of remuneration

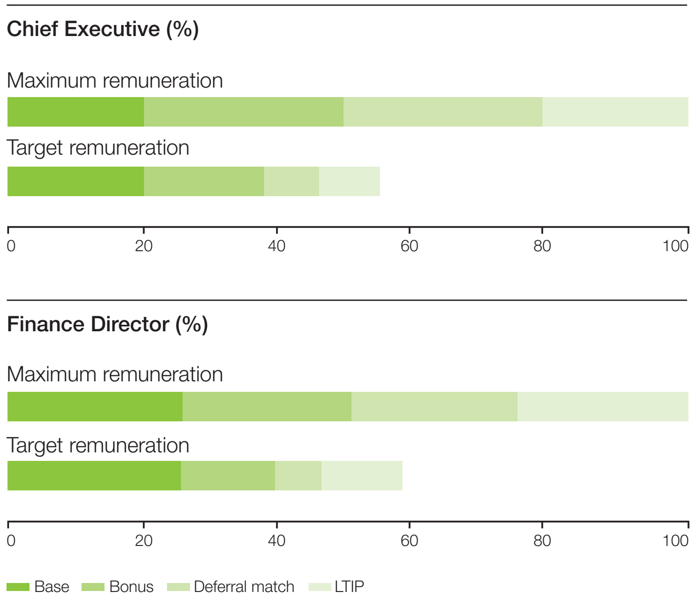
The following table provides a summary of the key elements of the executive directors remuneration package:

Element	Objective	Policy
Salary	To provide a competitive base salary to attract and retain talented leaders.	Base salaries are reviewed annually by reference to companies of a broadly similar size. The Committee also takes account of the economic environment and employment conditions throughout the Group. In reviewing salaries for 2012 the Committee has taken account of: • Individual and Group performance. • Competitiveness against the market. • Expected general employee pay increases across the Group. With the exception of Alan Mitchelson, executive directors are responsible for their own pension arrangements.
Annual bonus	Bonus payments are intended to reflect the achievement of agreed business objectives and positive contribution to stretching the performance of the Group.	The Committee reviews the bonuses payable on an annual basis and sets the targets at the beginning of the financial year. The maximum potential bonus receivable by the chief executive is 150% of salary and for the other executive directors is 100% of salary. The bonus opportunity is based on the achievement of a normalised pre-tax profit performance condition and the Committee takes into account the overall performance of the Group during the period. As part of the LTIP, 30% of all executive directors bonuses are compulsorily deferred in the form of shares into the LTIP ("investment shares"). The chief executive has an option of voluntarily deferring an additional 25% of his bonus and the other executive directors may voluntarily defer up to an additional 20% of their bonus into investment shares. Each investment share may attract the award of up to two matching shares, subject to the achievement of performance targets over a three year period.
Long term share incentives	To incentivise executives to achieve sustained growth through superior long term performance and create alignment with shareholder interests.	The maximum annual award for all executive directors is 100% of salary. Vesting of awards is subject to the achievement of the following targets in equal proportion: • Growth in earnings per share. • Relative total shareholder return. Performance against these targets is measured over a three year performance period.

Remuneration report (continued)

Structure of remuneration

The following charts show the intended elements and proportions of the remuneration package for the executive directors relating to 2012. The package is broadly structured so that at stretch performance between 70% and 75% of the overall total is delivered through variable pay.



Salary and benefits

Over the past few years, the Group has grown significantly and is now more complex and geographically diverse. Our strong performance has been reflected in the Group's share price which has out-performed the market and since 2010 the Group has improved further its position in the FTSE 100.

As recorded in the 2010 Remuneration report, it is the Committee's intention to increase the chief executive's salary to a target salary of £725,000 over a three year period, subject to individual and company performance including, in particular, the Group's financial success and the maintenance of its ranking in the FTSE 100.

In 2010, the Committee made the first adjustment which resulted in the chief executive's salary increasing to £650,000 from April 2011. Last year, the Committee made a commitment that any further significant increases would be made after prior consultation with the representative bodies of the Group's major investors, the Association of British Insurers ("ABI") and Research, Recommendations and Electronic Voting ("RREV"). In light of the chief executive's performance, which has continued to be of a high standard and is reflected by the Group's continued strong performance and enhanced FTSE position, after consultation with the ABI and RREV, the Committee has agreed to proceed with the planned adjustment in 2012 which will result in the chief executive's salary increasing to £700,000.

It remains the Committee's intention to make the final adjustment to the chief executive's salary in 2013. The Committee will continue to keep the chief executive's salary level under review and will ensure that it remains competitive with the market and fully reflects the performance of the individual and that of the Group in making the decision.

The Committee has also decided that an adjustment be made to the finance director's salary from £400,000 to £420,000, an increase of 5%. The Committee took account of the finance director's individual performance as well as that of the Group.

The legal & commercial director's salary will remain unchanged at £350,000 as he will not be standing for re-election at the 2012 annual general meeting.

All salary adjustments will take effect from April 2012. The Committee continues to be conscious of the need to pay no more than is appropriate to attract and retain key individuals. In determining the adjustments to the executive directors salaries, the Committee has considered the increases to pay levels across the broader employee population, which range from 2% to 5% in the UK depending on individual performance and circumstances.

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

Bonus

Under the Group's annual performance-related bonus scheme, the maximum potential bonus receivable by the chief executive is 150% of salary and for the other executive directors is 100% of salary.

Annual bonus awards were based on normalised pre-tax profit targets and for the 2011 performance year, the range was set at a level significantly above that achieved by the Group in 2010, with entry-level bonus payable for exceeding 2010 performance by a considerable margin. In 2011, Group profits exceeded the superior performance level and as a result, the bonus award was paid in full. The Committee also took account of the overall performance of the Group during the period.

In 2011, executive directors were required to defer 30% of their bonus in the form of shares into the LTIP. In addition, the chief executive has an option to defer voluntarily an additional 25% of his bonus, while the finance director and the legal & commercial director may defer voluntarily an additional 20% of their bonuses in the form of shares into the LTIP. These shares may be matched on the achievement of a performance condition calculated over a three year period.

For 2012, the bonus will continue to be based on a stretching pre-tax profit target. In accordance with good practice, a clawback provision has now been introduced into the bonus scheme, which will enable the Company to clawback all, or a proportion of, the bonus paid in the event of a material misstatement of the Company's financial results for any of the previous three financial years. The Committee will have the discretion to effect the clawback by retaining all or part of the current bonus awards including any part of the bonus that will be deferred into the LTIP and any matching element.

The Group cascades the bonus structure described above, including a deferred element, to key employees below Board level.

Long Term Incentive Plan

During 2011, the Company continued with its annual grant policy under the LTIP. Details of each award are as follows:

- Performance shares are conditional awards of shares subject to Group performance and continued employment until the third anniversary of the award. In 2011 awards were made up to a maximum of 100% of salary, in accordance with the normal grant policy.
- Executive directors are required to compulsorily defer an element of any Group bonus earned in exchange for which they are awarded investment shares. In addition, executive directors are also allowed to voluntarily convert a further proportion of their Group bonus into Weir Group shares.
- Matching shares are conditional awards to acquire free shares, subject to Group performance and continued employment until the third anniversary of the award. As in 2011, matching shares may be awarded up to a maximum of two times the pre-tax value of the deferred bonus "invested", both on a compulsory and voluntary basis, under the LTIP.

In addition, since 2011, the performance share awards, the compulsory investment share awards and the matching share awards have the right to receive the equivalent to the dividends that participants would have received as shareholders from the date of the LTIP award to the award's vesting date. These equivalents will be made in the form of shares.

The awards are based on the Group's share price, using the average published closing price for the three dealing days immediately preceding the date of award.

The vesting of conditional awards of performance and matching shares is subject to the satisfaction of highly demanding performance conditions as described on page 48.

During 2011, 100% of the 2008 LTIP award vested as the Company's TSR ranked first in the comparator group applicable for the 2008 award.

For 2012, awards will continue to be granted up to a maximum of 100% of salary.

Remuneration report (continued)

Performance criteria

Performance share awards and matching share awards made in 2011 under the LTIP were subject to the following performance conditions. Fifty per cent of each award is based on an earnings per share ("EPS") growth target and the other fifty per cent of the award is based on the growth in the Group's total shareholder return ("TSR") against the TSR of a comparator group of peer companies. Both performance conditions are measured over a single three year performance period.

The Committee believes that a balance between earnings per share and TSR is appropriate and aligned to the Company's long term strategic goals of driving sustained earnings performance and shareholder value creation.

The EPS targets for awards made in 2011 and in 2012 under the LTIP are shown below.

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

The EPS targets for LTIP awards made in 2010 are shown below.

Earnings per share growth	% of the earnings per share portion of the award which vests
11% per annum	100%
4% per annum	25%
Less than 4% per annum	0%

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

The relative TSR performance measures for 2011, 2012 and earlier awards that remain outstanding were as follows:

Relative Total Shareholder Return growth against comparator group	% of the Total Shareholder Return portion of the award which vests
Upper quintile	100%
Median	25%
Below median	0%

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

The Committee considers that these are a demanding range of targets.

For awards made in 2011, the Committee introduced a new comparator group of UK and international peer companies for the TSR condition. The group comprises 40% UK-based companies, 40% US-based companies with the remainder based in Europe. The market capitalisations of these companies range from approximately £3bn below the Group's market capitalisation to approximately £3.5bn above as at 30 December 2011.

The comparator group comprises:

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

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

The comparator group for awards made in 2012 will comprise the same companies as those in the comparator group for the 2011 awards. Charter plc was acquired during 2011 and has been replaced by AMEC plc for both the 2011 and 2012 awards.

For awards made under the LTIP in 2010 and earlier years, the comparator group comprised 16 UK companies: AGA Rangemaster Group, Bodycote, Cookson Group, Halma, IMI, Meggitt, Mitie Group, Morgan Crucible Company, Rolls-Royce, Rotork, Senior, Smiths Group, Spirax-Sarco Engineering, Tomkins, Wood Group and WS Atkins.

Pensions

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

Alan Mitchelson is an active member of the Company's 1972 pension and life assurance plan. The plan is a contributory defined benefit plan with the active members contributing 8% of salary.

The balance of the cost of the plan is met by the Company having taken account of the trustee's opinion arrived at by considering the funding recommendations of the plan's independent actuary.

The plan targets a pension of two thirds of final salary payable at normal retirement date, providing a member then has at least 24 years pensionable service. Where a member has less than 24 years pensionable service to normal retirement date their pension currently accrues at 1/36th of final salary per annum.

For members, salary (both for contributions and for plan benefits) is subject to a plan specific earnings cap. This is currently £129,600.

The plan provides for a surviving spouse's pension of one half of the member's pension (before any exchange for cash) and, in certain circumstances, for a dependent child's pension until the child attains the age of 23 years.

Pension built up prior to April 2006 increases in payment by the annual increase in the retail prices index up to a maximum of 5%. For pension built up after April 2006, the annual increase is limited to a maximum of 2.5%. Deferred pensions are revalued between the date of exit and normal retirement date in line with statute.

The plan provides a lump sum death benefit of five times salary for Alan Mitchelson.

Chairman and non-executive directors

The chairman and each of the non-executive directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the directors can be removed in accordance with the Company's articles of association.

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

Director	Contract commencement date	Expiry of current term	Notice period by Company
Lord Smith	6 February 2002	May 2012	6 months
Michael Dearden	17 February 2003	May 2012	6 months
Lord Robertson	1 February 2004	May 2012	6 months
Stephen King	3 February 2006	May 2012	6 months
John Mogford	1 June 2008	May 2012	6 months
Richard Menell	1 April 2009	May 2012	6 months
Melanie Gee	4 May 2011	May 2012	6 months
Alan Ferguson	13 December 2011	May 2012	6 months

Executive directors service contracts

All the executive directors who served during the year have service contracts with the Company that provide for a minimum period of notice of six months by the individual and twelve months by the Company. In the event that the Company terminated an executive director's service contract other than in accordance with its terms, the Committee, when determining what compensation, if any, should properly be paid by the Company to the departing director, will give full consideration to the obligation of that director to mitigate any loss which he may suffer as a result of the termination of his contract.

To recruit the best executives, the Committee may in the future agree contractual notice periods which initially exceed twelve months, particularly as it is often necessary for executives to relocate their families.

The details of the service contracts in relation to the executive directors who served during the year are:

Director	Contract commencement date	Unexpired term	Notice period by Company
Keith Cochrane	3 July 2006	12 months	12 months
Alan Mitchelson	12 December 2001	May 2012	12 months
Jon Stanton	19 April 2010	12 months	12 months

Remuneration report (continued)

Executive directors external appointments

The executive directors are permitted, with board agreement, to take up one non-executive appointment provided there is no conflict of interest and that the time spent would not impinge on their work for the Group. It is the Company's policy that remuneration earned from such appointments may be kept by the individual executive director. No executive director received remuneration for external appointments during 2011.

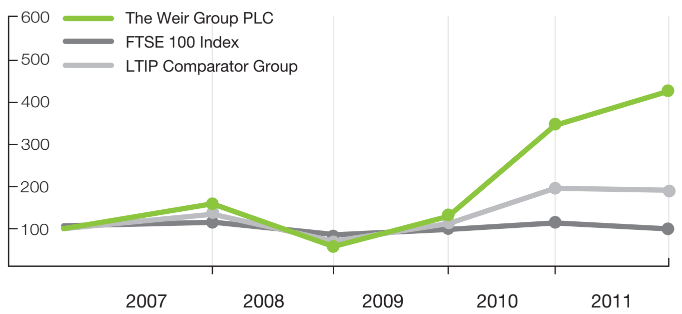
Remuneration of the chairman and non-executive directors

The chairman's fee is agreed by the Board on the recommendation of the Committee. Fees for the non-executive directors are determined by the Board. In determining the fee levels, account is taken of the time commitment, scale of roles, market norms and comparison with companies of equivalent size based on information provided by PwC. Neither the chairman nor any of the non-executive directors participate in any of the Company's incentive plans or receive pension or other benefits, except that the chairman is entitled to participate in the Group health care scheme and an additional allowance is made available to non-executive directors, where appropriate, to reflect the additional time commitment in attending intercontinental board meetings and operational visits. The chairman and the non-executive directors are not involved in any discussions or decisions about their own remuneration.

The non-executive directors fees and chairman's fees are reviewed annually by the Board. With effect from 1 April 2011, fees for the respective non-executive positions were: Chairman £250,000 (2010: £182,500) and non-executive directors £50,000 (2010: £45,000). Additional fees paid to the chairmen of the Audit and Remuneration Committees are £10,000 (2010: £7,500). The fee paid to Michael Dearden in respect of his role as senior non-executive director is £5,000 (2010: £2,500). There will be no increases to fees in 2012.

Total shareholder return

The graph below illustrates the performance of the Company against the FTSE 100 Share Index and the comparator group used in the LTIP awards for 2011. The Board believes that these measures represent an appropriate and fair comparator against which to measure the Group's performance for this purpose.



This chart shows the value as at 30 December 2011 of £100 invested in Weir Group shares over the last five financial years compared with the value of £100 invested in the FTSE 100 Share Index and the average of the comparator group used in the LTIP for the awards in 2011. The other points are the values at the intervening financial year ends.

Directors interests

The interests of the directors in the ordinary shares of the Company as at 30 December 2011 and at the end of the preceding financial period were as follows:

	As at 30 December 2011		As at 31 December 2010	
	Shares	LTIP awards	Shares	LTIP awards
Lord Smith	159,000	-	155,900	-
Keith Cochrane	120,658	366,314	66,522	374,687
Michael Dearden	10,000	-	10,000	-
Alan Ferguson	-	-	-	-
Melanie Gee	-	-	-	-
Stephen King	50,050	-	50,050	-
Richard Menell	1,000	-	1,000	-
Alan Mitchelson	219,641	238,062	180,299	278,597
John Mogford	7,981	-	7,981	-
Jon Stanton	3,000	70,850	3,000	30,204
Lord Robertson	10,000	-	10,000	-

Notes
1. No director had, during or at the end of the financial period, any material interest in any contract of any significance in relation to the Company's business, in any debenture stocks of the Company, or in the share capital or debenture or loan stocks of any subsidiary.
2. There have been no changes to the directors interests between 30 December 2011 and 29 February 2012.

Directors remuneration#

	Notes	Salary & Fees £	Bonus (note 5) £	Benefits (note 6) £	Total 2011 £	Total 2010 £
Chairman and non-executive directors:						
Lord Smith		233,125	-	489	233,614	182,980
Michael Dearden	1	62,500	-	-	62,500	53,750
Alan Ferguson	2	6,288	-	-	6,288	-
Melanie Gee	3	32,930	-	-	32,930	-
Stephen King	4	58,125	-	-	58,125	51,250
Richard Menell		48,750	-	-	48,750	43,750
John Mogford		48,750	-	-	48,750	43,750
Lord Robertson		48,750	-	-	48,750	43,750
Former director		-	-	-	-	17,083
		539,218	-	489	539,707	436,313
Executive directors:						
Keith Cochrane		625,000	975,000	21,645	1,621,645	1,259,646
Alan Mitchelson		344,127	350,000	14,457	708,584	665,887
Jon Stanton		392,500	400,000	14,457	806,957	732,573
		1,900,845	1,725,000	51,048	3,676,893	3,094,419
Previous year comparatives		1,571,657	1,277,279	245,483		

Audited

Notes
1. The fees for Michael Dearden include £10,000 for services as chairman of the Remuneration Committee (2010: £7,500) and £5,000 for his role as senior independent director (2010: £2,500).
2. Alan Ferguson was appointed on 13 December 2011.
3. Melanie Gee was appointed on 4 May 2011.
4. The fees for Stephen King include £10,000 for services as chairman of the Audit Committee (2010: £7,500).
5. The bonus figures for Keith Cochrane and Jon Stanton include £292,500 (2010: £206,250) and £120,000 (2010: £78,980) respectively, which will be compulsorily deducted from their bonus in exchange for which they will be awarded investment shares which, subject to remaining employed with the Group, will be receivable on the third anniversary of the 2012 award. Alan Mitchelson will be paid his bonus in full and no amount will be compulsorily deducted (2010: £97,953).
6. Benefits include, as appropriate, car allowance, participation in the Group health care scheme, travel allowance and death in service insurance.

Long term incentive awards#

	Notes	Date of award	Number of shares under award as at 1 Jan 2011	**Shares granted during year**	**Shares lapsed/did not vest during year**	**Shares exercised during year**	**Number of shares under award as at 30 Dec 2011**	Market price at date of award	Market price at date of vesting	Market value at date of vesting	Normal exercise period (note 3)
Keith Cochrane											
Performance & matching shares	1	25 Mar 08	86,101	-	-	86,101	-	730p	1733p	£1,492,130	-
		08 May 08	8,699	-	-	8,699	-	900.5p	1896p	£164,933	-
		16 Mar 09	155,257	-	-	-	155,257	400p	-	-	16.03.12 - 16.06.12
		15 Mar 10	84,838	-	-	-	84,838	923p	-	-	15.03.13 - 15.06.13
	6	17 Mar 11	-	83,161	-	-	83,161	1606p	-	-	17.03.14 - 17.06.14
Compulsory investment shares		25 Mar 08	9,896	-	-	9,896	-	730p	1733p	£171,498	-
		16 Mar 09	19,715	-	-	-	19,715	400p	-	-	16.03.12 - 16.06.12
		15 Mar 10	10,181	-	-	-	10,181	923p	-	-	15.03.13 - 15.06.13
	6	17 Mar 11	-	13,162	-	-	13,162	1606p	-	-	17.03.14 - 17.06.14
			374,687	96,323	-	104,696	366,314				
Alan Mitchelson											
Performance & matching shares	1	25 Mar 08	66,611	-	-	66,611	-	730p	1733p	£1,154,369	-
		08 May 08	7,354	-	-	7,354	-	900.5p	1896p	£139,432	-
		16 Mar 09	124,995	-	-	-	124,995	400p	-	-	16.03.12 - 16.06.12
		15 Mar 10	49,581	-	-	-	49,581	923p	-	-	15.03.13 - 15.06.13
	6	17 Mar 11	-	34,838	-	-	34,838	1606p	-	-	17.03.14 - 17.06.14
Compulsory investment shares		25 Mar 08	7,659	-	-	7,659	-	730p	1733p	£132,730	-
		16 Mar 09	16,666	-	-	-	16,666	400p	-	-	16.03.12 - 16.06.12
		15 Mar 10	5,731	-	-	-	5,731	923p	-	-	15.03.13 - 15.06.13
	6	17 Mar 11	-	6,251	-	-	6,251	1606p	-	-	17.03.14 - 17.06.14
			278,597	41,089	-	81,624	238,062				
Jon Stanton											
Performance & matching shares	1	09 Aug 10	30,204	-	-		30,204	1240p	-	-	09.08.13 - 09.11.13
	6	17 Mar 11	-	35,607	-	-	35,607	1606p	-	-	17.03.14 - 17.06.14
Compulsory investment shares	6	17 Mar 11	-	5,040	-	-	5,040	1606p	-	-	17.03.14 - 17.06.14
			30,204	40,647	-	-	70,851				

Audited

Notes
1. The figures shown are maximum entitlements and the actual number of shares (if any) which vest will depend on the performance conditions being achieved as set out on page 48.
2. Awards under the LTIP take the form of nil cost options and have no performance retesting facility.
3. Awards under the LTIP can be exercised after the third anniversary of the award date, subject to the performance conditions. No expiry date is shown if the award was exercised or lapsed in the 52 weeks to 30 December 2011.
4. On 25 March 2011 and 13 May 2011, the 2008 awards under the LTIP vested in full. As a result Keith Cochrane and Alan Mitchelson exercised their awards as set out above, selling 54,245 and 42,282 shares respectively to pay the relevant tax and national insurance and retaining the balance. The aggregate gains made on all award exercises by directors during the year totalled £3,255,092 (2010: £961,474).
5. The closing market price of the Company's shares at 30 December 2011 was 2032p and the range for the year was 1375p to 2218p.
6. The awards granted in 2011 have a right to receive dividend equivalents in the form of shares payable at vesting.

Directors pension benefits#

Alan Mitchelson was a member of a defined benefit scheme provided by the Group during the year 2011. Keith Cochrane and Jon Stanton are responsible for their own pension provision. Pension entitlement and the corresponding transfer values were as follows during the year:

	Notes	Accrued pension as at 1 January 2011 £	**Increase in accrued pension during the period £**	**Increase in accrued pension during the period (net of inflation) (note 8) £**	**Accrued pension as at 30 December 2011 (note 1) £**	Transfer value of accrued pension as at 1 January 2011 £	Change in transfer value of accrued pension during the year net of directors ordinary contributions (note 3) £	**Directors ordinary contributions £**	**Transfer value of accrued pension as at 30 December 2011 (note 2) £**	Transfer value of increase (net of inflation) (note 2 & 8) £
Alan Mitchelson	4, 5, 6, 7	37,552	2,870	1,931	40,422	840,827	138,530	4,450	983,807	46,997

Audited

Notes
1. The pension entitlement shown is that which would be paid annually on retirement, prior to any cash commutation, based on pensionable service to the end of the year.
2. With effect from 1 October 2008, Government legislation requires the trustees (having taken actuarial advice) to take responsibility for setting the assumptions underlying the calculation of voluntary transfer values to be paid from the plan. Prior to this date the scheme actuary had this responsibility. Consequently, the transfer value of the accrued pension at the year end has been calculated in accordance with this revised requirement.
3. The change in the amount of the transfer value over the year is made up of the following elements:
   a. transfer value of the increase in accrued pension
   b. increase in the transfer value of accrued pension at year start due to ageing
   c. impact of any change in the economic or mortality assumptions underlying the transfer value basis – as referred to in 2. above
   d. less the director's ordinary contributions
4. The change in the amount of the transfer value over the year includes the effect of fluctuations in the transfer value due to factors beyond the control of the Group and directors, such as stockmarket movements; which will be reflected within 3c above. The inflation measure for leavers during 2011 with at least one year to their normal retirement date was 2.5%. Consequently, the rate of inflation assumed in the above figures is 2.5%.
5. Directors have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in the above table.
6. The figures for Alan Mitchelson allow for the impact of the plan specific earnings cap and his restricted salary for pension accrued from April 2010. Alan Mitchelson does not have an entitlement to an excepted (formerly known as unapproved) pension from the Group.
7. Payment of actual transfer values (from the defined benefit scheme of which Alan Mitchelson is a member) are not currently reduced below 100% of their full value.
8. The figures allow for the impact of inflation in accordance with the Listing Rules of the Financial Services Authority.

Michael Dearden
Chairman of the Remuneration Committee
Signed and approved for and on behalf of the Board
29 February 2012

Sustainability report

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

1: Environment

To reduce our energy use and carbon footprint

2: Health & Safety

To maintain a safe and healthy workplace

3: Employees

To attract and retain the best employees

4: Communities

To invest in the communities in which we operate

5: Products and technology

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

6: Ethics

To conduct our business responsibly and ethically

How is this delivered?

The Board sets the strategy for each of these areas, with the responsibility for implementation resting with the Group Executive Committee. Progress and performance is managed and monitored through the Corporate Sustainability Steering Committee, comprising specialist representation and expertise from across the Group. During 2011, the Committee was led by the Group Legal and Commercial Director.

Environment

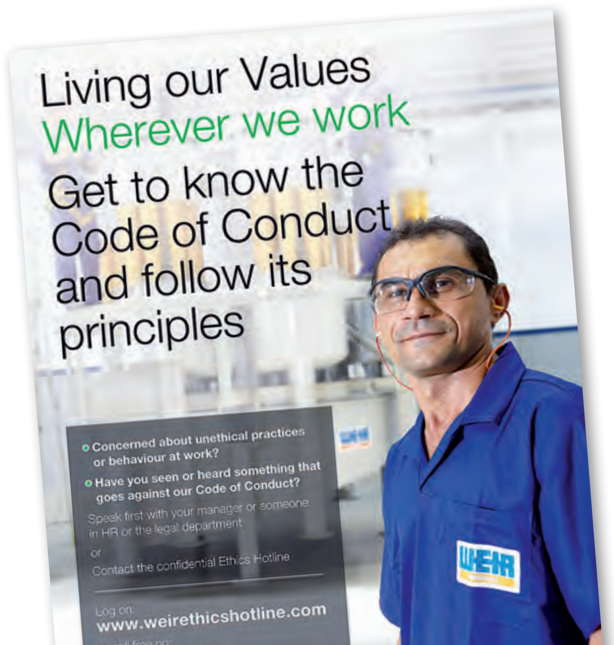
The Weir Group is committed to achieving the highest environmental standards. Our businesses have been focused in 2011 on achieving ISO 14001 certification with all existing businesses now fully accredited. Our operating companies have established sustainability committees to ensure consistent best practice in environmental performance and identify and implement carbon reduction projects.

Health & safety

Employee health and safety is of paramount importance to the Weir Group. The Group is committed to zero accident workplaces. During 2011, we have introduced an Environmental, Health and Safety (EHS) excellence committee to drive best practice throughout the Group, set global EHS standards and provide consistent benchmarking of health and safety performance.

Employees

One of the foundations of a sustainable business is the ability to recruit, develop and retain good quality people. During 2011, substantial investment was made in establishing a strong development framework to ensure a robust talent pipeline exists to serve the present and future needs of the business. The Weir Leadership Programme, Emerging Leaders Programme and the Graduate Development Framework provide appropriate development opportunities for employees at different stages of their careers, with the shared aim of supporting the needs of a growing and increasingly complex organisation. Support for technical and engineering skills also progressed in 2011, with the online Weir University accessible to employees across our operations, facilitating the delivery of best practice.



Communities

Weir respects the communities in which it operates and during 2011 a number of new and existing projects worldwide recognised our ongoing obligation to minimise our environmental impact and invest in local communities. As a global company doing business in more than 70 countries, we have a consistent framework in place to guide our community investment activities.

Products and technology

Many of the Group's products and services are used in low carbon applications such as nuclear power generation, hydro power generation, wind power generation and flue gas desulphurisation. We aim to expand the range of products supplied to such applications over time. Our research activities, enhanced during 2011 by the establishment of the Weir Advanced Research Centre, are geared towards developments in materials technology and reducing energy usage, ensuring that Weir innovation activity is aligned with customer demands and corporate sustainability goals. Our Engineering Excellence Committee continually aims to enhance energy efficiency in our products both through the design and manufacturing process and in customer operations.

Ethics

Doing business in the right way is the only way in which the Weir Group operates. The Group Code of Conduct, anti-bribery and corruption training and an ethics hotline ensure that all employees understand how to adhere to the Group's zero tolerance policy on ethical breaches. We recognise that corporate behaviour is a factor that is taken increasingly into account by investors, existing and potential customers and present and future employees. Ensuring Weir operates with the highest standards of ethical behaviour is a key focus for all leaders in our business.

Sustainability report
1: Environment

The Group aims to continuously reduce its impact on the environment in two main ways. First, by improving the environmental performance of our operations and secondly, through time by enhancing the energy efficiency of our products.

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

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

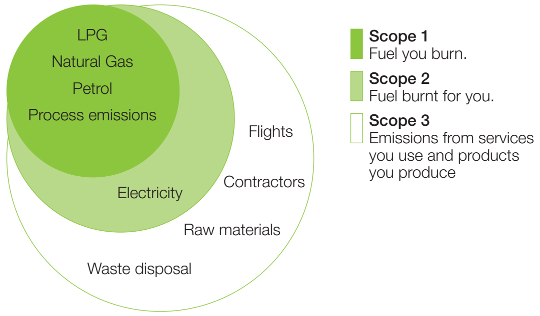
Carbon footprint
The Weir Group is an energy intensive business, due to the requirement for electricity and gas for industrial manufacturing operations across a global footprint. However, when compared with sector peers against the latest available data, we rank above average in terms of our tonnage by turnover performance.

The Group's absolute emissions have increased year on year. This increase is attributable to the growth of the Group during 2011 and its increased output. On a tonnage by turnover basis, the Group has decreased its carbon footprint this year by 12% compared with 2010.

The majority of the Group's greenhouse gas emissions come from electricity and gas use at our facilities (67%, 2011). Our foundries, the most energy intensive area of our operations, produce 66,600 tonnes of carbon dioxide equivalent[1] (CO_{2e}), equal to 40% of the Group total.

In 2011, sustainability committees at each of the Group's operating companies have been challenged to identify and implement three carbon emission reduction projects, adding new projects as each is completed. Over time this will start to have an impact on the Group's overall carbon footprint.

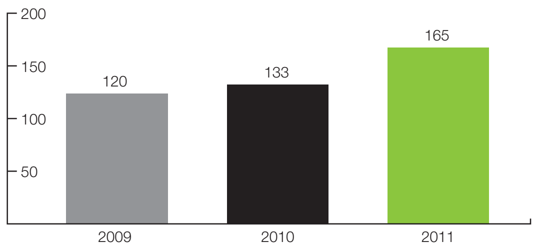
Our carbon emissions are reported in accordance with the principles of the World Business Council for Sustainable Development and the World Resources Institute's Greenhouse Gas Protocol ("GHG Protocol"). The GHG Protocol categorises emissions as follows:



The Weir Group reports on its Scope 1 and 2 emissions, as defined in the GHG Protocol. Approximately 5% of the emissions data provided is derived, or partly derived, from estimates.

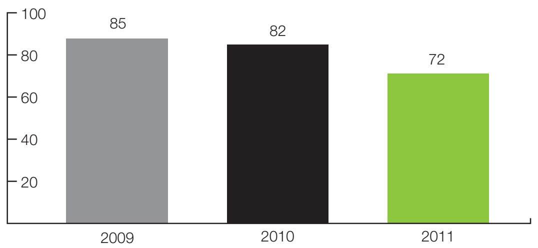
The Group's total carbon footprint for 2009, 2010 and 2011 for continuing operations is as follows:

Total CO_2 tonnes ('000)



The Group's total carbon footprint by turnover for the years 2009, 2010 and 2011 is as follows:

tCO_{2e}/£m



[1] Greenhouse gas emissions are reported as tonnes of CO_2 equivalent (abbreviated as tCO_{2e}), based on the Global Warming Potential ("GWP") of each of the "basket of six" greenhouse gases, as defined by the Kyoto Protocol. The GWP of CO_2 is 1 (1 tonne CO_2 = 1 tonne CO_{2e}). For other greenhouse gases in the "basket of six", including refrigerants, the GWP is relative to CO_2 over a 100-year time horizon (eg one tonne of the refrigerant R407C is equivalent to 1,526 tonnes of CO_2 in terms of the potential climate change impact).

2011

1,436
tonnes of wood recycled at our foundries

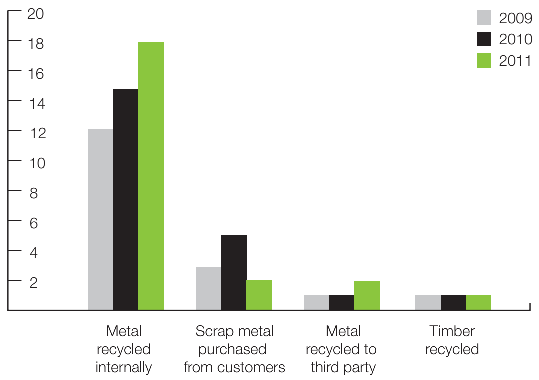
20,000
tonnes of metal recycled in our foundry operations

24%
increase in internal recycling at our foundries

500
tonnes of landfill waste recycled at Weir SPM, Fort Worth

Foundry recycling
The Group's five foundries recycled **20,000** tonnes of metal in 2011 of which 18,000 tonnes is metal recycled internally. This means that on average 61% of the metal poured at our foundries is recycled. The amount recycled internally has increased by **24%** on 2010. The results of the foundry recycling can be seen in the following graph:

Foundry recycling ('000 tonnes)



Carbon reduction commitment (CRC)
The carbon reduction commitment (CRC) energy efficiency scheme is the UK's mandatory climate change and energy saving scheme. The scheme, targets large organisations whose emissions are currently not included in any European energy trading schemes or Climate Change Agreements. The Group is a participant in the CRC scheme, and during 2010 the UK operations started detailed monitoring of all electricity, gas and diesel use for the CRC scheme. The first phase footprint report and the first annual report of our emissions under the CRC scheme was completed in July 2011. The UK businesses affected by the CRC will be required to monitor their energy use and buy allowances accordingly in forthcoming years as the scheme rolls out.

Environmental initiatives

Weir SPM, Fort Worth
A recycling programme was introduced at Weir SPM to reduce the amount of waste going to landfill. To date, that has resulted in a reduction of **500** tonnes, including 238 tonnes of wood and 175 tonnes of paper and cardboard.

Weir Minerals Brasil
At Weir Minerals Brasil, water consumption has been reduced from 8m³ per tonne of metal cast to 5m³ per tonne. In addition, the site's biomass boiler uses waste wood which would otherwise be sent to landfill.

Weir Minerals Europe
Reducing the environmental impact on the local community led to Weir Minerals Europe investing in silencers for all external fans and the planting of 50 trees on the site to reduce noise to the surrounding community.

Weir Gabbioneta
Weir Gabbioneta operates two production sites that are three kilometres apart. Transporting people between the two sites was previously carried out by car but in 2011, was replaced by six electric quadricycles, with an estimated reduction in carbon dioxide emissions equivalent to three tonnes a year.

The Gabbioneta Quadricycle

Weir Minerals Peru
In March 2011, the Peruvian Environment Minister awarded Weir Minerals Peru with first place in the waste management category in national awards for the 'most eco-efficient enterprise in Peru' for its work in recycling glass, paper, wood and used electronic equipment for local charities.

Sustainability report
2: Health & Safety

The safety of Weir's employees is the highest priority for every member of the Senior Management Group. The Group is committed to an accident-free health and safety environment based on the belief that all accidents are preventable.

The core elements of our approach to safety are:

— an EHS system designed specifically for the applications we operate.

— adoption of a behavioural safety ethos which promotes risk assessment of all tasks, no matter how routine they may appear.

— enforcement of a clear chain of command and responsibility in EHS issues.

— robust improvement plans at business, divisional and Group level.

— implementation of best practice by sharing effective initiatives across the Group.

EHS Excellence Committee

During 2011, Weir established the Environment, Health and Safety (EHS) excellence committee to focus on EHS issues across the Group. The committee has Group Executive Committee level leadership through the director of operations support and development and involves senior managers from across the Group from operational, human resource and legal functions.

Since it was established, the committee has led the development of a Weir EHS System which has been deployed throughout all operating companies. A leading global consultancy has undertaken a programme of external audits of EHS performance from which global minimum standards will be developed and improvement plans created and implemented to bring all businesses in line with the requirements of the Weir EHS System.

In addition, the committee appointed divisional champions to monitor and drive the environmental and health and safety agenda, ensuring employees understand best practice and their EHS obligations. The committee has also developed the planned introduction in 2012 of a Weir behavioural safety system to reinforce the culture of zero tolerance to workplace accidents.

Weir Environment, Health and Safety (EHS) System

The development of a Weir EHS system began during 2011 to set out global standards for areas including behavioural safety, operational control of risk, fire and environment. It is deployed to deliver the following outcomes:

- Deliver a set of consistent minimum EHS standards across Weir companies.
- Develop measurable and proactive indicators of EHS performance.
- Develop methodology to identify top EHS performers to share best practice approaches across the Group.

The EHS excellence committee

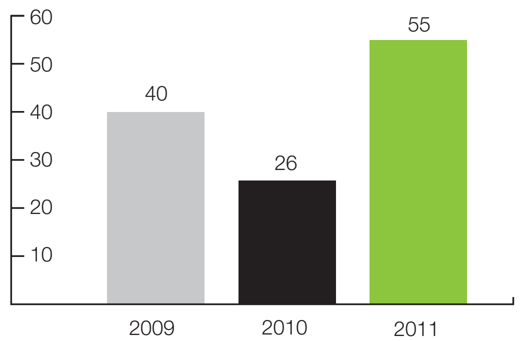
OHSAS 18001

The Group's policy is that all its operations will be OHSAS 18001 (Occupational Health and Safety Assessment Series) accredited. OHSAS 18001 was developed by the British Standards Institute as a health and safety management framework allowing organisations to ensure that they consistently and accurately identify hazards and risks within their operations.

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

Lost Time Accidents

Weir is focused on a zero-accident culture. The Group's key measure of safety performance is the number of lost time accidents ("LTAs"). The Group adopts a more stringent lost time measurement criterion than the industry norm of three days, choosing a definition of "incidents resulting in lost time of more than four hours". The results for 2009, 2010 and 2011 are as follows:



The reasons underlying the rise include record activity levels across our operations alongside a higher workforce headcount with around 2,000 new employees joining the Group.

With effect from 2011, the Group has started to report its safety performance based on Total Incident Rate (TIR). This measures medical treatment of any kind required by employees, divided by 200,000 hours worked. It is a standard safety measurement methodology widely employed across industry. The 2012 annual report will publish the Group's performance against this measure.

Case studies

Hand, wrist and finger injury

Interactive workshops took place during the year to establish the main issues in relation to hand, wrist and finger injuries – a common cause of injury throughout the industry. Three main factors underpinning health and safety in this area were established: body mechanics/ergonomics, tooling selection and job safety analysis/'Point of Work' risk assessment.

Safe acts audits

'Safe Acts Audits' focus on observing an employee for 15 minutes in their working environment and the behaviours the employee is demonstrating. Team leaders and supervisors of the pump assembly team at Weir SPM's Fort Worth facility conduct these audits weekly, completing an average of 40 audits per week. The data gathered from the audits is used to establish where additional behavioural training is required.

A safety debrief for members of Weir SPM's pump assembly team

Weir Minerals North America

Weir Minerals in Madison, Wisconsin provides employee information on health issues such as breast cancer awareness, smoking cessation and diabetes. They also run safety tool box meetings and operate an Employee Assistance Programme (EAP) which provides employers and employees the opportunity to manage issues before they become serious and impair work performance. The EAP provides employees the opportunity to seek treatment for specific problems such as depression, anxiety and marital or family problems.

Weir BDK

Weir BDK in Hubli, India offers all employees access to an occupational health centre which provides various medical checkups, including eye test and colour vision, pulmonary function tests, audiometric tests, chest x-rays and physical fitness. The centre also offers the local community subsidised medicines and treatment and organises health and blood donation camps.

Sustainability report
3: Employees

The Group recognises the importance of motivated and effective people to ensure the sustainable success of the business. We are committed to attracting and retaining the best people available for the role and developing them to achieve their potential.

The principles we apply are to:

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

During 2011, important steps were put in place to establish a comprehensive management and leadership development framework for the Group, providing a talent pipeline capable of supporting the present and future needs of the business.

Weir Leadership Programme

The Weir Leadership Programme was launched at the start of 2011 to develop high performing leaders and strategic awareness in order to further leverage the delivery of Weir's strategic agenda. Programme participants are drawn from the Senior Management Group (SMG) with around **100** senior managers taking part so far. The SMG is a group of around 300 senior employees from across the Weir Group who are key to the development and delivery of the Group's strategy. The programme is designed around practical business challenges and peers from across the Group's operations collaborate and support each other in facilitated learning groups. All Senior Management Group members will participate in the programme, which runs until the end of 2013.

Emerging Leaders Programme

The Emerging Leaders Programme was launched in 2011 for nominated managers and employees who are identified as potential senior Weir leaders of the future. Designed in conjunction with a leading business school, the programme is tailored to delivering the Weir Way and covers critical management areas including leading people in organisations, financial management, commercial awareness, operations management, innovation and project management. Completion of the programme leads to a postgraduate Certificate in Management and the opportunity for participants to obtain a Masters in Business Administration (MBA) qualification.

100

senior managers take part in the Weir Leadership Programme

75

graduates recruited in 2011

Graduate Development Framework

During 2011, Weir recruited a total of **75** graduates from a variety of professional disciplines, including engineering, across the Group. The Graduate Development Framework provides a consistent development programme to provide graduates within Weir with a broad knowledge and understanding of the business.

A successful pilot graduate development programme took place in September for 12 nominated graduates from the UK, Canada, India, Italy, North America, and South Africa, enabling participants to gain a wider understanding of the Weir Group and share in joint development activities.

"To see how serious the Group is about our development as graduates really motivated me. I realised that graduates are not just young people who are at the bottom of the chain but they are regarded as the future of this organisation."

Pauline Mohlala, Graduate, Weir Minerals Africa

The graduates who attended the pilot graduate development programme

Weir University

The Weir University was launched at the end of March to provide all employees with online access through the Weir Intranet homepage to continuous professional development resources. With an initial focus on Weir's areas of technological competitive advantage and supporting engineering skills and resources, courses on metallurgy, failure analysis, corrosion and finite element analysis (FEA) were the first to be made available.

In addition, a new learning management system is available for the majority of staff across the group, providing access to online learning courses, books, simulations and video clips.

Weir Aspire

Weir Aspire, an HR Information system, was made available to all members of the Senior Management Group and Head Office employees. The introduction of this system is to help bring a consistent and more efficient way of capturing key employee information, carrying out annual performance and development reviews and supporting the succession planning process.

Sustainability report
3. Employees (continued)

Succession planning
The initiatives rolled out in 2011 combine to establish a robust management and leadership development framework. This framework, in part, is designed to contribute to the Group's succession planning process across its businesses, by identifying and matching at an early stage, where human capital is required to enhance the Group's capability. Particular focus has been brought to succession planning across the Senior Management Group, the key leaders across the organisation.

Senior Management Group
During 2011 further regional meetings were held of the Senior Management Group in Europe, North America, and Malaysia. These meetings provided the chief executive with the platform to communicate face-to-face with the global leadership team and discuss and drive forward the strategic agenda.

Group conference
The theme of the 2011 Group conference was 'Accelerating Growth'. Weir Managing Directors and other senior managers came together for two days of strategy workshops and plenary sessions to establish a shared vision for delivering the next phase in the development of the Group.

Engineering Directors
The global Engineering Directors Conference in Sydney, Australia brought together senior engineers from across the Group to discuss how collaboration and innovation can be advanced in Weir's engineering activities. The event provided a focus for sharing the 2011 work of the Engineering Excellence Committee and developing the technology agenda for 2012 and beyond.

Weir Group SMG regional meeting, Kuala Lumpur 2011

Case studies

Weir Minerals Africa
Graduates with Weir Minerals Africa provide community service to non-profit charitable organisations as part of their development programme. In 2011, the graduates collected clothing, books and food from Weir staff which were donated to the Kingdom Life orphanage. The graduates also provided maths lessons to groups of disadvantaged students in five local high schools.

Two of the graduates helping the children of the Kingdom Life orphanage

Weir India
Under the Weir Higher Education Scholarship Scheme established in 2010, a number of children of employees receive scholarships towards their higher education.

Sustainability report
4: Communities

£35,000
invested in building a new school block in Gokul, India

£422,300
donated to charity by the group companies in 2011

Weir recognises its obligation to respect and invest in the communities where its operations have an impact. Our investment should have a sustainable impact on a community, should be aligned with the sustainability goals of our business and delivered together with local organisations.

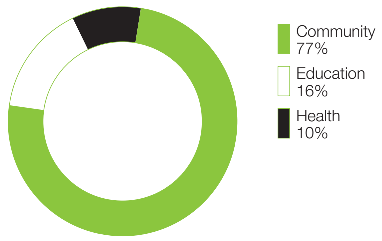
Our opportunities to invest are identified through contact with local people and organisations. We work closely in delivery with local charities and community groups.

Our Code of Conduct sets out that the Weir Group companies will be 'good citizens' by:

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

Key themes for our community investment are education and health. These are enduring priorities for communities worldwide and focused investment, whether at early years or adult level, can make a profound difference to individuals and their communities.

Charitable donations
The total charitable donations of Group companies made during the financial year was **£422,300** (2010: £333,900), as shown below:



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

Case studies
Education

The Weir Group PLC
During 2011 the Weir Group sponsored the purchase of eight Rapman 3D kits for use in the Young Engineers and Science Clubs throughout Scotland. The Royal Academy of Engineering, the Scottish Council for Development and Industry and the University of Strathclyde Department of Design, Manufacture and Engineering Management invited the clubs to participate in an innovative rapid prototyping project to build the 3D printers using the kits and then come up with a project to use the 3D printers to manufacture anything from jewellery to parts for underwater robots. The project aimed to motivate and excite school pupils and improve young people's knowledge of, and attitude to, 21st century manufacturing.

Lord Smith, Chairman, visiting a school in Aberdeen to see one of the Rapman 3D kits used by aspiring young engineers in Scotland

Sustainability report
4. Communities (continued)

Weir India
Since 2008 Weir India has supported two local 'transit schools' for children rescued from child labour. The support is partly financial, supporting teacher and other staff salaries and also includes the time spent by volunteers amongst Weir India employees. The ongoing financial commitment benefits around 100 children studying in these two schools. In late 2011 Weir India alongside two NGOs, Paraspara Trust and Biocon Foundation held two free health camps in the communities surrounding the 'transit schools'. The camps encouraged good health practices amongst the children and their families.

The Group entered a partnership in 2011 with a local authority in India to support the infrastructure needs of a primary school in Gokul village, near the operations of Weir BDK. Weir has invested **£35,000** in the building of a new block at the school and other infrastructure improvements. Weir also established a programme to teach English with this and other school activities supported by volunteers from Weir BDK.

Weir Minerals Chile
Ignacio Carrera Pinto is a school for underprivileged children, in San Bernardo, near Weir Minerals main facility in Santiago. It has 100 students from 5 to 17 years old, most of whom are socially vulnerable. Weir provides support in several ways, including improving the school bathrooms and infrastructure, collecting and distributing used books and staff volunteering to paint the school.

Weir Minerals staff at Ignacio Carrera Pinto school, Santiago, Chile

Keith Cochrane, Weir CEO inaugurates the new school block in Gokul village, Hubli, India

"The mere fact of going to paint a small school knowing the realities of the children studying there meant I was doing good for the community and the children at risk."

Sergio Pizarro, Weir Minerals Chile

Sustainability report
5: Products and technology

42%
of Power & Industrial Division input in 2011 came from within the low carbon sector

£18.4m
spent on research and development during 2011

Developing new products that are more environmentally friendly offers a competitive advantage to ourselves and to our customers. Additionally, many of our existing products and services contribute to environmental protection in critical areas such as power generation and service.

The Group's focus on the renewable energy sector continues and within the Power & Industrial Division **42%** of input (40% in 2010) came from products and services supplied to low carbon industries in nuclear, hydro and biomass.

Research and development

During the financial year, the Group spent **£18.4m** (2010: £14.8m) on research and development. The desire of our customers for materials technology and innovation that will extend product operating life, enhance safety performance and reduce energy costs, ensures that Weir's research activities and corporate sustainability goals are closely aligned.

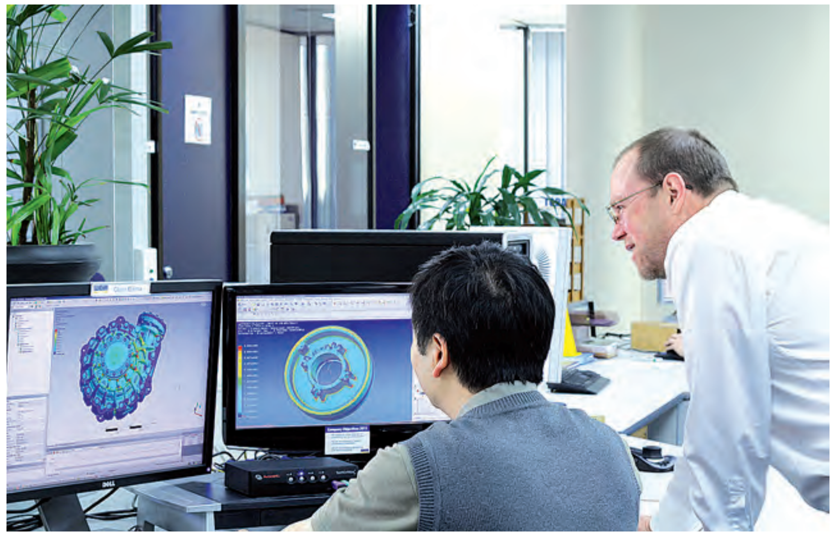
Weir Advanced Research Centre (WARC)

The Weir Advanced Research Centre (WARC) was established in March this year at the University of Strathclyde in Glasgow. The establishment of WARC marks a new approach to innovation for Weir and is expected to provide a pipeline of new product innovation and significant improvements in existing product performance. Several projects are already underway, focusing on 'blue sky' innovations in the areas of coatings and flow control. Weir funded the centre with an initial investment of £1.9m over three years. This funding creates four PhD studentships per year, underscoring Weir's commitment to education and advancing engineering skills in the UK.

Engineering Excellence Committee

The Engineering Excellence Committee is responsible for the implementation of engineering best practice across the divisions.

During 2011, the Committee was involved in a number of projects that seek to improve environmental performance including using advanced design techniques to maximise pump efficiency and power use and ensuring high recycling potential in the materials used in wear resistant parts.



Continuously seeking efficiency at the pump technology centre in Sydney

Sustainability report
5. Products and technology (continued)

Case studies

RTS Alcan Lochaber
Weir Power & Industrial Alloa played a major role in delivering the completion of a powerhouse modernisation project for RTS Alcan for their Lochaber aluminium production facility.

The project required the replacement of 12 twin jet Pelton machines, originally installed in 1929. The project was completed in three phases between 2009 and 2011 and used the Weir Power & Industrial designed Cooling Water System incorporating the use of an environmentally friendly, non-toxic heat transfer fluid product based on refined vegetable extracts instead of more toxic anti-freeze protection products normally selected for this type of application.

Sustainability engineers
During 2011 Weir appointed two sustainability engineers. A key focus for these individuals is to introduce and develop sustainability improvements in the Group's operating businesses. Sustainability engineers work across the business to identify and implement changes to enhance areas such as energy management, waste disposal and recycling.

RTS Alcan's aluminium production facility, Lochaber, Scotland

Sustainability report
6: Ethics

Driving Growth the Weir Way means doing business at all times in an ethical and transparent manner. Since the launch of the Code of Conduct in December 2010, the chief executive has reinforced this message in written and face-to-face communications with employees worldwide, making clear that the highest standards of integrity must be maintained, consistent with the Code.

The UK Bribery Act, which came into force during 2011, affects all employees, not only those based in the UK, and training has been delivered around the global operations to ensure employees are aware of the Act's requirements.

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

The main purposes of the Code of Conduct are to:

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

The Code of Conduct covers bribery and corruption and other areas such as respecting communities and workplace integrity.

The Code of Conduct is written in easy to understand language with practical examples in each section. It has been made available in a number of different languages for global employees.

A mandatory e-learning training programme exists for the following employees, including:

- The Senior Management Group
- All sales and marketing employees
- All purchasing employees.

This group of employees have decision-making responsibilities in regard to customers, suppliers, sales agents and other third parties and accordingly have a higher risk of exposure to bribery and other corrupt practices.

Two e-learning modules were rolled out in 2011, one covering the UK Bribery Act, including the prevention of bribery and corruption, and the second addressing the Code of Conduct. In total, over 1,600 employees have completed the two modules. Monitoring controls are in place to ensure training is completed in a timely manner and to ensure new employees are added to training participant lists as required. A Code of Conduct e-learning plan is in place for 2012. An online certification process enables these employees to certify on a quarterly basis that they are in compliance with the Code of Conduct.

The Group has also conducted a number of 'Town Hall' meetings to explain the requirements of the Code of Conduct to all employees. During 2011, these took place in Russia, China, India, Indonesia, Italy and South America. Further meetings will be undertaken in 2012.

The Code of Conduct is also reinforced through an ongoing series of communications, for example:

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

Sustainability report
6. Ethics (continued)

All sales agent agreements have been reviewed during 2011 and are being updated, subject to contractual restrictions, as necessary to reflect the Code of Conduct and anti-bribery & corruption requirements. Sales agents are subject to formal and ongoing due diligence prior to appointment or reappointment. They must also confirm their compliance with the Code of Conduct in regard to business conducted on behalf of the Weir Group.

In addition, there is an ongoing programme of work across the Group to communicate the Code of Conduct to third party suppliers with expanded assessment criteria to ensure new suppliers comply with the ethical requirement of the Group's supply chain policy.

Gifts & Hospitality
During 2011, the Group's policies were updated and communicated to all businesses to ensure that employees have clarity on the provision and acceptance of gifts and hospitality. In addition, an online gifts and hospitality approval and register system was implemented across the Group which is mandatory for all employees.

Ethics Hotline
In support of the Code of Conduct, an independent and confidential helpline is available for employees to call with any concerns that they have concerning unethical behaviour. Calls to the helpline are free and lines are open 24 hours a day, 7 days a week. In total, 16 complaints were received during 2011. After investigation, no action was required in 12 cases, with the remainder addressed through further training and communication improvements or disciplinary processes.

Supply chain
The Weir Group sources components, materials and services on a world-wide basis. Our suppliers are an integral part of the Group's business and our relationships with them are based on achieving best performance, product, delivery, service and total cost.

We recognise that our supply chain activities have a broad impact and that our responsibilities extend beyond our own operations and into those of our suppliers. The Group has a Supply Chain Policy to ensure that suppliers to the Group comply with or exceed certain standards in connection with their workforce, legal compliance, health and safety, business ethics and environmental standards. Our key supplier partners are expected to either have accreditation to OHSAS 18001 and ISO 14001 or be able to demonstrate a plan to achieve it within a reasonable amount of time.

During 2011, we have developed our new supplier assessment criteria to address compliance with the Group Supply Chain Policy. We audit our main existing suppliers annually against the requirements of the policy and other Group standards, particularly in the area of health and safety. This is a particular focus on 'best cost' countries where we increase our sourcing activities. We will not deal with suppliers who, on the basis of the information available to Weir, fail to adhere to these requirements.

We recognise that our corporate responsibility also reflects the way we behave towards our suppliers. The Group does not operate a standard policy in respect of payments to suppliers and each operating company is responsible for agreeing the terms and conditions under which business transactions are conducted, including the terms of payment.

It is Group policy that payments to suppliers are made in accordance with the agreed terms. At 30 December 2011, the Group had an average of 70 days purchases outstanding in trade creditors.

Other statutory information

2012 annual general meeting
The annual general meeting will be held at 2.30pm on Wednesday 9 May 2012 at the Hilton Glasgow Hotel, 1 William Street, Glasgow. The notice of meeting along with an explanation of the proposed resolutions are set out in a separate circular to shareholders which accompanies this annual report and can be downloaded from the Company's website.

Substantial shareholders
At 29 February 2012, the Company had been notified in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules that the following held, or were beneficially interested in 3% or more of the Company's issued share capital:

Shareholder	Number of shares	Percentage of issued share capital
Legal & General	10,646,643	5.03%
BlackRock	10,607,332	5.02%
AXA	10,477,626	4.96%
Aberdeen Asset Management	10,443,509	4.96%
FMR Corp	6,425,000	3.09%

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

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

Employment policy and involvement
The average number of employees in the Group during the period is given in note 4 to the Group financial statements on page 87.

Group companies operate within a framework of HR policies, practices and regulations appropriate to their market sector and country of operation. Policies and procedures for recruitment, training and career development promote equality of opportunity regardless of gender, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin.

The aim is to encourage a culture in which all employees have the opportunity to develop fully according to their individual abilities and the needs of the Group. The Group remains committed to the fair treatment of people with disabilities regarding applications, training, promotion and career development.

Employee involvement and feedback is actively encouraged. A variety of ways are used to consult and inform employees including a Group-wide bulletin, e-mail, intranet and local briefings. These are designed to facilitate dialogue while enabling the development of a common awareness among employees of what affects business performance.

Financial instruments
The information required in respect of financial instruments as required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Financial Reports) Regulations 2008 is given in note 30 to the Group financial statements on page 113 to 121.

Auditors
A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming annual general meeting.

Share capital and rights attaching to the Company's shares
Details of the issued share capital of the Company, which comprises a single class of shares, ordinary shares of 12.5p each, are set out in note 25 to the Group financial statements on page 108. The rights attaching to the shares are set out in the articles of association. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

During the period, the 2008 LTIP award vested and the trustees of the Company's employees benefit trust (EBT), Kleinwort Benson (Guernsey) Trustees Limited, transferred 37,143 ordinary shares to employees to satisfy the LTIP awards using ordinary shares purchased by the EBT in the market. A further 369,291 ordinary shares were transferred out of treasury to satisfy awards under the LTIP. In addition, a total of 212,853 ordinary shares, with an aggregate value of £26,606.63 were allotted during the period in connection with the Company's LTIP.

The EBT has agreed to waive any right to all dividend payments on shares held by it,with the exception of shares held in respect of awards which have a dividend entitlement. Details of the shares held by the EBT are set out in note 25 to the Group financial statements on page 108. The EBT holds, through its account nominee K.B (CI) Nominees Limited, 0.08% of the issued share capital of the Company, as at 30 December 2011, in trust for the benefit of certain executive directors and senior executives of the Group. The voting rights in relation to these shares are exercised by the trustee. The EBT may vote or abstain from voting the shares or accept or reject any offer relating to shares, in any way it sees fit, without incurring any liability and without being required to give reasons for its decision.

Other statutory information (continued)

Repurchase of shares
At the 2011 annual general meeting, shareholders renewed the Company's authority to make market purchases of up to 21.08m ordinary shares (representing 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the 52 weeks ended 30 December 2011 and at the forthcoming annual general meeting, the Board will again seek shareholder approval to renew the annual authority for the Company to make market purchases.

Voting rights
The Company's articles of association provide that on a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and by proxy and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the annual general meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the annual general meeting. The Company conducts the vote at the annual general meeting by electronic poll. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the annual general meeting and published on the Company's website after the meeting.

The articles of association may only be amended by a Special Resolution passed at a general meeting of shareholders.

Transfer of shares
There are no restrictions on the transfer of ordinary shares in the Company, other than as contained in the articles of association:

- The directors may refuse to register any transfer of any certificated share which is not fully paid up, provided that this power will not be exercised so as to disturb the market in the Company's shares.
- The directors may also refuse to register the transfer of a certificated share unless it is delivered to the registrar's office, or such other place as the directors have specified, accompanied by a certificate for the shares to be transferred and such other evidence as the directors may reasonably require to prove title of the intending transferor.

Certain restrictions may from time to time be imposed by laws and regulations, for example, insider trading laws, in relation to the transfer of shares.

Appointment and replacement of directors
The provisions about the appointment and re-election of directors of the Company are contained in the articles of association.

Powers of directors
The business of the Company is managed by the directors who may exercise all the powers of the Company, subject to the provisions of the Company's articles of association, any special resolution of the Company and any relevant legislation.

Change of control – significant agreements
The following significant agreements contain provisions entitling the counterparties to require prior approval, exercise termination, alteration or similar rights in the event of a change of control of the Company.

The Group has in place a four year US$800m multi currency revolving credit facility with a syndicate of 12 banks due to mature in September 2014. Under the terms of these agreements, if there is a change of control of the Company any lender may request, by not less than 30 days' notice to the Company, that its commitment be cancelled and all outstanding amounts be repaid to that lender at the expiry of such notice period.

The Group has in place a three year US$300m term loan with Banc of America Securities Limited and HSBC Bank plc, coterminous with the revolving credit facility. Under the terms of these agreements, if there is a change of control of the Company either lender may request, by not less than 30 days' notice to the Company, that its commitment be cancelled and all outstanding amounts be repaid to that lender at the expiry of such notice period.

As outlined in the Finance Review, the Company secured an additional placing of fixed rate private placement notes to the value of US$1bn in February 2012. As a result, the Company is now party to various note purchase agreements with a range of maturities; US$90m at an interest rate of 4.2% due in 11 January 2015, £12m at an interest rate of 4.58% due in 11 January 2015, US$70m at an interest rate of 5.03% due in 11 January 2018, £43m at an interest rate of 5.36% due in 11 January 2018, US$210m at an interest rate of 3.69% due in 16 February 2019, US$590m at an interest rate of 4.27% due in 16 February 2022 and US$200m at an interest rate of 4.34% due in 16 February 2023. Under the terms of the agreements, if there is a change of control of the Company, the notes must be offered for prepayment by the Company within seven days of the change of control. The prepayment date would be no later than 60 days after the offer of prepayment by the Company.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Alan Mitchelson
Secretary
Signed and approved for and on behalf of the Board
29 February 2012

Independent Auditors Report

Independent auditors report to the members of The Weir Group PLC

We have audited the Group financial statements of The Weir Group PLC for the 52 weeks ended 30 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of directors & auditor
As explained more fully in the Directors statement of responsibilities set out on page 43, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 December 2011 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the 2006 Act and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the 2006 Act
In our opinion the information given in the Directors report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the 2006 Act we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 43, in relation to going concern; and
- the part of the Corporate governance report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter
We have reported separately on the Company financial statements of The Weir Group PLC for the 52 weeks to 30 December 2011 and on the information in the Remuneration Report that is described as having been audited.

Hywel Ball (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
29 February 2012

Consolidated
Income Statement
for the 52 weeks ended 30 December 2011

	Notes	52 weeks ended 30 December 2011 Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m	52 weeks ended 31 December 2010 Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m
Continuing operations							
Revenue	3	2,292.0	-	2,292.0	1,635.0	-	1,635.0
Continuing operations							
Operating profit before share of results of joint ventures		407.9	(4.1)	403.8	305.1	(18.2)	286.9
Share of results of joint ventures	15	4.8	-	4.8	4.6	-	4.6
Operating profit		412.7	(4.1)	408.6	309.7	(18.2)	291.5
Finance costs	6	(19.4)	(0.7)	(20.1)	(14.9)	-	(14.9)
Finance income	6	4.3	-	4.3	1.5	-	1.5
Other finance costs - retirement benefits	24	(1.3)	-	(1.3)	(1.6)	-	(1.6)
Profit before tax from continuing operations		396.3	(4.8)	391.5	294.7	(18.2)	276.5
Tax expense	7	(114.2)	1.7	(112.5)	(82.8)	5.4	(77.4)
Profit for the period from continuing operations		282.1	(3.1)	279.0	211.9	(12.8)	199.1
Profit (loss) for the period from discontinued operations	8	-	19.9	19.9	-	(13.6)	(13.6)
Profit for the period		282.1	16.8	298.9	211.9	(26.4)	185.5
Attributable to							
Equity holders of the Company		282.1	16.8	298.9	211.5	(26.4)	185.1
Non-controlling interests		-	-	-	0.4	-	0.4
		282.1	16.8	298.9	211.9	(26.4)	185.5
Earnings per share	9						
Basic - total operations				141.5p			87.9p
Basic - continuing operations		133.6p		132.1p	100.4p		94.3p
Diluted - total operations				140.1p			86.9p
Diluted - continuing operations		132.2p		130.7p	99.2p		93.2p

Consolidated
Statement of Comprehensive Income
for the 52 weeks ended 30 December 2011

	Note	52 weeks ended 30 December 2011 £m	52 weeks ended 31 December 2010 £m
Profit for the period		298.9	185.5
Other comprehensive income			
Losses taken to equity on cash flow hedges		(1.1)	(0.2)
Exchange (losses) gains on translation of foreign operations		(18.9)	56.9
Exchange losses on net investment hedges		(1.4)	(17.3)
Actuarial losses on defined benefit plans		(45.0)	(3.4)
Reclassification adjustments taken to the income statement on cash flow hedges		(1.5)	(0.1)
Tax relating to other comprehensive income	7	12.2	1.5
Net other comprehensive (expense) income		(55.7)	37.4
Total net comprehensive income for the period		243.2	222.9
Attributable to			
Equity holders of the Company		243.2	222.5
Non-controlling interests		-	0.4
		243.2	222.9

Consolidated
Balance Sheet
at 30 December 2011

	Notes	30 December 2011 £m	31 December 2010 Restated (note 2) £m
ASSETS			
Non-current assets			
Property, plant & equipment	11	**321.8**	257.4
Investment property	11	**-**	3.9
Intangible assets	12	**1,332.6**	954.6
Investments in joint ventures	15	**11.4**	10.3
Deferred tax assets	23	**38.0**	27.5
Derivative financial instruments	30	**0.1**	0.6
Total non-current assets		**1,703.9**	1,254.3
Current assets			
Inventories	16	**469.8**	310.1
Trade & other receivables	17	**517.2**	351.4
Construction contracts	18	**19.6**	16.2
Derivative financial instruments	30	**6.4**	9.2
Income tax receivable		**11.5**	0.4
Cash & short-term deposits	19	**113.9**	84.0
Total current assets		**1,138.4**	771.3
Total assets		**2,842.3**	2,025.6
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	20	**92.0**	6.3
Trade & other payables	21	**565.4**	410.3
Construction contracts	18	**26.8**	21.8
Derivative financial instruments	30	**24.4**	20.9
Income tax payable		**33.4**	29.7
Provisions	22	**53.7**	45.4
Total current liabilities		**795.7**	534.4
Non-current liabilities			
Interest-bearing loans & borrowings	20	**695.1**	361.3
Other payables	21	**15.5**	1.7
Derivative financial instruments	30	**15.2**	27.5
Provisions	22	**36.6**	38.5
Deferred tax liabilities	23	**81.4**	75.5
Retirement benefit plan deficits	24	**84.7**	65.0
Total non-current liabilities		**928.5**	569.5
Total liabilities		**1,724.2**	1,103.9
NET ASSETS		**1,118.1**	921.7
CAPITAL & RESERVES			
Share capital		**26.6**	26.6
Share premium		**38.0**	38.0
Treasury shares		**(5.6)**	(6.8)
Capital redemption reserve		**0.5**	0.5
Foreign currency translation reserve		**83.5**	103.8
Hedge accounting reserve		**(1.6)**	0.4
Retained earnings		**974.6**	758.8
Shareholders equity		**1,116.0**	921.3
Non-controlling interests		**2.1**	0.4
TOTAL EQUITY		**1,118.1**	921.7

Approved by the Board of Directors on 29 February 2012 **Keith Cochrane,** Director **Jon Stanton,** Director

Consolidated
Cash Flow Statement
for the 52 weeks ended 30 December 2011

	Notes	52 weeks ended 30 December 2011 £m	52 weeks ended 31 December 2010 £m
Continuing operations			
Cash flows from operating activities	26		
Cash generated from operations		**302.6**	274.9
Additional pension contributions paid		**(6.6)**	(9.3)
Income tax paid		**(97.3)**	(72.4)
Net cash generated from operating activities		**198.7**	193.2
Continuing operations			
Cash flows from investing activities			
Acquisitions of subsidiaries	26	**(386.0)**	(203.4)
Disposals of subsidiaries	26	**-**	(0.7)
Purchases of property, plant & equipment & intangible assets		**(95.4)**	(50.9)
Other proceeds from sale of property, plant & equipment & intangible assets		**4.0**	2.9
Interest received		**4.3**	1.6
Dividends received from joint ventures		**4.1**	4.2
Net cash used in investing activities		**(469.0)**	(246.3)
Continuing operations			
Cash flows from financing activities			
Purchase of shares for equity settled share-based incentive		**(0.4)**	-
Proceeds from borrowings		**469.0**	356.3
Repayments of borrowings		**(50.8)**	(190.8)
Settlement of external debt of subsidiary on acquisition	26	**(55.4)**	-
Settlement of derivative financial instruments		**(10.9)**	(13.4)
Interest paid		**(17.7)**	(10.8)
Proceeds from increase in non-controlling interests		**1.7**	-
Dividends paid to non-controlling interests		**-**	(0.2)
Dividends paid to equity holders of the Company	10	**(59.5)**	(46.7)
Net cash generated from financing activities		**276.0**	94.4
Net increase in cash & cash equivalents from continuing operations		**5.7**	41.3
Net decrease in cash & cash equivalents from discontinued operations - operating activities		**-**	(18.6)
Net increase in cash & cash equivalents from discontinued operations - investing activities		**24.6**	-
Cash & cash equivalents at the beginning of the period		**79.5**	55.7
Foreign currency translation differences		**(1.2)**	1.1
Cash & cash equivalents at the end of the period	19	**108.6**	79.5

Consolidated
Statement of Changes in Equity
for the 52 weeks ended 30 December 2011

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Attributable to equity holders of the Company £m	Non-controlling interests £m	Total equity £m
At 1 January 2010	26.6	38.0	(7.9)	0.5	64.0	0.6	620.4	742.2	0.2	742.4
Profit for the period	-	-	-	-	-	-	185.1	185.1	0.4	185.5
Losses taken to equity on cash flow hedges	-	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Exchange gains on translation of foreign operations	-	-	-	-	56.9	-	-	56.9	-	56.9
Exchange losses on net investment hedges	-	-	-	-	(17.3)	-	-	(17.3)	-	(17.3)
Actuarial losses on defined benefit plans	-	-	-	-	-	-	(3.4)	(3.4)	-	(3.4)
Reclassification adjustments taken to the income statement on cash flow hedges	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Tax relating to other comprehensive income	-	-	-	-	0.2	0.1	1.2	1.5	-	1.5
Total net comprehensive income for the period	-	-	-	-	39.8	(0.2)	182.9	222.5	0.4	222.9
Cost of share-based payments inclusive of tax credits	-	-	-	-	-	-	3.3	3.3	-	3.3
Dividends	-	-	-	-	-	-	(46.7)	(46.7)	(0.2)	(46.9)
Exercise of LTIP awards	-	-	1.1	-	-	-	(1.1)	-	-	-
At 31 December 2010	26.6	38.0	(6.8)	0.5	103.8	0.4	758.8	921.3	0.4	921.7
Profit for the period	-	-	-	-	-	-	298.9	298.9	-	298.9
Losses taken to equity on cash flow hedges	-	-	-	-	-	(1.1)	-	(1.1)	-	(1.1)
Exchange losses on translation of foreign operations	-	-	-	-	(18.9)	-	-	(18.9)	-	(18.9)
Exchange losses on net investment hedges	-	-	-	-	(1.4)	-	-	(1.4)	-	(1.4)
Actuarial losses on defined benefit plans	-	-	-	-	-	-	(45.0)	(45.0)	-	(45.0)
Reclassification adjustments taken to the income statement on cash flow hedges	-	-	-	-	-	(1.5)	-	(1.5)	-	(1.5)
Tax relating to other comprehensive income	-	-	-	-	-	0.6	11.6	12.2	-	12.2
Total net comprehensive income for the period	-	-	-	-	(20.3)	(2.0)	265.5	243.2	-	243.2
Proceeds from increase in non-controlling interests	-	-	-	-	-	-	-	-	1.7	1.7
Cost of share-based payments inclusive of tax credits	-	-	-	-	-	-	11.0	11.0	-	11.0
Dividends	-	-	-	-	-	-	(59.5)	(59.5)	-	(59.5)
Exercise of LTIP awards	-	-	1.2	-	-	-	(1.2)	-	-	-
At 30 December 2011	26.6	38.0	(5.6)	0.5	83.5	(1.6)	974.6	1,116.0	2.1	1,118.1

Notes to the
Group Financial Statements

1. Authorisation of financial statements & statement of compliance

The consolidated financial statements of The Weir Group PLC (the "Company") and its subsidiaries (together, the "Group") for the 52 weeks ended 30 December 2011 ("2011") were approved and authorised for issue in accordance with a resolution of the directors on 29 February 2012. The comparative information is presented for the 52 weeks ended 31 December 2010 ("2010"). For practical reasons, the Group prepares its financial statements to the week ending closest to the Company reference date of 31 December. The results on this basis are unlikely to be materially different from those that would be presented for a period of one year. The Weir Group PLC is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

The consolidated financial statements of The Weir Group PLC have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006.

The principal activities of the Group are described in note 3.

2. Accounting policies

Basis of preparation

These financial statements are presented in sterling. All values are rounded to the nearest 0.1 million pounds (£m) except when otherwise indicated.

In order to provide the users of the financial statements with a more relevant presentation of the Group's underlying performance, profit for each financial year has been analysed between:

i) profit before exceptional items and intangibles amortisation; and

ii) the effect of exceptional items and intangibles amortisation.

   a) Exceptional items are items of income and expense which, because of the nature, size and / or infrequency of the events giving rise to them, merit separate presentation to allow a better understanding of the elements of the Group's financial performance for the period and are presented on the face of the income statement to facilitate comparisons with prior periods and assessment of trends in financial performance. Exceptional items include the movement on contingent consideration which, due to its nature, is separately disclosed on the face of the Consolidated Income Statement.

   b) Intangibles amortisation, including impairment, has been shown separately to provide increased visibility over the impact of increased acquisition activity on intangible assets.

Further analysis of the items included in the column "Exceptional items & intangibles amortisation" is provided in note 5 to the financial statements.

During the 52 weeks ended 30 December 2011, the provisional fair values attributed to the 2010 acquisitions were finalised. In accordance with IFRS3, the net impact of the adjustments to the provisional fair values has been recognised by means of a decrease to goodwill and the adjustments to the provisional amounts have been recognised as if the accounting for the business combinations had been completed at the relevant acquisition dates. As such, all affected balances and amounts have been restated in the financial statements. To this effect, the Consolidated Balance Sheet and affected notes present restated comparative information for the 52 weeks ended 31 December 2010. There was no material impact on the Consolidated Income Statement for the 52 weeks ended 31 December 2010. Further details of the adjustments made to the provisional fair values can be found in note 13.

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

The following standards and interpretations have been adopted in these financial statements and have not had a material impact on the Group's financial statements in the period of initial application.

IAS24 Related Party Disclosures (Revised).

IAS32 Classification of Rights Issues (amendment to IAS32 Financial Instruments: Presentation).

Improvements to IFRS (issued 2010).

IFRIC14 Amendment to IFRIC14 Prepayments of a Minimum Funding Requirement.

IFRIC19 Extinguishing Financial Liabilities with Equity Instruments.

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

Use of estimates & judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Details of the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the Financial review on page 29.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of The Weir Group PLC and its subsidiaries, and the Group's share of its joint ventures results. The financial statements of subsidiaries and joint ventures are prepared for the same reporting period as the Company using consistent accounting policies.

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The results of a subsidiary acquired during the period are included in the Group's results from the effective date on which control is transferred to the Group. The results of a subsidiary sold during the period are included in the Group's results up to the effective date on which control is transferred out of the Group. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented within equity in the Consolidated Balance Sheet, separately from the Company shareholders equity.

Joint ventures

The Group has a number of long-term contractual arrangements with other parties which represent joint ventures. These all take the form of agreements to share control over other entities ("jointly controlled entities"). The Group's interests in the results and assets and liabilities of its jointly controlled entities are accounted for using the equity method.

These investments are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets less any impairment in value. The income statement reflects the share of results of operations of these investments after tax. Where there has been a change recognised directly in the investee's equity, the Group recognises its share of any changes and discloses this when applicable in the Consolidated Statement of Comprehensive Income.

Any goodwill arising on the acquisition of a joint venture, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the joint venture and is not amortised. To the extent that the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

Foreign currency translation

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

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

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

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

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

2. Accounting policies (continued)

Revenue recognition

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

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, and can be reliably measured. Revenue from the sales of services and revenue from construction contracts is recognised by reference to the stage of completion where the outcome can be estimated reliably, otherwise it is recognised to the extent costs are incurred. The stage of completion of a contract is determined either by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or by reference to the completion of a physical proportion of the contract work. The basis used is dependent upon the nature of the underlying contract and takes into account the degree to which the physical proportion of the work is subject to formal customer acceptance procedures. Losses on contracts are recognised in the period when such losses become probable.

Property, plant & equipment

The Group elected to use previous UK GAAP revaluations of land and buildings, amounting to £10.5m, prior to 27 December 2003 as deemed cost at the date of the revaluation.

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Cost includes borrowing costs for qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Prior to this date, the Group recognised all borrowing costs as an expense immediately. Freehold land and assets under construction are not depreciated.

Depreciation of property, plant and equipment, other than freehold land and assets under construction, is provided on a straight-line basis so as to charge the cost less residual value, based on prices prevailing at the balance sheet date, to the income statement over the expected useful life of the asset concerned, which is in the following ranges:

Freehold buildings, long leasehold land & buildings	-	10 - 40 years
Short leasehold land & buildings	-	duration of lease
Plant & equipment	-	3 - 20 years

Investment property

Until December 2011, the Group owned one property which was classified as investment property on the basis that it was being held to earn rentals and for capital appreciation rather than for use in the production or supply of goods and services. This property was sold in December 2011. Investment property was stated at cost less accumulated depreciation. Depreciation was provided on a straight-line basis over 40 years.

Goodwill

Business combinations are accounted for using the acquisition method.

Goodwill arises on the acquisition of subsidiaries and represents any excess of the cost of the acquired entity over the Group's interest in the fair value of the entity's identifiable assets, liabilities and contingent liabilities determined at the date of acquisition. Acquisition costs are expensed in the period in which they are incurred. Goodwill in respect of an acquired subsidiary is recognised as an intangible asset. Goodwill is tested at least annually for impairment and carried at cost less any recognised impairment losses.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the income statement.

Goodwill recognised as an asset as at 27 December 2003 is recorded at its carrying amount at that date and is not amortised. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit. Goodwill that was written-off directly to reserves under UK GAAP is not taken into account in determining the gain or loss on disposal of acquired businesses on or after 27 December 2003.

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

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

Other intangible assets

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

Intangible assets acquired separately are measured at cost on initial recognition. An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. An intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost, which in respect of an acquired intangible asset represents its fair value at the acquisition date, to the income statement over its expected useful life. An intangible asset with an indefinite life is not amortised but is tested at least annually for impairment and carried at cost less any recognised impairment losses.

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight-line basis so as to charge the cost of the software to the income statement over its expected useful life, not exceeding eight years.

The expected useful lives of the acquired intangible assets are as follows:

Brand names	-	indefinite life
Customer relationships	-	5 - 25 years
Purchased software	-	4 - 8 years
Intellectual property & trade marks	-	6 -15 years
Other	-	up to 6 years

Research & development costs

All research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product and it is incurred after the technical feasibility and commercial viability of the product has been proven, the development costs can be measured reliably, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. Any such capitalised development expenditure will be amortised on a straight-line basis so that it is charged to the income statement over the expected life of the resulting product.

Impairment of non-current assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying values might be impaired. Additionally, goodwill, intangible assets with an indefinite life and any capitalised development expenditure are subject to an annual impairment test.

An impairment loss is recognised to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is conducted for the cash-generating unit to which it belongs. Similarly, the recoverable amount of goodwill is determined by reference to the discounted future cash flows of the cash-generating units to which it is allocated.

Impairment losses are recognised in the income statement. Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of an asset shall not be increased above the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Impairment losses recognised in respect of goodwill are not reversed.

Inventories

Inventories are valued at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. Cost represents the expenditure incurred in bringing inventories to their existing location and condition and comprises the cost of raw materials, direct labour costs, other direct costs and related production overheads. Raw material cost is generally determined on a first in, first out basis. Net realisable value is the estimated selling price less costs to complete and sell.

Financial assets & liabilities

The Group's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short-term borrowings, loans and fixed rate notes, cash and short-term deposits. The Group also has other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

A financial asset is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2. Accounting policies (continued)

Trade receivables

Trade receivables, which generally are of a short dated nature, are recognised and carried at original invoice amount less an allowance for estimated irrecoverable amounts. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash & cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term highly liquid investments with a maturity on acquisition of three months or less and bank overdrafts and short-term borrowings with a maturity on acquisition of three months or less. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Trade payables

Trade payables are recognised and carried at original invoice amount.

Interest-bearing loans & borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, the obligation can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Derivative financial instruments & hedge accounting

The Group uses derivative financial instruments, principally forward foreign currency contracts and cross currency swaps, to reduce its exposure to exchange rate movements. The Group also uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Additionally, the Group uses interest rate swaps to manage its exposure to interest rate risk. The Group does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. Changes in their fair values have been recognised in the income statement, except where hedge accounting is used, provided the conditions specified by IAS39 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IAS39 and practical to do so. When hedge accounting is used, the relevant hedging relationships will be classified as fair value hedges, cash flow hedges or net investment hedges.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability will be adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss will be recognised in the income statement where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument.

Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in other comprehensive income rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in other comprehensive income will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to net profit or loss for the period.

Derivatives embedded in non-derivative host contracts are recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the income statement.

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

Share-based payments

Equity settled share-based incentives are provided to employees under the Group's Long Term Incentive Plan ("LTIP") and as a consequence of occasional one-off conditional awards made to senior executives. The Group recognises a compensation cost in respect of this plan that is based on the fair value of the awards. The fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions.

As permitted by IFRS1, the Group has applied IFRS2 "Share-based Payment" retrospectively only to equity settled awards that were granted on or after 7 November 2002 and had not vested as at 1 January 2005.

Treasury shares

The Weir Group PLC shares held by the Company are classified in shareholders equity as treasury shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken directly to revenue reserves. No gain or loss is recognised in total comprehensive income on the purchase, sale, issue or cancellation of equity shares.

Post-employment benefits

Post-employment benefits comprise pension benefits provided to employees throughout the world and other benefits, primarily post-retirement healthcare, provided to certain employees in the United States.

For defined benefit plans, the cost is calculated using the projected unit credit method and is recognised over the average expected remaining service lives of participating employees, in accordance with the advice of qualified actuaries. Past service costs resulting from enhanced benefits are recognised on a straight-line basis over the vesting period, or immediately if the benefits have vested. Actuarial gains and losses, which represent differences between the expected and actual returns on the plan assets and the effect of changes in actuarial assumptions, are recognised in full in the statement of comprehensive income in the period in which they occur.

The defined benefit liability or asset recognised in the balance sheet comprises the net total for each plan of the present value of the benefit obligation, using a discount rate based on appropriate high quality corporate bonds, at the balance sheet date, minus any past service costs not yet recognised, minus the fair value of the plan assets, if any, at the balance sheet date. Where a plan is in surplus, the asset recognised is limited to the amount of any unrecognised past service costs and the present value of any amount which the Group expects to recover by way of refunds or a reduction in future contributions.

For defined contribution plans, the costs represent the Group's contributions to the plans and these are charged to the income statement in the period in which they fall due.

Leases

Leases which transfer to the Group substantially all of the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are included within property, plant and equipment, initially measured at their fair value or, if lower, the present value of the minimum lease payments and a corresponding liability is recognised within obligations under finance leases. Subsequently, the assets are depreciated on a basis consistent with similar owned assets or the lease term if shorter. At the inception of the lease, the lease rentals are apportioned between an interest element and a capital element so as to produce a constant periodic rate of interest on the outstanding liability. Subsequently, the interest element is recognised as a charge to the income statement while the capital element is applied to reduce the outstanding liability.

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight-line basis over the term of the lease.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period.

Deferred tax is recognised on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base with the following exceptions:

i) Deferred tax arising from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, that, at the time of the transaction, affects neither accounting nor taxable profit or loss, is not recognised;
ii) Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future;
iii) A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

2. Accounting policies (continued)

New standards & interpretations

The International Accounting Standards Board and International Financial Reporting Interpretations Committee have issued the following standards and interpretations, which are considered relevant to the Group, with an effective date after the date of these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
IAS1	Presentation of Items of Other Comprehensive Income (Amendments to IAS1)*	1 July 2012
IAS12	Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*	1 January 2012
IAS19	Employee Benefits (Revised)*	1 January 2013
IFRS7	Financial Instruments: Disclosures (Amendment)	1 July 2011
IFRS9	Financial Instruments*	1 January 2013
IFRS10	Consolidated Financial Statements*	1 January 2013
IFRS11	Joint Arrangements*	1 January 2013
IFRS12	Disclosure of Interests in Other Entities*	1 January 2013
IFRS13	Fair Value Measurement*	1 January 2013

* Not yet adopted for use in the European Union.

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

3. Segment information

For management purposes, the Group is organised into three operating divisions: Minerals, Oil & Gas and Power & Industrial. These three divisions are organised and managed separately based on the key markets served and each is treated as an operating segment and a reportable segment under IFRS8. The operating and reportable segments were determined based on the reports reviewed by the Chief Executive which are used to make operational decisions.

The Minerals segment designs and manufactures pumps, hydrocyclones, valves and other complementary equipment for the mining, flue gas desulphurisation and oil sands markets. The Oil & Gas segment manufactures pumps and ancillary equipment and provides aftermarket support for the global upstream and downstream oil and gas markets. The Power & Industrial segment designs, manufactures and provides aftermarket support for rotating and flow control equipment to the global power generation and industrial sectors. All other segments, which are disclosed as Group companies, include the results of Liquid Gas Equipment which supplies equipment to the liquefied petroleum gas marine and onshore markets.

The Chief Executive assesses the performance of the operating segments based on operating profit from continuing operations before exceptional items and intangibles amortisation, including impairment ("segment result"). Finance income and expenditure and associated interest-bearing liabilities and derivative financial instruments are not allocated to segments as all treasury activity is managed centrally by the Group treasury function. The amounts provided to the Chief Executive with respect to assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

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

Notes to the Group Financial Statements (continued)

3. Segment information (continued)

The segment information for the reportable segments for the 52 weeks ended 30 December 2011 and the 52 weeks ended 31 December 2010 is disclosed below.

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Revenue								
Sales to external customers	**1,216.3**	901.4	**742.7**	461.7	**306.7**	246.0	**2,265.7**	1,609.1
Inter-segment sales	**5.2**	1.8	**14.7**	7.5	**6.6**	3.5	**26.5**	12.8
Segment revenue	**1,221.5**	903.2	**757.4**	469.2	**313.3**	249.5	**2,292.2**	1,621.9
Group companies sales to external customers							**26.3**	25.9
Eliminations							**(26.5)**	(12.8)
							2,292.0	1,635.0
Sales to external customers - at 2011 average exchange rates								
Sales to external customers	**1,216.3**	911.4	**742.7**	451.0	**306.7**	243.5	**2,265.7**	1,605.9
Group companies sales to external customers							**26.3**	25.9
							2,292.0	1,631.8
Result								
Segment result before share of results of joint ventures	**213.9**	174.5	**178.3**	112.8	**26.8**	26.3	**419.0**	313.6
Share of results of joint ventures	**-**	-	**4.8**	4.6	**-**	-	**4.8**	4.6
Segment result	**213.9**	174.5	**183.1**	117.4	**26.8**	26.3	**423.8**	318.2
Group companies							**3.0**	3.5
Unallocated expenses							**(14.1)**	(12.0)
Operating profit before exceptional items & intangibles amortisation							**412.7**	309.7
Exceptional items & intangibles amortisation							**(4.8)**	(18.2)
Net finance costs before exceptional items							**(15.1)**	(13.4)
Other finance costs - retirement benefits							**(1.3)**	(1.6)
Profit before tax from continuing operations							**391.5**	276.5
Segment result - at 2011 average exchange rates								
Segment result before share of results of joint ventures	**213.9**	176.0	**178.3**	109.7	**26.8**	26.0	**419.0**	311.7
Share of results of joint ventures	**-**	-	**4.8**	4.1	**-**	-	**4.8**	4.1
Segment result	**213.9**	176.0	**183.1**	113.8	**26.8**	26.0	**423.8**	315.8
Group companies							**3.0**	3.5
Unallocated expenses							**(14.1)**	(12.0)
Operating profit before exceptional items & intangibles amortisation							**412.7**	307.3

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

3. Segment information (continued)

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2011 £m	2010 Restated (note 2) £m	**2011 £m**	2010 Restated (note 2) £m	**2011 £m**	2010 Restated (note 2) £m	**2011 £m**	2010 Restated (note 2) £m
Assets & liabilities								
Property, plant & equipment	**187.4**	161.7	**89.5**	43.1	**44.3**	39.8	**321.2**	244.6
Working capital assets	**470.9**	353.9	**398.1**	188.0	**143.2**	120.3	**1,012.2**	662.2
	658.3	515.6	**487.6**	231.1	**187.5**	160.1	**1,333.4**	906.8
Investments in joint ventures	**-**	-	**11.4**	10.3	**-**	-	**11.4**	10.3
Segment assets	**658.3**	515.6	**499.0**	241.4	**187.5**	160.1	**1,344.8**	917.1
Group companies assets							**3.2**	1.2
Unallocated assets							**1,494.3**	1,107.3
Total assets							**2,842.3**	2,025.6
Working capital liabilities	**262.2**	207.5	**205.2**	96.4	**86.5**	75.5	**553.9**	379.4
Group companies liabilities							**11.2**	14.3
Unallocated liabilities							**1,159.1**	710.2
Total liabilities							**1,724.2**	1,103.9
Other segment information								
Segment additions to non-current assets	**49.0**	30.2	**32.5**	17.2	**13.4**	3.4	**94.9**	50.8
Unallocated additions to non-current assets							**0.5**	0.1
Total additions to non-current assets							**95.4**	50.9
Segment depreciation & amortisation	**29.1**	23.6	**21.3**	20.6	**9.6**	7.7	**60.0**	51.9
Unallocated depreciation & amortisation							**0.4**	0.4
Total depreciation & amortisation							**60.4**	52.3

Unallocated assets primarily comprise intangible assets, cash and short-term deposits, derivative financial instruments, income tax receivable and deferred tax assets as well as those assets which are used for general head office purposes. Unallocated liabilities primarily comprise interest-bearing loans and borrowings, derivative financial instruments, income tax payable, provisions, deferred tax liabilities and retirement benefit deficits as well as liabilities relating to general head office activities. Segment additions to non-current assets do not include those additions which have arisen from business combinations (note 13).

Notes to the Group Financial Statements (continued)

3. Segment information (continued)

Geographical information

Geographical information in respect of revenue and non-current assets for the 52 weeks ended 30 December 2011 and the 52 weeks ended 31 December 2010 is disclosed below. Revenues are allocated based on the location to which the product is shipped. Assets are allocated based on the location of the assets and operations. Non-current assets consist of property, plant and equipment, investment property, intangible assets and investments in joint ventures.

52 weeks ended 30 December 2011

	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	100.6	702.3	267.3	183.5	280.0	231.0	262.3	265.0	2,292.0
Non-current assets	98.6	913.2	18.1	140.9	145.3	167.1	45.9	136.7	1,665.8

52 weeks ended 31 December 2010 - restated (note 2)

	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	92.1	391.5	158.8	171.0	213.8	160.8	203.4	243.6	1,635.0
Non-current assets	100.3	497.4	11.0	143.1	160.8	161.2	46.3	106.1	1,226.2

The following disclosures are given in relation to continuing operations.

	2011 £m	2010 £m
An analysis of the Group's revenue is as follows		
Original equipment	1,014.7	637.7
Aftermarket parts	888.2	680.3
Sales of goods	1,902.9	1,318.0
Aftermarket services	313.5	271.9
Revenue from construction contracts	75.6	45.1
Revenue	2,292.0	1,635.0
Finance income	4.3	1.5
Total revenue	2,296.3	1,636.5

No revenue was derived from exchanges of goods or services (2010: £nil).

4. Revenues & expenses

The following disclosures are given in relation to continuing operations.

	2011 £m	2010 £m
A reconciliation of revenue to operating profit is as follows		
Revenue	2,292.0	1,635.0
Cost of sales	(1,495.4)	(1,017.7)
Gross profit	796.6	617.3
Other operating income	23.9	0.5
Selling & distribution costs	(211.3)	(169.8)
Administrative expenses	(205.4)	(161.1)
Share of results of joint ventures	4.8	4.6
Operating profit	408.6	291.5

4. Revenues & expenses (continued)

	2011 £m	2010 £m
Operating profit is stated after charging (crediting)		
Cost of inventories recognised as an expense	1,495.4	1,017.7
Depreciation of property, plant & equipment & investment property (note 11)	37.3	34.1
Amortisation of intangible assets (note 12)	23.1	18.2
Acquisition transaction costs (note 13)	5.6	2.6
Other one-off costs*	11.0	8.4
Net foreign exchange losses (gains)	4.5	(0.5)
Net impairment of trade receivables (note 17) (included within administrative expenses)	0.7	2.0

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

The following disclosures are given in relation to total operations.

	2011 £m	2010 £m
Auditors remuneration		
The total fees payable by the Group to Ernst & Young LLP and their associates for work performed in respect of the audit and other services provided to the Company and its subsidiary companies during the period are disclosed below.		
Fees payable to the Company's auditor for the audit of the Company & Group financial statements	0.3	0.3
Fees payable to the Company's auditor and its associates for other services		
The audit of the Company's subsidiaries pursuant to legislation	1.4	1.2
Transaction support services	0.3	-
Fees payable in respect of the Group's pension schemes		
Audit	0.1	0.1

Research & development costs

Research & development costs amount to £18.4m (2010: £14.8m) of which £17.8m (2010: £13.9m) were charged directly to cost of sales in the income statement and £0.6m (2010: £0.9m) were capitalised (note 12).

Operating leases

Minimum lease payments under operating leases recognised as an expense in the period were £28.7m (2010: £20.9m).

	2011 £m	2010 £m
Employee benefits expense		
Wages & salaries	413.0	339.4
Social security costs	44.2	36.8
Pension costs		
Defined benefit plans	1.3	1.3
Defined benefit plans exceptional item (note 5)	(19.0)	-
Defined contribution plans	14.9	11.7
Share-based payments - equity settled transactions	4.9	3.0
	459.3	392.2

	2011 Number	2010 Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows		
Minerals	6,649	5,786
Oil & Gas	2,196	1,784
Power & Industrial	2,723	1,962
Group companies	101	95
	11,669	9,627

At 30 December 2011, the number of persons employed by the Group was 13,996 (2010: 11,789).

Notes to the Group Financial Statements (continued)

5. Exceptional items & intangibles amortisation

	2011 £m	2010 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	(23.1)	(18.2)
Exceptional item - past service gain on UK defined benefit scheme (note 24) (included in other operating income)	19.0	-
	(4.1)	(18.2)
Recognised in finance costs		
Exceptional item - unwind of discount in respect of contingent consideration	(0.7)	-
Recognised in arriving at profit (loss) for the period from discontinued operations		
Exceptional items (note 8)	19.9	(13.6)

6. Finance (costs) income

Finance costs

	2011 £m	2010 £m
Interest payable on bank loans, fixed rate notes & overdrafts	(12.0)	(9.2)
Losses transferred from equity in respect of interest rate swaps	-	(0.7)
Losses on financial assets & liabilities at fair value through profit & loss	(4.5)	(2.7)
Finance charges related to committed loan facilities	(2.9)	(2.3)
	(19.4)	(14.9)
Unwind of discount in respect of contingent consideration - exceptional item (note 5)	(0.7)	-
	(20.1)	(14.9)

Finance income

	2011 £m	2010 £m
Interest receivable on financial assets	0.9	0.6
Gains on financial assets & liabilities at fair value through profit & loss	3.4	0.9
	4.3	1.5

7. Tax expense

Income tax expense

	2011 £m	2010 £m
Consolidated Income Statement		
Current income tax		
UK corporation tax - continuing operations	(3.1)	(6.3)
Adjustments in respect of previous years	(2.0)	(1.3)
UK corporation tax	(5.1)	(7.6)
Foreign tax - continuing operations	(112.0)	(78.9)
Adjustments in respect of previous years	17.5	5.0
Total current income tax	(99.6)	(81.5)
Deferred income tax		
Origination & reversal of temporary differences - continuing operations	(8.2)	1.4
Adjustment to estimated recoverable deferred tax assets	0.1	4.2
Effect of changes in tax rates	(0.7)	(0.5)
Adjustments in respect of previous years	(4.1)	(1.0)
Total deferred tax*	(12.9)	4.1
Total income tax expense in the Consolidated Income Statement	(112.5)	(77.4)

* Includes £6.6m of deferred tax charge relating to foreign tax (2010: a credit of £5.9m).

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

	2011 £m	2010 £m
Tax expense - continuing operations before exceptional items & intangibles amortisation	(114.2)	(82.8)
- exceptional items	(4.8)	-
- intangibles amortisation	6.5	5.4
Total income tax expense in the Consolidated Income Statement	(112.5)	(77.4)

Current tax for 2011 has been reduced by £0.1m (2010: £4.2m) due to the utilisation of deferred tax assets previously not recognised.

The total deferred tax included in the income tax expense is detailed in note 23.

Notes to the Group Financial Statements (continued)

7. Tax expense (continued)

Tax relating to items charged or credited to equity

	2011 £m	2010 £m
Consolidated Statement of Comprehensive Income		
Current tax on pension contributions	2.5	3.3
Deferred tax - origination & reversal of temporary differences	9.1	(2.1)
Tax credit on actuarial losses on retirement benefits	11.6	1.2
Deferred tax credit on hedge losses	0.6	0.1
Deferred tax credit on exchange losses	-	0.2
Tax credit in the Consolidated Statement of Comprehensive Income	12.2	1.5

	2011 £m	2010 £m
Consolidated Statement of Changes in Equity		
Deferred tax on share-based payments	5.1	(0.2)
Current tax on share-based payments	1.0	0.5
Tax credit in the Consolidated Statement of Changes in Equity	6.1	0.3

Reconciliation of the total tax charge

The tax expense in the Consolidated Income Statement for the period is less than the weighted average of standard rates of corporation tax across the Group of 32.0% (2010: 31.0%). The differences are reconciled below.

	2011 £m	2010 £m
Profit from continuing operations before tax	391.5	276.5
Profit (loss) from discontinued operations before tax	19.9	(13.6)
Accounting profit before tax	411.4	262.9
At the weighted average of standard rates of corporation tax across the Group of 32.0% (2010: 31.0%)	131.6	81.6
Adjustments in respect of previous years - current tax	(15.5)	(3.7)
- deferred tax	4.1	1.0
Joint ventures	(0.6)	(0.8)
Unrecognised deferred tax assets	(0.1)	(4.2)
Overseas tax on unremitted earnings	6.7	5.5
Permanent differences	(9.0)	(6.3)
Effect of changes in tax rates	0.7	0.5
Exceptional loss from discontinued operations disallowed for tax	-	3.8
Exceptional gain from discontinued operations covered by indexation relief	(5.4)	-
At effective tax rate of 27.3% (2010: 29.4%)	112.5	77.4

The adjustments in respect of previous years include the release of £11.0m of provisions held for years which have now been closed.

8. Discontinued operations

There were no disposals of businesses during the 52 weeks ended 30 December 2011 or the 52 weeks ended 31 December 2010.

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

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

Earnings (losses) per share from discontinued operations were as follows.

	2011 pence	2010 pence
Basic	9.4	(6.5)
Diluted	9.3	(6.4)

These earnings (losses) per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations of £19.9m (2010: loss of £13.6m) by the weighted average number of ordinary shares for both basic and diluted amounts shown in note 9.

9. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive share awards).

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

	2011	2010
Profit attributable to equity holders of the Company		
Total operations* (£m)	298.9	185.1
Continuing operations* (£m)	279.0	198.7
Continuing operations before exceptional items & intangibles amortisation* (£m)	282.1	211.5
Weighted average share capital		
Basic earnings per share (number of shares, million)	211.2	210.6
Diluted earnings per share (number of shares, million)	213.4	213.1

Notes to the Group Financial Statements (continued)

9. Earnings per share (continued)

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

	2011 Shares Million	2010 Shares Million
Weighted average number of ordinary shares for basic earnings per share	**211.2**	210.6
Effect of dilution: LTIP awards	**2.2**	2.5
Adjusted weighted average number of ordinary shares for diluted earnings per share	**213.4**	213.1

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

	2011 £m	2010 £m
Net profit attributable to equity holders from continuing operations*	**279.0**	198.7
Exceptional items & intangibles amortisation net of tax	**3.1**	12.8
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation*	**282.1**	211.5

* Adjusted for £nil (2010: £0.4m) in respect of non-controlling interests.

There have been no share options (2010: nil) exercised between the reporting date and the date of signing of these financial statements.

10. Dividends paid & proposed

	2011 £m	2010 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2010: 21.0p (2009: 16.2p)	**44.3**	34.1
Interim dividend for 2011: 7.2p (2010: 6.0p)	**15.2**	12.6
	59.5	46.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2011: 25.8p (2010: 21.0p)	**54.5**	44.3

The proposed dividend is based on the number of shares in issue, excluding treasury shares held, at the date the financial statements were approved and authorised for issue. The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of the report and financial statements and the record date for the final dividend.

11. Property, plant & equipment & investment property

	Land & buildings £m	Plant & equipment £m	Total property, plant & equipment £m	Investment property £m
Cost				
At 1 January 2010	87.2	268.3	355.5	11.8
Additions	3.4	43.0	46.4	-
Acquisitions	19.6	15.1	34.7	-
Disposals	(5.9)	(15.0)	(20.9)	-
Reclassifications to intangible assets	-	(1.5)	(1.5)	-
Reclassifications	0.9	(1.3)	(0.4)	-
Exchange adjustment	6.1	20.4	26.5	-
At 31 December 2010 - restated (note 2)	**111.3**	**329.0**	**440.3**	**11.8**
Additions	**18.6**	**72.4**	**91.0**	**-**
Acquisitions	**0.6**	**22.6**	**23.2**	**-**
Disposals	**(3.8)**	**(23.2)**	**(27.0)**	**(10.2)**
Reclassifications to intangible assets	**-**	**(2.3)**	**(2.3)**	**-**
Reclassifications	**2.0**	**(0.4)**	**1.6**	**(1.6)**
Exchange adjustment	**(3.1)**	**(12.0)**	**(15.1)**	**-**
At 30 December 2011	**125.6**	**386.1**	**511.7**	**-**
Accumulated depreciation & impairment				
At 1 January 2010	24.5	131.6	156.1	7.6
Depreciation charge for the period	5.8	28.0	33.8	0.3
Impairment	-	0.2	0.2	-
Disposals	(4.0)	(14.2)	(18.2)	-
Reclassifications to intangible assets	-	(0.3)	(0.3)	-
Reclassifications	-	(0.4)	(0.4)	-
Exchange adjustment	1.3	10.4	11.7	-
At 31 December 2010	**27.6**	**155.3**	**182.9**	**7.9**
Depreciation charge for the period	**5.7**	**31.3**	**37.0**	**0.3**
Impairment	**0.1**	**0.3**	**0.4**	**-**
Disposals	**(1.7)**	**(22.2)**	**(23.9)**	**(7.2)**
Reclassifications to intangible assets	**-**	**(1.6)**	**(1.6)**	**-**
Reclassifications	**1.7**	**(0.7)**	**1.0**	**(1.0)**
Exchange adjustment	**(0.6)**	**(5.3)**	**(5.9)**	**-**
At 30 December 2011	**32.8**	**157.1**	**189.9**	**-**
Net book value at 1 January 2010	62.7	136.7	199.4	4.2
Net book value at 31 December 2010 - restated (note 2)	83.7	173.7	257.4	3.9
Net book value at 30 December 2011	**92.8**	**229.0**	**321.8**	**-**

The carrying value of buildings held under finance leases is £1.9m (2010: £1.8m). The carrying value of plant and equipment held under finance leases is £0.7m (2010: £0.6m). Leased assets are pledged as security for the related finance lease liabilities. The carrying amount of assets under construction included in plant and equipment is £26.7m (2010: £12.2m).

In December 2011, the Group disposed of the former Weir Pumps site at Cathcart, which has been treated as an investment property since the disposal of the Weir Pumps business in 2007, to SPX Clyde UK Limited. Up to the date of disposal, rental income was generated from Clyde Union Ltd. The rental income included in the income statement amounts to £2.3m (2010: £2.3m).

The impairment charge of £0.4m relates to specific assets in one location which are unable to be transferred to that operation's new location. In 2010 the impairment charge of £0.2m related to specific assets in a number of locations across the Group where associated product lines had been changed or updated to reflect changing market conditions.

Notes to the Group Financial Statements (continued)

12. Intangible assets

	Goodwill £m	Brand names £m	Customer relationships £m	Purchased software £m	Intellectual property & trade marks £m	Development costs £m	Other £m	Total £m
Cost								
At 1 January 2010	494.1	90.2	150.5	22.3	22.5	-	12.7	792.3
Additions	-	-	-	3.8	0.2	0.7	-	4.7
Acquisitions	78.3	47.6	27.7	0.1	33.2	-	3.7	190.6
Disposals	-	-	-	(2.4)	-	(0.7)	-	(3.1)
Reclassifications from property, plant & equipment	-	-	-	1.3	-	0.2	-	1.5
Reclassifications	-	-	-	-	(1.9)	1.9	-	-
Exchange adjustment	25.4	3.5	5.8	1.2	1.8	0.2	0.9	38.8
At 31 December 2010 - restated (note 2)	597.8	141.3	184.0	26.3	55.8	2.3	17.3	1,024.8
Additions	-	-	-	4.7	-	0.6	-	5.3
Acquisitions	402.1	-	-	-	-	-	-	402.1
Disposals	-	-	-	(1.7)	-	-	-	(1.7)
Reclassifications from property, plant & equipment	-	-	-	1.9	-	0.4	-	2.3
Reclassifications	-	-	-	0.2	(0.2)	-	-	-
Exchange adjustment	(2.3)	(0.6)	(3.4)	(0.9)	-	-	(0.8)	(8.0)
At 30 December 2011	997.6	140.7	180.6	30.5	55.6	3.3	16.5	1,424.8
Accumulated amortisation & impairment								
At 1 January 2010	-	-	20.5	14.8	7.7	-	9.4	52.4
Amortisation charge for the period	-	-	11.3	2.7	3.2	-	1.0	18.2
Disposals	-	-	-	(2.1)	-	(0.7)	-	(2.8)
Reclassifications from property, plant & equipment	-	-	-	0.3	-	-	-	0.3
Reclassifications	-	-	-	-	(0.8)	0.7	0.1	-
Exchange adjustment	-	-	0.7	0.7	0.1	0.1	0.5	2.1
At 31 December 2010	-	-	32.5	16.4	10.2	0.1	11.0	70.2
Amortisation charge for the period	-	-	12.8	2.7	5.5	0.1	2.0	23.1
Disposals	-	-	-	(1.7)	-	-	-	(1.7)
Reclassifications from property, plant & equipment	-	-	-	1.6	-	-	-	1.6
Reclassifications	-	-	(0.1)	(0.2)	(0.8)	-	1.1	-
Exchange adjustment	-	-	(0.3)	(0.5)	0.1	-	(0.3)	(1.0)
At 30 December 2011	-	-	44.9	18.3	15.0	0.2	13.8	92.2
Net book value at 1 January 2010	494.1	90.2	130.0	7.5	14.8	-	3.3	739.9
Net book value at 31 December 2010 - restated (note 2)	597.8	141.3	151.5	9.9	45.6	2.2	6.3	954.6
Net book value at 30 December 2011	**997.6**	**140.7**	**135.7**	**12.2**	**40.6**	**3.1**	**2.7**	**1,332.6**

The increase to goodwill of £402.1m during 2011 is represented by current year acquisitions goodwill of £403.2m (note 13) offset by a £1.1m reduction to goodwill following settlement of the final deferred consideration payment in respect of Weir SOS. This has been treated as an adjustment to goodwill on the basis that the acquisition occurred before IFRS3 (Revised) was adopted by the Group.

Brand names have been assigned an indefinite useful life and as such are not amortised. The carrying value of £140.7m (2010: £141.3m) is tested annually for impairment (note 14). The brand name value comprises the brands of Weir Linatex, Weir BDK, Weir American Hydro, Weir Warman, Weir SPM, Weir Gabbioneta, Weir Mesa and Weir Multiflo, all of which were recognised at fair value at their respective dates of acquisition. Weir Warman has a long history in the minerals and mining market and is considered to be a market leader. Weir SPM and Weir Gabbioneta brands both have long histories in the oil and gas markets where they are both considered to be market leaders. The Weir Linatex brand enjoys strong recognition within the mining and sand and aggregates markets globally.

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

	Remaining amortisation period		Customer relationships	
	2011 Years	2010 Years	2011 £m	2010 Restated (note 2) £m
Weir SPM	20	21	90.6	95.0
Weir Gabbioneta	19	20	13.9	15.0
Warman companies	Up to 9	Up to 10	14.0	18.1
Other	Up to 19	Up to 20	17.2	23.4
			135.7	151.5

12. Intangible assets (continued)

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

	2011 £m	2010 £m
Cost of sales	2.6	1.3
Selling & distribution costs	0.4	0.4
Administrative expenses	20.1	16.5
Amortisation charge for the period	23.1	18.2

13. Business combinations

On 1 July 2011, the Group acquired a majority interest in the South Korean valves business formerly operated by HIM Tech Co Ltd. The Group acquired 60% of the voting shares of a new Korean company, Weir International Co. Ltd ("Weir International"), into which the HIM Tech valves business has been transferred. Located in Ansan, near Seoul, the business designs and manufactures control and choke valves for severe service power generation and oil and gas applications. The acquisition was structured as an initial 60% purchase including an earn out based on EBITDA achieved in 2013 and 2014. The remaining 40% is subject to put and call options exercisable between 2014 and 2019 and based upon an EBITDA multiple of profits in the two years preceding the exercise of the option. The cash consideration paid was £9.8m and the estimated fair value of the contingent consideration is £14.0m. This is based on an assessment of the probability of possible outcomes discounted to net present value. The range of possible outcomes on an undiscounted basis is between zero and £33.4m. Costs associated with the acquisition amounting to £0.5m have been charged to the income statement in the 52 weeks ended 30 December 2011.

On 14 December 2011, the Group finalised the acquisition of 100% of the voting shares of Seaboard Holdings Inc. ("Weir Seaboard"), an independent wellhead solutions provider focused on the growing North American unconventional oil and gas drilling and production markets, based in Houston, Texas, for a total cash consideration of £432.1m. In addition, an amount of £9.1m has been recognised in respect of contingent consideration relating to tax refunds. Costs associated with the acquisition amounting to £5.1m have been charged to the income statement in the 52 weeks ended 30 December 2011.

The fair values on acquisition of these business combinations are provisional due to the timing of the transactions and will be finalised during the following financial year. No allocation has been made in the determination of the provisional fair values from goodwill to identifiable intangible assets. External advisers are assisting with this allocation, the process has commenced and initial draft reports are due in April 2012. This allocation will be finalised along with all other fair values in the next financial year. There will be certain intangible assets included in the £403.2m of goodwill recognised that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include anticipated business growth, synergies and an assembled workforce. None of the goodwill is expected to be deductible for tax purposes. The provisional fair value of the trade receivables amounts to £41.2m. The gross amount of trade receivables is £43.3m.

	Provisional fair values		
	Weir Seaboard 2011 £m	Weir International 2011 £m	Total 2011 £m
Property, plant & equipment	23.1	0.1	23.2
Inventories	29.6	0.7	30.3
Trade & other receivables	42.3	1.1	43.4
Cash & cash equivalents	2.2	0.2	2.4
Interest-bearing loans & borrowings	(55.4)	(0.2)	(55.6)
Trade & other payables	(41.5)	(1.6)	(43.1)
Provisions	(1.5)	-	(1.5)
Income tax	6.3	(0.1)	6.2
Deferred tax	1.1	-	1.1
Fair value of net assets	6.2	0.2	6.4
Goodwill arising on acquisition	379.6	23.6	403.2
Total consideration	385.8	23.8	409.6
Cash consideration	432.1	9.8	441.9
Settlement of external debt of subsidiary on acquisition	(55.4)	-	(55.4)
Contingent consideration	9.1	14.0	23.1
Total consideration	385.8	23.8	409.6
The cash outflow on acquisition was as follows			
Cash & cash equivalents acquired	2.2	0.2	2.4
Cash paid	(432.1)	(9.8)	(441.9)
Net cash outflow	(429.9)	(9.6)	(439.5)

The contribution from Weir Seaboard and Weir International since their respective dates of acquisition to the 2011 revenue of the Group and 2011 profit for the period from continuing operations of the Group is deemed to be immaterial. The combined continuing operations revenue and profit for the period from continuing operations of the Group, assuming that Weir Seaboard and Weir International had been acquired at the start of 2011, would have been £2,425.4m and £277.5m respectively.

Notes to the Group Financial Statements (continued)

13. Business combinations (continued)

During the 52 weeks ended 31 December 2010, the Group acquired five businesses of which Linatex was the most significant. The other acquisitions were Petroleum Certification Services (PCS), the valves business of BDK Engineering Industries Limited, American Hydro Corporation and Ynfiniti Engineering Services SL (YES).

The YES acquisition was structured as an initial 76% purchase with the remaining 24% being subject to a put and call option exercisable between 2014 and 2016 and based upon an EBITDA multiple of profits in the two years preceding the exercise of the option. The contingent consideration recognised at the acquisition date was estimated at £12.0m (€14m) based on an assessment undertaken shortly after the acquisition date of the probability of the possible outcomes discounted to net present value. In conjunction with the finalisation of the provisional fair values, the contingent consideration payable has been reduced to £1.7m.

In the 2010 annual report and accounts, the fair values on acquisition of the above businesses were provisional, with the exception of PCS, due to the timing of the transactions. The fair values have been finalised in 2011 resulting in adjustments to the provisional fair values attributed. The following table summarises the adjustments made to the provisional fair values during the measurement period.

	Provisional fair values			Adjustments to provisional fair values			Restated fair values		
	Linatex 2010 £m	Other 2010 £m	Total 2010 £m	Linatex 2010 £m	Other 2010 £m	Total 2010 £m	Linatex 2010 £m	Other 2010 £m	Total 2010 £m
Property, plant & equipment									
- land & buildings	15.9	4.3	20.2	(0.6)	-	(0.6)	15.3	4.3	19.6
- plant & equipment	12.5	4.3	16.8	(1.5)	(0.2)	(1.7)	11.0	4.1	15.1
Intangible assets									
- brand name	36.5	3.6	40.1	-	7.5	7.5	36.5	11.1	47.6
- customer relationships	9.0	13.6	22.6	-	5.1	5.1	9.0	18.7	27.7
- purchased software	-	0.1	0.1	-	-	-	-	0.1	0.1
- intellectual property & trade marks	26.2	14.5	40.7	-	(7.5)	(7.5)	26.2	7.0	33.2
- other	-	3.7	3.7	-	-	-	-	3.7	3.7
Inventories	15.5	6.1	21.6	-	(0.1)	(0.1)	15.5	6.0	21.5
Trade & other receivables	12.0	12.4	24.4	-	(1.2)	(1.2)	12.0	11.2	23.2
Construction contract assets	-	3.0	3.0	-	-	-	-	3.0	3.0
Cash & cash equivalents	3.1	-	3.1	-	-	-	3.1	-	3.1
Interest-bearing loans & borrowings	(15.8)	-	(15.8)	-	-	-	(15.8)	-	(15.8)
Trade & other payables	(13.3)	(6.4)	(19.7)	(0.1)	(1.1)	(1.2)	(13.4)	(7.5)	(20.9)
Construction contract liabilities	-	(3.9)	(3.9)	-	-	-	-	(3.9)	(3.9)
Provisions									
- warranty	(1.1)	(4.2)	(5.3)	(0.2)	(3.5)	(3.7)	(1.3)	(7.7)	(9.0)
- employee related	(1.2)	-	(1.2)	(0.2)	-	(0.2)	(1.4)	-	(1.4)
- other	(0.1)	(0.5)	(0.6)	-	-	-	(0.1)	(0.5)	(0.6)
Income tax	(1.7)	(0.4)	(2.1)	0.2	0.2	0.4	(1.5)	(0.2)	(1.7)
Deferred tax	(16.9)	0.1	(16.8)	1.1	-	1.1	(15.8)	0.1	(15.7)
Fair value of net assets	80.6	50.3	130.9	(1.3)	(0.8)	(2.1)	79.3	49.5	128.8
Goodwill arising on acquisition	31.1	55.5	86.6	1.3	(9.6)	(8.3)	32.4	45.9	78.3
Total consideration	111.7	105.8	217.5	-	(10.4)	(10.4)	111.7	95.4	207.1
Cash consideration	111.7	95.5	207.2	-	(0.4)	(0.4)	111.7	95.1	206.8
Settlement of pre-existing relationship balances	-	(0.8)	(0.8)	-	-	-	-	(0.8)	(0.8)
Contingent consideration	-	12.0	12.0	-	(10.3)	(10.3)	-	1.7	1.7
Net amount recoverable on business combinations	-	(0.9)	(0.9)	-	0.3	0.3	-	(0.6)	(0.6)
Total consideration	111.7	105.8	217.5	-	(10.4)	(10.4)	111.7	95.4	207.1
The cash outflow on acquisition was as follows									
Cash & cash equivalents acquired	3.1	-	3.1	-	-	-	3.1	-	3.1
Cash paid	(111.7)	(95.5)	(207.2)	-	0.4	0.4	(111.7)	(95.1)	(206.8)
Settlement of pre-existing relationship balances	-	0.8	0.8	-	-	-	-	0.8	0.8
Net cash outflow	(108.6)	(94.7)	(203.3)	-	0.4	0.4	(108.6)	(94.3)	(202.9)

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

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

The current year acquisition of Weir Seaboard has been determined to be a separate CGU and Weir International has been allocated to "Other". The previous year acquisitions have been allocated to "Other" with the exception of Linatex which has been allocated to the "Warman companies" CGU. The amounts allocated as "Other" are not considered significant in comparison to their respective total carrying amounts.

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

	Year acquired	Goodwill 2011 £m	Intangibles* 2011 £m	Goodwill 2010 Restated (note 2) £m	Intangibles* 2010 Restated (note 2) £m
Weir Seaboard	2011	380.0	-	-	-
Weir SPM	2007	229.0	29.7	227.8	29.5
Warman companies	various	221.9	90.2	221.4	89.8
Weir Gabbioneta	2005	60.2	5.7	61.7	5.8
Other	various	106.5	15.1	86.9	16.2
		997.6	140.7	597.8	141.3

* Intangible assets with indefinite lives (brand names).

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

CGU	Basis of valuation	Period of forecast	Discount rate[1]	Real growth[2]	Key assumptions	Source
Weir Seaboard	Value in use	5 years	11.9% (2010: n/a)	1.2% (2010: n/a)	Revenue growth[4]	External forecast
					EBIT margins[3]	Historic experience
Weir SPM	Value in use	5 years	11.9% (2010: 13.7%)	1.2% (2010: 1.2%)	Revenue growth[5]	External forecast
					EBIT margins[3]	Historic experience
Warman companies	Value in use	5 Years	16.4% (2010: 15.4%)	1.7% (2010: 1.7%)	Revenue growth[6]	External forecast
					EBIT margins[3]	Historic experience
Weir Gabbioneta	Value in use	5 Years	16.9% (2010: 13.7%)	1.2% (2010: 1.2%)	Revenue growth[7]	External forecast
					EBIT margins[3]	Historic experience

[1] Discount rate

The discount rates presented above reflect the pre-tax nominal weighted average cost of capital (WACC) in the most appropriate geographic region. The WACC is the weighted average of the pre-tax cost of debt financing and the pre-tax cost of equity finance. In the main there has been a decrease in the WACC relative to 2010 in mature economies largely due to a reduction in government bond yields being only partially offset by an increase in credit spreads. The increase in credit spreads in emerging economies has been compounded by an increase in government bond yields on 2010 levels. The WACC in relation to Weir Gabbioneta has increased significantly on 2010, driven by the increase in Italian government bond yields.

[2] Real growth

Real growth beyond the five year forecast period of 1.2%, for all businesses except South Africa where a rate of 4.0% is used, reflects the increasingly global nature of these businesses and the fact that they sell a significant proportion of their products to emerging markets which have long-term stronger growth prospects than their home markets.

[3] EBIT margins

EBIT margins have been forecast based on historic levels taking cognisance of the likely impact of changing economic environments and competitive landscapes on volumes and revenues and the impact of associated management actions on costs.

[4] Weir Seaboard

Weir Seaboard is a wellhead solutions provider focused on the growing North American unconventional oil and gas drilling and production markets. Demand for Weir Seaboard's products and services is closely related to the number of conventional and unconventional oil drilling rigs and gas well drilling rigs which is in turn dependent upon oil and natural gas prices and storage levels. Independent forecasts of North American oil and gas well drilling activity, which take into account forecast oil and natural gas prices and storage levels, have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2011.

Notes to the Group Financial Statements (continued)

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

[5] Weir SPM

Weir SPM is a supplier of oil and gas well service pumps, associated flow control equipment and services to the oil and gas production industry. A large proportion of the business's revenues are generated in North America with demand being closely related to the number of conventional oil drilling rigs and gas well drilling rigs in operation which is in turn dependent upon oil and natural gas prices and storage levels. Independent forecasts of North American oil and gas well drilling activity, which take into account forecast oil and natural gas prices and storage levels, have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2011.

[6] Warman companies

The Warman companies supply pumps and associated equipment and services to all global markets. The key drivers for revenues are (i) levels of mining capital expenditure which drives demand for original equipment and (ii) levels of actual mining activity which drives demand for spare parts and service. Independent forecasts of mining capital expenditure and activity have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2011.

[7] Weir Gabbioneta

Weir Gabbioneta is a supplier of heavy duty process applications to oil and gas refinery, petro-chemical and power generation industries. The key drivers for revenues are capital expenditure within oil refinery and petro-chemical industries. Independent forecasts of expenditure in these sectors have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2011.

Sensitivity analysis

Base case forecasts show significant headroom above carrying value for each of the CGUs with the exception of Weir Gabbioneta. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonable possible changes in key assumptions. Other than in relation to Weir Gabbioneta, there is no reasonably possible change that would cause the carrying values to exceed recoverable amounts. With regard to Weir Gabbioneta, downside sensitivities have been assessed and, although headroom exists between the carrying value of goodwill and intangible assets with indefinite useful lives and their value in use, this headroom is much reduced. As at 30 December 2011, the headroom is £10.2m. The main drivers for this are the increased competition in the markets the business operates in and an increase of over 300 basis points in the discount rate applied when compared to 2010, the latter being driven by macro-economic conditions in the Eurozone. The headroom existing in the base case would be eliminated with the CGU at breakeven if the discount rate were to increase by a further 150 basis points or if operating cashflows in year 1 of the forecast period were to reduce by 40%.

15. Investments in joint ventures

The significant investments in joint ventures are as follows.

	Total £m
At 1 January 2010	9.7
Share of results	4.6
Share of dividends	(4.2)
Exchange adjustment	0.2
At 31 December 2010	**10.3**
Share of results	**4.8**
Share of dividends	**(4.1)**
Exchange adjustment	**0.4**
At 30 December 2011	**11.4**

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

	2011 £m	2010 £m
Share of joint ventures balance sheets		
Goodwill	**3.4**	3.4
Current assets	**10.8**	8.7
Non-current assets	**2.8**	3.0
Current liabilities	**(4.1)**	(3.8)
Non-current liabilities	**(1.5)**	(1.0)
Net assets	**11.4**	10.3
Share of joint ventures revenue & profits		
Revenue	**18.9**	18.5
Cost of sales	**(10.8)**	(10.9)
Selling & distribution costs	**(0.7)**	(1.0)
Administrative expenses	**(1.8)**	(1.2)
Income tax expense	**(0.8)**	(0.8)
Profit after tax	**4.8**	4.6
Carrying value of investments in joint ventures	**11.4**	10.3

The Group's significant investments in joint ventures are listed on page 136.

16. Inventories

	2011 £m	2010 Restated (note 2) £m
Raw materials	**138.7**	96.4
Work in progress	**118.8**	81.4
Finished goods	**212.3**	132.3
	469.8	310.1

17. Trade & other receivables

	2011 £m	2010 Restated (note 2) £m
Trade receivables	**455.6**	311.8
Allowance for doubtful debts	**(12.8)**	(13.8)
	442.8	298.0
Other debtors	**42.5**	29.3
Sales tax receivable	**12.6**	7.8
Accrued income	**5.5**	0.3
Prepayments	**13.8**	16.0
	517.2	351.4

The average credit period on sales of goods is 49 days (2010: 51 days).

Analysis of trade receivables

	2011 £m	2010 Restated (note 2) £m
Neither impaired nor past due	**343.5**	240.9
Past due but not impaired	**99.3**	57.1
Impaired	**12.8**	13.8
	455.6	311.8

Ageing of past due but not impaired trade receivables

	2011 £m	2010 £m
Up to 3 months	**77.5**	42.8
Between 3 & 6 months	**15.6**	6.5
More than 6 months	**6.2**	7.8
	99.3	57.1

Movement in the allowance for doubtful debts

	2011 £m	2010 £m
Balance at the beginning of the period	**(13.8)**	(13.1)
Impairment losses recognised on receivables	**(4.2)**	(5.1)
Amounts written off as uncollectable	**1.0**	1.1
Amounts recovered during the period	**0.4**	0.8
Impairment losses reversed	**3.5**	3.1
Exchange adjustment	**0.3**	(0.6)
Balance at the end of the period	**(12.8)**	(13.8)

Notes to the Group Financial Statements (continued)

17. Trade & other receivables (continued)

Ageing of impaired trade receivables

	2011 £m	2010 £m
Up to 3 months	1.8	1.7
Between 3 & 6 months	0.9	2.4
More than 6 months	10.1	9.7
	12.8	13.8

18. Construction contracts

	2011 £m	2010 £m
Gross amount due from customers for contract work (included in current assets)	19.6	16.2
Gross amount due to customers for contract work (included in current liabilities)	(26.8)	(21.8)
	(7.2)	(5.6)
Contract costs incurred plus recognised profits less recognised losses to date	119.6	116.4
Less: progress billings	(126.8)	(122.0)
	(7.2)	(5.6)

The amount of retentions held by customers for contract work amounted to £nil (2010: £0.1m) and the amount of advances received from customers for contract work amounted to £5.7m (2010: £7.2m).

19. Cash & short-term deposits

	2011 £m	2010 £m
Cash at bank & in hand	73.8	82.3
Short-term deposits	40.1	1.7
	113.9	84.0
For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following		
Cash & short-term deposits	113.9	84.0
Bank overdrafts & short-term borrowings (note 20)	(5.3)	(4.5)
	108.6	79.5

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

20. Interest-bearing loans & borrowings

	2011 £m	2010 £m
Current		
Bank overdrafts	1.7	3.4
Short-term borrowings	3.6	1.1
	5.3	4.5
Bank loans	86.2	1.3
Obligations under finance leases (note 27)	0.5	0.5
	92.0	6.3
Non-current		
Bank loans	536.3	203.5
Fixed rate notes	158.2	157.4
Obligations under finance leases (note 27)	0.6	0.4
	695.1	361.3

Bank loans	Maturity	Interest basis	Weighted average interest rate 2011 %	Weighted average interest rate 2010 %	2011 £m	2010 £m
Revolving credit facility						
United States dollar variable rate loans	2014	US$ LIBOR	1.28	1.26	163.0	203.1
Seaboard acquisition finance						
United States dollar variable rate amortising term loan	2014	US$ LIBOR	2.28	-	190.3	-
United States dollar variable rate bridging loan	2013	US$ LIBOR	1.78	-	243.7	-
Other						
Uncommitted facility loan	2012	US$ LIBOR	1.60	-	25.1	-
Sterling term loan	2011	BoE base rate	-	3.50	-	1.0
Indian rupee term loan	2013	FIXED	13.75	13.75	0.4	0.7
					622.5	204.8
Less current instalments due on bank loans						
United States dollar variable rate amortising term loan	2014	US$ LIBOR			(60.8)	-
Uncommitted facility loan	2012	US$ LIBOR			(25.1)	-
Sterling term loan					-	(1.0)
Indian rupee term loan					(0.3)	(0.3)
Non-current bank loans					536.3	203.5

Fixed rate notes	Maturity	Interest basis	Weighted average interest rate 2011 %	Weighted average interest rate 2010 %	2011 £m	2010 £m
Private placement						
Sterling fixed rate notes	2015	FIXED	4.58	4.58	12.0	12.0
United States dollar fixed rate notes	2015	FIXED	4.20	4.20	58.1	57.7
Sterling fixed rate notes	2018	FIXED	5.36	5.36	42.9	42.9
United States dollar fixed rate notes	2018	FIXED	5.03	5.03	45.2	44.8
Non-current fixed rate notes					158.2	157.4

US$ LIBOR is the United States dollar London Inter Bank Offer Rate. BoE base rate is the Bank of England base rate. The weighted average interest rates include an applicable margin over and above the interest basis. The disclosures above represent the interest profile and currency profile of financial liabilities before the impact of derivative financial instruments. All bank loans and fixed rate notes are unsecured and rank pari passu.

As part of the acquisition of Weir Seaboard the Group entered into two bank loans. Firstly a US$300m term loan, amortising in equal instalments semi-annually to 22 September 2014. Secondly a US$380m bridging loan repayable at the earlier of 23 May 2013 or 7 days after a Debt Capital Markets issue. As at 30 December 2011 both these facilities were fully drawn. These new facilities are in addition to the Group's existing US$800m multi-currency revolving credit facility which was entered into in 2010. As at 30 December 2011, £163.0m was drawn under the revolving credit facility. On 16 February 2012, the Group issued US dollar denominated fixed rate notes via a Private Placement to US investors totalling US$1bn. The notes were US$210m of seven year, US$590m of ten year and US$200m of eleven year notes. The average coupon payable is 4.16%. Following this issue, the Group repaid in full the US$380m bridging loan.

Notes to the Group Financial Statements (continued)

21. Trade & other payables

	2011 £m	2010 Restated (note 2) £m
Current		
Trade payables	346.3	222.9
Other creditors	19.3	16.0
Other taxes & social security costs	17.0	10.3
Accruals	107.6	74.9
Contingent consideration (note 13)	9.1	2.7
Deferred income	66.1	83.5
	565.4	410.3
Non-current		
Contingent consideration	15.5	1.7

22. Provisions

	Warranties & onerous sales contracts £m	Employee related £m	Discontinued operations warranty & indemnity £m	Other £m	Total £m
At 31 December 2010	37.8	25.7	4.3	12.2	80.0
Prior year adjustments	3.7	0.2	-	-	3.9
At 31 December 2010 - restated (note 2)	41.5	25.9	4.3	12.2	83.9
Additions	27.9	3.5	1.2	6.4	39.0
Acquisitions	1.5	-	-	-	1.5
Utilised	(16.4)	(2.3)	-	(6.3)	(25.0)
Unutilised	(3.6)	(0.4)	-	(3.9)	(7.9)
Exchange adjustment	(0.4)	(0.5)	-	(0.3)	(1.2)
At 30 December 2011	50.5	26.2	5.5	8.1	90.3
Current 2011	40.0	3.6	3.3	6.8	53.7
Non-current 2011	10.5	22.6	2.2	1.3	36.6
	50.5	26.2	5.5	8.1	90.3
Current 2010	29.7	5.0	-	10.7	45.4
Non-current 2010	11.8	20.9	4.3	1.5	38.5
	41.5	25.9	4.3	12.2	83.9

Warranties & onerous sales contracts

Provision has been made in respect of actual warranty and contract penalty claims on goods sold and services provided and for potential warranty claims based on past experience for goods and services sold with a warranty guarantee. Provision has also 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 all costs will have been incurred within five years of the balance sheet date.

Employee related

Employee related provisions arise from legal obligations and asbestosis claims and are based on management's best estimate of the likely costs. It is expected that the costs will be incurred in the period up to 2021.

Discontinued operations warranty & indemnity

Provisions in respect of discontinued operations include provision for warranty and indemnity exposures under asset and share sale agreements. The provision as at 30 December 2011 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ and, in some cases, this may be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within two years of the balance sheet date with the remaining costs expected to be incurred within five years of the balance sheet date.

Other

Other provisions relate to an environmental clean up programme in the United States for a company acquired in 1992, restructuring costs and various other legal claims and exposures across the Group. The environmental provision is based on management's current best estimate of the expected costs under the programme. It is expected that these costs will be incurred in the period up to 2019.

23. Deferred tax

	2011 £m	2010 Restated (note 2) £m
Deferred income tax assets		
Post-employment benefits	23.0	18.9
Decelerated depreciation for tax purposes	5.8	3.7
Intangible assets	0.9	1.9
Untaxed reserves	48.1	55.0
Offset against liabilities	(39.8)	(52.0)
Gross deferred income tax assets	38.0	27.5
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	(19.5)	(12.7)
Overseas tax on unremitted earnings	(27.1)	(21.7)
Intangible assets	(74.3)	(81.5)
Other temporary differences	(0.3)	(11.6)
Offset against assets	39.8	52.0
Gross deferred income tax liabilities	(81.4)	(75.5)
Net deferred income tax liability	(43.4)	(48.0)

The movement in deferred income tax assets and liabilities during the period was as follows.

	Post employment benefits £m	Accelerated depreciation for tax purposes £m	Overseas tax on unremitted earnings £m	Intangible assets £m	Untaxed reserves & other temporary differences £m	Total £m
At 1 January 2010	21.1	(7.2)	(18.9)	(60.9)	34.2	(31.7)
Acquisitions	-	(1.3)	-	(16.6)	2.2	(15.7)
(Charged) credited to the income statement	(0.3)	(0.4)	0.5	0.8	3.5	4.1
Credited (charged) to equity	(2.1)	-	-	-	0.1	(2.0)
Exchange adjustment	0.2	(0.1)	(3.3)	(2.9)	3.4	(2.7)
At 31 December 2010 - restated (note 2)	18.9	(9.0)	(21.7)	(79.6)	43.4	(48.0)
Acquisitions	-	1.8	-	(1.3)	0.4	0.9
(Charged) credited to the income statement	(5.0)	(6.5)	(6.7)	7.2	(1.9)	(12.9)
Credited to equity	9.1	-	-	-	5.7	14.8
Exchange adjustment	-	-	1.3	0.3	0.2	1.8
At 30 December 2011	23.0	(13.7)	(27.1)	(73.4)	47.8	(43.4)

Untaxed reserves primarily relate to temporarily disallowed inventory / debtor provisions and accruals / provisions for liabilities where the tax allowance is deferred until the cash expense occurs.

Deferred tax asset balances for unused tax losses of £1.6m (2010: £1.9m) 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 £10.7m (2010: £11.6m) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

Temporary differences associated with Group investments

A deferred tax liability of £27.1m (2010: £21.7m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries. As at 30 December 2011, this is the only recognised deferred tax liability in respect of taxes on unremitted earnings as the Group does not foresee a distribution of unremitted earnings from other subsidiaries or joint ventures which would result in a reversal of deferred tax. The temporary differences associated with investments in subsidiaries and joint ventures, for which a deferred tax liability has not been recognised, aggregate to £1,095.0m (2010: £820.9m).

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

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance Act 2011 enacted legislation to reduce the UK corporate rate of taxation from 26% to 25% from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by the financial year beginning 1 April 2014. These further changes have not been substantively enacted at the balance sheet date and, therefore, are not included in the consolidated results for the 52 weeks ended to 30 December 2011. We expect that these reductions will not have a material effect on the effective tax rate or on the profit for the year in future periods.

Notes to the Group Financial Statements (continued)

24. Pensions & other post-employment benefit plans

The Group has five defined benefit pension plans in the UK and North America. All defined benefit plans are closed to new members. The most significant of the defined benefit plans are the two UK plans. Contribution salary in respect of the Group's main UK plan is capped and will increase in line with RPI up to a maximum of 5% per annum and the United States plans are frozen. The Group also provides certain additional post-retirement healthcare benefits to senior employees in the United States. These benefits are unfunded. The assets and liabilities of the plans are as follows.

	UK pensions		North American pensions & post-retirement healthcare		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Plan assets at fair value						
Equities	150.2	143.7	7.1	7.5	157.3	151.2
Bonds	91.4	95.5	6.3	5.5	97.7	101.0
Insurance policy	335.3	326.5	-	-	335.3	326.5
Other	14.8	14.9	1.1	1.2	15.9	16.1
Fair value of plan assets	591.7	580.6	14.5	14.2	606.2	594.8
Present value of plan liabilities	(662.3)	(633.9)	(28.6)	(25.9)	(690.9)	(659.8)
Net pension liability	(70.6)	(53.3)	(14.1)	(11.7)	(84.7)	(65.0)

The pension plans have not directly invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

The amounts recognised in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income for the period are analysed as follows.

	UK pensions		North American pensions & post-retirement healthcare		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Recognised in the Consolidated Income Statement						
Current service cost	1.3	1.3	-	-	1.3	1.3
Past service gain - exceptional item (note 5)	(19.0)	-	-	-	(19.0)	-
Expected return on plan assets	(32.2)	(32.5)	(0.9)	(0.8)	(33.1)	(33.3)
Interest cost on plan liabilities	33.1	33.5	1.3	1.4	34.4	34.9
Other finance costs	0.9	1.0	0.4	0.6	1.3	1.6
Taken to the Consolidated Statement of Comprehensive Income						
Actual return on plan assets	31.7	56.5	0.5	1.3	32.2	57.8
Less: expected return on plan assets	(32.2)	(32.5)	(0.9)	(0.8)	(33.1)	(33.3)
	(0.5)	24.0	(0.4)	0.5	(0.9)	24.5
Other actuarial losses	(41.7)	(25.3)	(2.4)	(2.6)	(44.1)	(27.9)
Actuarial losses recognised in the Consolidated Statement of Comprehensive Income	(42.2)	(1.3)	(2.8)	(2.1)	(45.0)	(3.4)

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit method. The Group made contributions of £6.6m in 2011 (2010: £9.3m) in addition to the employers regular contributions. The total contributions to the defined benefit plans in 2012 are expected to be £9.5m. Plan assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts to each category of plan assets and allowing for plan expenses.

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

	UK pensions		North American pensions		Post-retirement healthcare	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Main assumptions						
Rate of salary increase	3.1	3.4	3.4	3.7	n/a	n/a
Rate of increase in pensions in payment						
Pre 6 April 2006 service	2.9	3.1	n/a	n/a	n/a	n/a
Post 6 April 2006 service	1.9	2.0	n/a	n/a	n/a	n/a
Discount rate	4.8	5.4	4.5	5.3	4.5	5.4
Expected rates of return on plan assets						
Equities	8.1	7.7	6.2	7.7	n/a	n/a
Bonds	3.3	3.8	4.1	5.1	n/a	n/a
Insurance policy	4.8	5.4	n/a	n/a	n/a	n/a
Other	3.3	3.8	3.8	3.9	n/a	n/a
Inflation assumption	3.1	3.4	2.2	2.4	2.1	2.4
Rate of increase in healthcare costs	n/a	n/a	n/a	n/a	**	*

* 8.60% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.
** 8.30% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.

	UK pensions		North American pensions		Post-retirement healthcare	
	2011 Years	2010 Years	2011 Years	2010 Years	2011 Years	2010 Years
Post-retirement mortality						
Current pensioners at 65 - male	20.9	20.9	19.3	18.9	19.1	19.1
Current pensioners at 65 - female	23.7	23.7	21.3	21.1	21.0	21.0
Future pensioners at 65 - male	23.8	23.8	19.5	19.1	19.1	19.1
Future pensioners at 65 - female	26.6	26.6	21.4	21.2	21.0	21.0

The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2041 (in 30 years time).

The assumed investment return and discount rate have a significant effect on the reported retirement benefit obligation and the income statement expense for 2012. The effect of a one percentage point change in those assumptions is set out in the table below.

	Increase 2011 £m	Decrease 2011 £m	Increase 2010 £m	Decrease 2010 £m
Expected investment return				
Effect on Consolidated Income Statement in the following financial year	6.0	(6.0)	5.8	(5.8)
Discount rate				
Effect on Consolidated Income Statement in the following financial year	0.8	(2.1)	1.8	(3.1)
Effect on retirement benefit obligation	71.1	(71.7)	61.2	(72.8)

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

	Increase 2011 £m	Decrease 2011 £m	Increase 2010 £m	Decrease 2010 £m
Effect on defined benefit obligation	0.6	(0.5)	0.6	(0.5)

Notes to the Group Financial Statements (continued)

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

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

	UK pensions		North American pensions & post-retirement healthcare		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Opening defined benefit obligations	633.9	600.3	25.9	22.9	659.8	623.2
Current service cost	1.3	1.3	-	-	1.3	1.3
Past service gain - exceptional item (note 5)	(19.0)	-	-	-	(19.0)	-
Interest cost	33.1	33.5	1.3	1.4	34.4	34.9
Benefits paid	(29.5)	(27.3)	(1.3)	(1.6)	(30.8)	(28.9)
Contributions by employees	0.8	0.8	-	-	0.8	0.8
Actuarial losses	41.7	25.3	2.4	2.6	44.1	27.9
Exchange adjustment	-	-	0.3	0.6	0.3	0.6
Closing defined benefit obligations	662.3	633.9	28.6	25.9	690.9	659.8

The defined benefit obligations comprise £8.4m (2010: £8.4m) arising from unfunded plans and £682.5m (2010: £651.4m) from plans that are wholly or partially funded.

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

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

	UK pensions		North American pensions & post-retirement healthcare		Total	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Opening plan assets	580.6	539.8	14.2	12.4	594.8	552.2
Expected return on plan assets	32.2	32.5	0.9	0.8	33.1	33.3
Employer contributions	8.1	10.8	1.1	1.6	9.2	12.4
Contributions by employees	0.8	0.8	-	-	0.8	0.8
Benefits paid	(29.5)	(27.3)	(1.3)	(1.6)	(30.8)	(28.9)
Actuarial (losses) gains	(0.5)	24.0	(0.4)	0.5	(0.9)	24.5
Exchange adjustment	-	-	-	0.5	-	0.5
Closing plan assets	591.7	580.6	14.5	14.2	606.2	594.8

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

History of experience gains & losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
UK pensions					
Fair value of plan assets	591.7	580.6	539.8	487.7	586.2
Present value of defined benefit obligations	(662.3)	(633.9)	(600.3)	(501.3)	(551.4)
(Deficit) surplus in the plans	(70.6)	(53.3)	(60.5)	(13.6)	34.8
Experience adjustments arising on plan liabilities	0.9	(2.8)	(10.6)	(10.0)	(7.2)
Changes in assumptions underlying plan liabilities	(42.6)	(22.5)	(111.6)	70.7	49.3
Experience adjustments arising on plan assets	(0.5)	24.0	64.4	(119.2)	(19.6)
North American pensions & post-retirement healthcare					
Fair value of plan assets	14.5	14.2	12.4	61.2	57.5
Present value of defined benefit obligations	(28.6)	(25.9)	(22.9)	(77.5)	(63.5)
Deficit in the plans	(14.1)	(11.7)	(10.5)	(16.3)	(6.0)
Experience adjustments arising on plan liabilities	(0.3)	(0.3)	1.5	-	(2.0)
Changes in assumptions underlying plan liabilities	(2.1)	(2.3)	(1.2)	0.1	1.0
Experience adjustments arising on plan assets	(0.4)	0.5	(0.2)	(3.6)	(0.1)

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since 28 December 2003 is a loss of £95.0m (2010: £50.0m).

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

Notes to the Group Financial Statements (continued)

25. Share capital & reserves

	2011 Number Million	2010 Number Million
Issued & fully paid share capital		
At the beginning of the period	212.8	212.7
Issued during the period in respect of LTIP awards	0.2	0.1
At the end of the period	213.0	212.8
Treasury shares		
At the beginning of the period	2.1	2.5
Issued during the period in respect of LTIP awards	(0.4)	(0.4)
At the end of the period	1.7	2.1

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

As at 30 December 2011, 168,142 shares (2010: 134,809 shares) were held by the EBT with a market value of £3.4m (2010: £2.4m).

Capital redemption reserve

The capital redemption reserve was created by a repurchase and cancellation of own shares during the 53 weeks ended 1 January 1999.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and the Group's hedge of its net investment in foreign operations.

Hedge accounting reserve

This reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective. Net gains (losses) transferred from equity into profit or loss during the period are included in the following line items in the Consolidated Income Statement.

	2011 £m	2010 £m
Revenue	(0.5)	0.4
Cost of sales	2.0	0.4
Finance costs	-	(0.7)
	1.5	0.1

26. Additional cash flow information

	2011 £m	2010 £m
Continuing operations		
Net cash generated from operations		
Operating profit	408.6	291.5
Share of results of joint ventures	(4.8)	(4.6)
Depreciation & amortisation of property, plant & equipment & intangible assets	60.4	52.3
Impairment of plant & equipment	0.4	0.2
(Gains) losses on disposal of property, plant & equipment	(0.8)	0.1
Defined benefit plans past service gain	(19.0)	-
Funding of pension & post-retirement costs	(1.3)	(1.8)
Employee share schemes	4.9	3.0
Net foreign exchange including derivative financial instruments	4.5	(0.5)
Increase in provisions	5.0	2.1
Cash generated from operations before working capital cash flows	457.9	342.3
Increase in inventories	(137.6)	(39.9)
Increase in trade & other receivables & construction contracts	(127.8)	(61.8)
Increase in trade & other payables & construction contracts	110.1	34.3
Cash generated from operations	302.6	274.9
Additional pension contributions paid	(6.6)	(9.3)
Income tax paid	(97.3)	(72.4)
Net cash generated from operating activities	198.7	193.2

Acquisitions of subsidiaries

The settlement of the external debt of Weir Seaboard on acquisition has been classified as a financing cash flow in accordance with IAS7. The following tables summarise the cashflows arising on acquisitions:

	2011 £m	2010 £m
Current period acquisitions (see below)	(384.1)	(203.3)
Previous periods acquisitions deferred consideration paid	(1.9)	(0.1)
	(386.0)	(203.4)
Settlement of external debt of subsidiary on acquisition	(55.4)	-
Acquisition of subsidiaries - current year acquisitions	(384.1)	(203.3)
Total cash outflow on acquisition of subsidiaries - current year (note 13)	(439.5)	(203.3)
Previous periods acquisitions deferred consideration paid	(1.9)	(0.1)
Total cash outflow relating to acquisitions	(441.4)	(203.4)
Disposals of subsidiaries		
Previous periods disposals	-	(0.7)
Reconciliation of net increase in cash & cash equivalents to movement in net debt		
Net increase in cash & cash equivalents from continuing operations	5.7	41.3
Net decrease in cash & cash equivalents from discontinued operations - operating activities (note 8)	-	(18.6)
Net increase in cash & cash equivalents from discontinued operations - investing activities (note 8)	24.6	-
Net increase in debt	(362.8)	(165.5)
Change in net debt resulting from cash flows	(332.5)	(142.8)
Lease inceptions	(0.9)	(0.2)
Leases acquired	-	(0.3)
Loans acquired	(55.6)	(15.5)
Foreign currency translation differences	(0.6)	(5.6)
Change in net debt during the period	(389.6)	(164.4)
Net debt at the beginning of the period	(283.6)	(119.2)
Net debt at the end of the period	(673.2)	(283.6)
Net debt comprises the following		
Cash & short-term deposits (note 19)	113.9	84.0
Current interest-bearing loans & borrowings (note 20)	(92.0)	(6.3)
Non-current interest-bearing loans & borrowings (note 20)	(695.1)	(361.3)
	(673.2)	(283.6)

Notes to the Group Financial Statements (continued)

27. Commitments & legal claims

Operating lease commitments

The Group has entered into commercial leases for land and buildings, motor vehicles and plant and equipment. Land and building leases have an average term of between two and ten years, motor vehicles leases have an average term of between two and four years and plant and equipment leases have an average term of between three and five years. Certain leases have terms of renewal, at the option of the lessee, but there are no purchase options or escalation clauses. Future minimum rentals payable under non-cancellable operating leases are shown in the table below.

	2011 £m	2010 £m
Less than one year	16.0	15.6
After one year but not more than five years	44.2	41.4
More than five years	11.1	14.8
	71.3	71.8

Finance lease commitments

The Group has finance leases for buildings and items of plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are shown in the table below.

	Minimum payments 2011 £m	Present value of payments 2011 £m	Minimum payments 2010 £m	Present value of payments 2010 £m
Less than one year	0.5	0.5	0.5	0.5
After one year but not more than five years	0.6	0.6	0.4	0.4
After five years	0.1	-	-	-
Total minimum lease payments	1.2		0.9	
Less amounts representing finance charges	(0.1)		-	
Present value of minimum lease payments	1.1	1.1	0.9	0.9

The weighted average outstanding lease term is 4.58 years (2010: 2.32 years). For the 52 weeks ended 30 December 2011, the weighted average effective borrowing rate was 5.95% (2010: 9.22%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital commitments

	2011 £m	2010 £m
Outstanding capital commitments contracted but not provided for - property, plant & equipment	28.2	6.2

The Group's share of the capital commitments of its joint ventures amounted to £0.3m (2010: £0.2m).

Legal claims

The company and certain subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the normal course of business.

The Company is subject to a claim relating to a civil action for damages arising from the UN Oil for Food Programme which has been raised in the United States against just under 100 companies. This action will be robustly defended.

To the extent not already provided for, the directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

28. Equity settled share-based payments

LTIP

There are three types of award which may be made under the LTIP to senior executives: performance shares, matching shares and investment shares. Details of each award are outlined in the Remuneration report on pages 44 to 53.

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

	2011 Number Million	2011 WASP	2010 Number Million	2010 WASP
Outstanding at the beginning of the period	2.5	£6.32	2.4	£5.54
Awarded during the period	0.5	£16.13	0.7	£9.39
Exercised during the period	(0.6)	£7.47	(0.5)	£7.27
Forfeited during the period	(0.1)	£7.03	(0.1)	£5.20
Outstanding at the end of the period	2.3	£8.26	2.5	£6.32

An amount of £4.9m (2010: £3.0m) has been charged to the Consolidated Income Statement in respect of the number of awards which are expected to be made at the end of the vesting period. This comprises an amount of £1.4m (2010: £1.0m) in respect of parent company employees and £3.5m (2010: £2.0m) in respect of employees of subsidiaries the latter including an amount of £0.1m in respect of a one-off conditional award made to a senior executive. Certain subsidiary companies made a cash contribution to the parent company of £2.0m (2010: £1.2m) in the period in respect of their employees LTIP awards.

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

Year of award	2011 Number Million	2011 Remaining contractual life	2010 Number Million	2010 Remaining contractual life
2008	-	-	0.6	3 months
2009	1.2	3 months	1.2	15 months
2010	0.6	15 months	0.7	27 months
2011	0.5	27 months	-	-

Fair value of equity settled share-based payments

The fair value of the conditional awards under the LTIP have been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the 52 weeks ended 30 December 2011 and the 52 weeks ended 31 December 2010.

	2011	2010
Weighted average dividend yield (%)	-	2.01
Weighted average expected volatility (%)	50.00	55.00
Weighted average expected life (years)	3.00	3.00
Weighted average risk free rate (%)	1.66	1.84
Weighted average share price (£)	16.13	9.39
Weighted average fair value (£)	12.69	7.55

The expected life of the awards is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. Market related performance conditions have been taken into account in the calculation of fair values.

Notes to the Group Financial Statements (continued)

29. Related party disclosures

The following table provides the total amount of significant transactions which have been entered into with related parties for the relevant financial year and outstanding balances at the period end.

Related party		Sales to related parties - goods £m	Sales to related parties - services £m	Purchases from related parties - goods £m	Amounts owed to related parties £m
Joint ventures	2011	0.7	-	2.4	-
	2010	0.6	0.2	0.1	-
Group pension plans	2011	-	-	-	1.5
	2010	-	-	-	0.2

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

Terms & conditions of transactions with related parties

Sales to and from related parties are made at normal market prices. Outstanding balances at the period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party balances. For the 52 weeks ended 30 December 2011, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2010: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel

	2011 £m	2010 £m
Short-term employee benefits	6.6	4.9
Share-based payments	2.0	1.6
	8.6	6.5

Key management comprises the Board and the Group Executive. Further details of the Board remuneration can be found in the Remuneration report on pages 44 to 53.

30. Financial assets & liabilities

Financial risk management objectives & policies

The principal financial risks to which the Group is exposed are those relating to foreign currency, liquidity and credit risk. Foreign currency transactional risk arises when operating subsidiaries enter into transactions denominated in currencies other than their functional currencies. Translational risk arises on the translation of overseas earnings and investments into sterling for consolidated reporting purposes. Credit risk is the risk that a customer or counterparty fails to meet an obligation under a contract and liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. In addition, the Group is subject to a degree of interest rate risk on its borrowings. The Group uses financial assets and liabilities, including derivatives, to hedge certain foreign exchange and interest rate risks as set out below.

Foreign exchange risk policy

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

In respect of transactional foreign currency risk, the Group maintains a policy that all operating units eliminate exposures on material committed transactions, usually by undertaking forward foreign currency contracts through the Group's treasury function. In addition, it is Group policy that those companies where the most significant concentration of foreign exchange risk has been identified also apply hedge accounting in accordance with IAS39. Therefore, some of the Group's forward foreign currency contracts form part of an effective cash flow hedge. Exchange rate fluctuations in respect of the forward foreign currency contracts which form part of a cash flow hedge will have an impact on shareholders equity. Exchange rate fluctuations in respect of the other forward foreign currency contracts will have an impact on profit or loss. It is Group policy not to engage in any speculative transaction of any kind.

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

Liquidity risk policy

Liquidity risk could impact negatively on the Group's reputation, borrowing costs or ultimately its ability to continue as a going concern. Liquidity risk is managed by monitoring forecast and actual cash flows and ensuring that sufficient committed facilities are in place to meet possible downside scenarios. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and fixed rate notes. Further details of the Group's borrowing facilities are disclosed in note 20.

Credit risk policy

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

The Group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments. The Group's credit risk is primarily attributable to its trade receivables with risk spread over a large number of countries and customers, with no significant concentration of risk. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. Credit worthiness checks are also undertaken with external credit rating agencies before entering into contracts with new customers and credit limits are set as appropriate and adhered to. As shown in note 17, the trade receivables presented in the balance sheet are net of allowance for doubtful debts. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group's exposure to the credit risk of financial institutions is limited by the adherence to counterparty limits and by only trading with counterparties that have a strong credit standing based upon ratings provided by the major agencies.

Interest rate risk policy

The Group's borrowings are in a combination of fixed and variable rates of interest. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate for the Group in the short to medium-term. On 23 November 2011, the Group entered into a new 3 year term loan of US$300m and a new 18 month US$380m bridging loan. This reduced the proportion of fixed rate borrowings from 44% as at 31 December 2010 to 20% as at 30 December 2011.

On 16 February 2012, the Group issued US$1bn of fixed rate notes to the US private placement market with maturities of seven years (US$210.0m), ten years (US$590.0m) and eleven years (US$200.0m). On receipt of these funds, the Group repaid the US$380.0m bridging loan and reduced the proportion of floating rate borrowings. This matured when the notes were issued.

Net investment in foreign operations

As at 30 December 2011, US dollar fixed rate notes of US$160.0m (2010: US$160.0m) and US dollar variable rate loans of US$926.5m (2010: US$322.5m), both included in interest-bearing loans and borrowings, cross currency swaps of US$254.0m (2010: US$334.0m) and net forward foreign currency liability contracts of US$48.0m (2010: US$48.0m) have been designated as a hedge of the Group's exposure to translational foreign exchange risk on its net investments in Weir SPM, Weir Warman and Weir Seaboard. Gains or losses on the retranslation of the borrowings and the fair value of the cross currency swaps and forward foreign currency contracts are transferred to equity to offset any gains or losses on translation of the net investments in these subsidiaries.

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

Carrying amounts & fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

	Carrying amount 2011 £m	Fair value 2011 £m	Carrying amount 2010 Restated (note 2) £m	Fair value 2010 Restated (note 2) £m
Financial assets				
Derivative financial instruments recognised at fair value through profit or loss	5.8	5.8	8.3	8.3
Derivative financial instruments in designated hedge accounting relationships	0.7	0.7	1.5	1.5
Trade & other receivables excluding statutory assets & prepayments	490.8	490.8	327.6	327.6
Cash & short-term deposits	113.9	113.9	84.0	84.0
	611.2	611.2	421.4	421.4
Financial liabilities				
Derivative financial instruments recognised at fair value through profit or loss	(9.2)	(9.2)	(8.3)	(8.3)
Derivative financial instruments in designated hedge accounting relationships	(30.4)	(30.4)	(40.1)	(40.1)
Amortised cost				
Bank overdrafts & short-term borrowings	(5.3)	(5.3)	(4.5)	(4.5)
Trade & other payables excluding statutory liabilities & deferred income	(497.8)	(497.8)	(318.2)	(318.2)
Obligations under finance leases	(1.1)	(1.1)	(0.9)	(0.9)
Floating rate borrowings	(622.1)	(622.1)	(204.1)	(204.1)
Fixed rate borrowings	(158.6)	(166.1)	(158.1)	(161.5)
	(1,324.5)	(1,332.0)	(734.2)	(737.6)

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The derivative financial instruments are valued using valuation techniques with market observable inputs including spot and forward foreign exchange rates and interest rate curves. The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 30 December 2011 and 31 December 2010, the Group held all financial instruments at level 2 fair value measurement. During the 52 weeks ended 30 December 2011 and the 52 weeks ended 31 December 2010, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

The fair value of cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amount due to the short-term maturities of these instruments. The fair value of borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

30. Financial assets & liabilities (continued)

Derivative financial instruments

Set out in the table below is a summary of the types of derivative financial instruments included within each balance sheet category.

	2011 £m	2010 £m
Included in non-current assets		
Forward foreign currency contracts designated as cash flow hedges	0.1	0.4
Other forward foreign currency contracts	-	0.2
	0.1	0.6
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	0.6	0.9
Forward foreign currency contracts designated as net investment hedges	-	0.2
Other forward foreign currency contracts	5.8	8.1
	6.4	9.2
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	2.1	0.5
Forward foreign currency contracts designated as net investment hedges	0.4	-
Cross currency swaps designated as net investment hedges	12.9	12.2
Other forward foreign currency contracts	9.0	8.2
	24.4	20.9
Included in non-current liabilities		
Forward foreign currency contracts designated as cash flow hedges	0.7	0.6
Cross currency swaps designated as net investment hedges	14.3	26.8
Other forward foreign currency contracts	0.2	0.1
	15.2	27.5
Net derivative financial liabilities	33.1	38.6

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

Liquidity & credit risk

The maximum exposure to credit risk at the balance sheet date is represented by the carrying value of each financial asset, including derivative financial instruments. The liabilities which could impact liquidity risk are best represented by the carrying value and maturity profile of each financial liability, including derivative financial instruments. The following tables include the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to receive or pay these financial assets or liabilities and include both interest and principal cash flows. In respect of derivative financial instruments the net credit/ liquidity risk is best represented by the net inflows (outflows) shown below together with the Group's headroom under the borrowing facilities as disclosed in note 20.

52 weeks ended 30 December 2011

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	490.8	-	-	-	490.8
Cash & short-term deposits	113.9	-	-	-	113.9
Non-derivative financial assets	604.7	-	-	-	604.7
Trade & other payables excluding statutory liabilities & deferred income	(482.3)	-	(8.2)	(15.8)	(506.3)
Obligations under finance leases	(0.5)	(0.3)	(0.3)	(0.1)	(1.2)
Bank overdrafts & short-term borrowings	(5.3)	-	-	-	(5.3)
Bank loans	(99.0)	(312.6)	(236.2)	-	(647.8)
Fixed rate notes	(7.6)	(7.6)	(86.6)	(92.7)	(194.5)
Non-derivative financial liabilities	(594.7)	(320.5)	(331.3)	(108.6)	(1,355.1)
Net non-derivative financial assets (liabilities)	10.0	(320.5)	(331.3)	(108.6)	(750.4)

52 weeks ended 31 December 2010 - restated (note 2)

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	327.6	-	-	-	327.6
Cash & short-term deposits	84.0	-	-	-	84.0
Non-derivative financial assets	411.6	-	-	-	411.6
Trade & other payables excluding statutory liabilities & deferred income	(316.5)	-	(1.7)	-	(318.2)
Obligations under finance leases	(0.5)	(0.2)	(0.2)	-	(0.9)
Bank overdrafts & short-term borrowings	(4.5)	-	-	-	(4.5)
Bank loans	(4.1)	(4.6)	(217.3)	-	(226.0)
Fixed rate loans	(7.6)	(7.6)	(89.3)	(96.9)	(201.4)
Non-derivative financial liabilities	(333.2)	(12.4)	(308.5)	(96.9)	(751.0)
Net non-derivative financial assets (liabilities)	78.4	(12.4)	(308.5)	(96.9)	(339.4)

30. Financial assets & liabilities (continued)

52 weeks ended 30 December 2011

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Cross currency swaps - outflow	(57.1)	(55.3)	(20.7)	(47.6)	(180.7)
Cross currency swaps - inflow	45.1	43.9	19.6	45.4	154.0
Cross currency swaps - net outflow	(12.0)	(11.4)	(1.1)	(2.2)	(26.7)
Forward foreign currency contracts - outflow	(642.4)	(23.1)	(6.0)	-	(671.5)
Forward foreign currency contracts - inflow	637.6	22.3	5.9	-	665.8
Forward foreign currency contracts - net outflow	(4.8)	(0.8)	(0.1)	-	(5.7)
Derivative financial instruments net outflow	(699.5)	(78.4)	(26.7)	(47.6)	(852.2)
Derivative financial instruments net inflow	682.7	66.2	25.5	45.4	819.8
Derivative financial instruments net outflow	(16.8)	(12.2)	(1.2)	(2.2)	(32.4)
Effect of discounting					(0.7)
Net derivative financial liabilities					(33.1)

52 weeks ended 31 December 2010

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

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

Interest rate risk & maturity profile

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk and the Group's notional value of derivative financial instruments, by maturity, exposed to interest rate risk.

52 weeks ended 30 December 2011

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

30. Financial assets & liabilities (continued)

52 weeks ended 31 December 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Fixed net debt					
Bank loans	(0.3)	(0.3)	(0.1)	-	(0.7)
Fixed rate notes	-	-	(69.7)	(87.7)	(157.4)
Obligations under finance leases	(0.5)	(0.2)	(0.2)	-	(0.9)
	(0.8)	(0.5)	(70.0)	(87.7)	(159.0)
Fixed rate derivatives					
Notional cross currency swaps US dollar leg	-	-	(12.5)	(44.8)	(57.3)
Notional cross currency swaps sterling leg	-	-	12.0	43.0	55.0
	-	-	(0.5)	(1.8)	(2.3)
Net fixed rate financial instruments	(0.8)	(0.5)	(70.5)	(89.5)	(161.3)
Floating rate net debt					
Cash & short-term deposits	84.0	-	-	-	84.0
Bank overdrafts & short-term borrowings	(4.5)	-	-	-	(4.5)
Bank loans	(1.0)	-	(203.1)	-	(204.1)
	78.5	-	(203.1)	-	(124.6)
Floating rate derivatives					
Notional cross currency swaps US dollar leg	(51.3)	(53.3)	(52.0)	-	(156.6)
Notional cross currency swaps sterling leg	39.1	40.6	41.0	-	120.7
	(12.2)	(12.7)	(11.0)	-	(35.9)
Net floating rate financial instruments	66.3	(12.7)	(214.1)	-	(160.5)

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

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

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

	Increase in basis points	Effect on profit before tax gain (loss) £m	Effect on equity gain (loss) £m
2011			
Canadian dollar	**+ 100**	**-**	**-**
UK sterling	**+ 100**	**1.5**	**-**
US dollar	**+ 100**	**(1.8)**	**(9.1)**
2010			
Canadian dollar	+ 100	0.1	-
UK sterling	+ 100	1.9	-
US dollar	+ 100	(4.0)	0.3

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

Effect of hedging & derivative financial instruments included in the income statement & equity

The Group uses forward foreign currency contracts to hedge currency risk associated with expected future sales or purchases for which the Group has firm commitments. The terms of the forward foreign currency contracts are negotiated to match the terms of the commitments. Within the Group, two subsidiaries apply cash flow hedge accounting to these transactions. Any gains and losses on ineffective hedges were taken to the income statement in the period. All other forward foreign currency contracts, while representing commercial hedges, are not subject to cash flow hedge accounting with all fair value movements being recognised in the income statement.

The net carrying amount, maturity dates and the amounts recognised for the period in profit or loss and equity for each derivative financial instrument are set out below.

52 weeks ended 30 December 2011

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

52 weeks ended 31 December 2010

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

The £0.2m gain (2010: £0.1m) recognised in profit or loss in respect of cross currency swaps designated as net investment hedges reflects the benefit of US dollar / sterling interest rate differential. The Group's forward foreign currency contracts subject to cash flow hedge accounting which were deemed to be ineffective during the period resulted in a net charge to the income statement of £nil (2010: £0.3m). The interest rate swaps which were used by the Group to convert borrowings from floating to fixed rates of interest matured during 2010. In 2010 there was no ineffectiveness in relation to the Group's interest rate swaps.

30. Financial assets & liabilities (continued)

Foreign exchange risk

The Group considers the most significant foreign exchange risk relates to the Australian dollar, Canadian dollar, Euro and United States dollar. The following table demonstrates the sensitivity to a reasonably possible change in these foreign currency exchange rates with all other variables held constant. The sensitivity analysis shows the effect on profit or loss in respect of financial assets and liabilities denominated in foreign currency, including payables, receivables, borrowings and forward foreign currency contracts but excluding all financial assets and liabilities qualified as either cash flow or net investment hedges. The sensitivity analysis also shows the effect on equity in respect of financial assets and liabilities denominated in foreign currency qualified as either cash flow or net investment hedges including forward foreign currency contracts, borrowings and cross currency swaps. The sensitivity analysis adjusts the translation of each respective financial asset or liability at the financial year end for a 25% strengthening of sterling against the relevant exchange rates.

	Increase in currency rate	Effect on profit gain (loss) £m	Effect on equity gain (loss) £m
2011			
Australian dollar	**+25%**	**0.3**	**-**
Canadian dollar	**+25%**	**0.5**	**-**
Euro	**+25%**	**(12.6)**	**(1.4)**
US dollar	**+25%**	**9.6**	**183.7**
2010			
Australian dollar	+25%	0.5	-
Canadian dollar	+25%	(0.4)	-
Euro	+25%	2.4	(0.9)
US dollar	+25%	6.2	113.9

As noted above, the Group does not hedge translational exposure arising from profit and loss items. The Group's operating profit from continuing operations before exceptional items and intangibles amortisation was denominated in the following currencies.

	2011 £m	2010 £m
US dollar	**253.5**	163.6
Australian dollar	**57.0**	39.7
Euro	**27.7**	47.3
Canadian dollar	**29.5**	8.3
Brazilian real	**11.7**	8.7
Chilean peso	**24.4**	19.6
South African rand	**8.4**	8.1
Other	**0.5**	14.4
Operating profit from continuing operations before exceptional items & intangibles amortisation	**412.7**	309.7

Notes to the Group Financial Statements (continued)

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains robust capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using the following indicators.

Gearing ratio

Gearing comprises net debt divided by total equity. Net debt comprises cash and short-term deposits and interest-bearing loans and borrowings (note 26).

	2011	2010
Net debt (£m)	673.2	283.6
Total equity (£m)	1,118.1	921.7
Gearing ratio (%)	60	31

Net debt to EBITDA cover

Net debt to EBITDA comprises net debt divided by operating profit from continuing operations before exceptional items, depreciation, intangibles amortisation and impairment.

	2011	2010
Net debt (£m)	673.2	283.6
Operating profit (£m)	408.6	291.5
Exceptional item included in operating profit (note 5) (£m)	(19.0)	-
Depreciation, intangibles amortisation & impairment (£m)	60.8	52.5
EBITDA (£m)	450.4	344.0
Net debt to EBITDA cover (ratio)	1.5	0.8

Interest cover

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

	2011	2010
Operating profit before exceptional items & intangibles amortisation (£m)	412.7	309.7
Net finance costs (excluding exceptional item and other finance costs) (£m)	15.1	13.4
Interest cover (ratio)	27.3	23.1

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

Net debt to EBITDA cover - lender covenants basis

	2011	2010
Net debt at average exchange rates (£m)	652.5	286.4
Operating profit* (£m)	437.6	305.5
Exceptional item included in operating profit (note 5) (£m)	(19.0)	-
Depreciation, intangibles amortisation & impairment* (£m)	65.8	55.5
EBITDA* (£m)	484.4	361.0
Net debt to EBITDA cover (ratio)	1.3	0.8

Interest cover - lender covenants basis

	2011	2010
Operating profit before exceptional items & intangibles amortisation* (£m)	441.7	323.7
Net finance costs (excluding exceptional item and other finance costs)* (£m)	15.1	13.4
Interest cover (ratio)	29.3	24.2

* Adjusted for current year acquisitions.

32. Exchange rates

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

	2011	2010
Average rate (per £)		
US dollar	1.60	1.55
Australian dollar	1.56	1.68
Euro	1.15	1.17
Canadian dollar	1.59	1.59
Brazilian real	2.68	2.72
Chilean peso	774.99	788.31
South African rand	11.64	11.32
Closing rate (per £)		
US dollar	1.55	1.56
Australian dollar	1.51	1.52
Euro	1.20	1.17
Canadian dollar	1.58	1.55
Brazilian real	2.89	2.59
Chilean peso	805.90	729.68
South African rand	12.53	10.27

33. Events after the balance sheet date

On 22 February 2012, the Group completed the acquisition of Novatech LLC for an equivalent enterprise value of US$176m (£112m).

On 16 February 2012, the Group issued US$1bn of senior unsecured fixed rate notes through a private placement to US investors with maturities of 7, 10 and 11 years and an average interest rate of 4.16%. The proceeds were used to repay the US$380m bridging loan taken out to fund the Seaboard acquisition, to fund the acquisition of Novatech and repay other borrowing facilities.

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

Independent Auditors Report

Independent auditors report to the members of The Weir Group PLC

We have audited the Company financial statements of The Weir Group PLC for the 52 weeks ended 30 December 2011 which comprise the Company Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK GAAP).

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

Respective responsibilities of directors & auditor

As explained more fully in the Directors statement of responsibilities set out on page 43, the directors are responsible for the preparation of the Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 December 2011;
- have been properly prepared in accordance with UK GAAP; and
- have been prepared in accordance with the requirements of the 2006 Act.

Opinion on other matter prescribed by the 2006 Act

In our opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the 2006 Act; and
- the information given in the Directors report for the financial year for which the financial statements are prepared is consistent with the Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the 2006 Act requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of The Weir Group PLC for the 52 weeks ended 30 December 2011.

Hywel Ball (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
29 February 2012

Company Balance Sheet

at 30 December 2011

	Notes	30 December 2011 £m	31 December 2010 £m
Fixed assets			
Tangible assets	3	**0.8**	0.3
Investments	4	**1,597.5**	1,138.9
Total fixed assets		**1,598.3**	1,139.2
Current assets			
Debtors	5	**30.3**	20.5
Derivative financial instruments	10	**17.6**	13.7
Cash at bank & in hand		**47.3**	5.5
Total current assets		**95.2**	39.7
Creditors falling due within one year			
Creditors	6	**568.7**	306.9
Derivative financial instruments	10	**29.6**	25.5
Total current liabilities		**598.3**	332.4
Net current liabilities		**503.1**	292.7
Total assets less current liabilities		**1,095.2**	846.5
Creditors falling due after more than one year			
Loans	7	**694.4**	391.4
Derivative financial instruments	10	**15.5**	28.2
Total creditors falling due after more than one year		**709.9**	419.6
Provisions	8	**5.4**	9.2
Net assets excluding retirement benefits		**379.9**	417.7
Retirement benefits	9	**1.0**	0.9
Net assets including retirement benefits		**378.9**	416.8
Capital & reserves			
Share capital	11	**26.6**	26.6
Share premium	12	**38.0**	38.0
Treasury shares	12	**(5.6)**	(6.8)
Capital redemption reserve	12	**0.5**	0.5
Special reserve	12	**1.8**	1.8
Profit & loss account	12	**317.6**	356.7
Total equity		**378.9**	416.8

Approved by the Board of Directors on 29 February 2012

Keith Cochrane, Director

Jon Stanton, Director

Notes to the Company Financial Statements

1. Accounting policies

The accounting policies which follow have been applied consistently to all periods presented in these financial statements.

Basis of preparation

The Company financial statements have been prepared in accordance with UK GAAP and applicable accounting standards.

Foreign currency translation

The presentation and functional currency of the Company is sterling. Transactions denominated in foreign currencies are translated into the Company's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the profit and loss account except when hedge accounting is applied.

Tangible assets

Tangible assets are stated at cost and the cost is depreciated over the estimated useful life by equal annual instalments at rates of 7.5% for office equipment and 25% for computer equipment.

Investments

Investments in subsidiaries are held at historical cost less a provision for impairment.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Post-employment benefits

The Company and other UK subsidiaries of the Group participate in multi-employer defined benefit pension plans which are set up under separate trusts. These plans are operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities and, in accordance with FRS17, the Company accounts for its contributions to the plans as if they are defined contribution plans.

In addition, the Company has unfunded unapproved pension promises. Contributions are made to the plans on the advice of an independent qualified actuary. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the Company's unfunded unapproved pension promises expected to arise from employee service in the period is charged against operating profit. The increase in the period in the present value of the plan's liabilities, arising from the passage of time, is included in other finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Contributions to defined contribution pension plans are charged to the profit and loss account when they become payable.

Leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Share-based payments

Equity settled share-based incentives are provided to employees under the Company's Long Term Incentive Plan ("LTIP"). The Company recognises a compensation cost in respect of this plan that is based on the fair value of the awards. The fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions.

As permitted by FRS20, the Company has applied FRS20 "Share-based Payment" retrospectively only to equity-settled awards that had not vested as at 1 January 2005 and were granted on or after 7 November 2002.

Financial assets & liabilities

The Company's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short-term borrowings, loans and fixed rate notes, cash and short-term deposits.

A financial asset is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

1. Accounting policies (continued)

Derivative financial instruments

The Company uses derivative financial instruments, principally forward foreign currency contracts, to reduce its exposure to exchange rate movements.

Additionally, the Company uses interest rate swaps to manage its exposure to interest rate risk. The Company does not hold or issue derivatives for speculative or trading purposes. Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. Changes in their fair values have been recognised in the profit and loss account, except where hedge accounting is used, provided the conditions specified by FRS26 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under FRS26 and practical to do so. When hedge accounting is used, the relevant hedging relationships will be classified as a cash flow hedge.

To the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in equity rather than in the profit and loss account. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the profit and loss account or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

The Company has taken advantage of the exemption in FRS29 and has not disclosed information required by that standard in relation to derivative financial instruments as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS7.

Treasury shares

The Weir Group PLC shares held by the Company are classified in shareholders equity as treasury shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken directly to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

2. Profit attributable to the Company

The profit dealt with in the accounts of the Company was £11.6m (2010: £94.3m). In accordance with the concession granted under section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

Dividends paid & proposed

	2011 £m	2010 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2010: 21.0p (2009: 16.20p)	**44.3**	34.1
Interim dividend for 2011: 7.2p (2010: 6.00p)	**15.2**	12.6
	59.5	46.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2011: 25.8p (2010: 21.0p)	**54.5**	44.3

The proposed dividend is based on the number of shares in issue, excluding treasury shares, at the date the financial statements were approved and authorised for issue. The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of the report and financial statements and the record date for the final dividend.

Directors

Details of directors remuneration, benefits and LTIP awards are included in the Remuneration report on pages 44 to 53.

Auditors remuneration

The total fees payable by the Company to Ernst & Young LLP for work performed in respect of the audit of the Company were £13,000 (2010: £13,000). Fees paid to Ernst & Young LLP for non-audit services to the Company itself are not disclosed in these accounts as the Group's consolidated financial statements, in which the Company is included, are required to disclose such fees on a consolidated basis.

Notes to the Company Financial Statements (continued)

3. Tangible assets

	Office & computer equipment £m
Cost	
At 31 December 2010	**1.2**
Additions	**0.6**
At 30 December 2011	**1.8**
Aggregate depreciation	
At 31 December 2010	**0.9**
Charge for year	**0.1**
At 30 December 2011	**1.0**
Net book value at 31 December 2010	0.3
Net book value at 30 December 2011	**0.8**

4. Fixed asset investments

	Subsidiaries Shares £m	Subsidiaries Loans £m	Total £m
Cost			
At 31 December 2010	**549.4**	**595.1**	**1,144.5**
Additions	**43.3**	**472.9**	**516.2**
Repayments	**-**	**(57.6)**	**(57.6)**
At 30 December 2011	**592.7**	**1,010.4**	**1,603.1**
Impairment			
At 31 December 2010 & at 30 December 2011	**0.2**	**5.4**	**5.6**
Net book value at 31 December 2010	549.2	589.7	1,138.9
Net book value at 30 December 2011	**592.5**	**1,005.0**	**1,597.5**

The principal subsidiaries and joint ventures of the Company are listed on page 136.

5. Debtors

	2011 £m	2010 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	**21.3**	16.6
Tax recoverable	**0.8**	0.6
Deferred tax recoverable	**5.7**	1.3
Other debtors	**1.9**	1.5
Prepayments & accrued income	**0.6**	0.5
	30.3	20.5

6. Creditors

	2011 £m	2010 £m
Bank overdrafts & short-term borrowings	**197.0**	92.3
Loans from subsidiaries	**345.2**	196.1
Amounts owed to subsidiaries	**2.0**	2.2
Other taxes & social security costs	**2.0**	1.4
Other creditors	**4.3**	2.4
Accruals & deferred income	**18.2**	12.5
	568.7	306.9

7. Loans

	2011 £m	2010 £m
Amounts due are repayable as follows		
Less than one year		
- bank loans	**85.9**	1.0
- loans from subsidiaries	**345.2**	196.1
More than one year but not more than two years		
- bank loans	**304.4**	-
- loans from subsidiaries	**-**	30.8
More than two years but not more than five years		
- bank loans	**231.8**	203.1
- fixed rate notes	**70.1**	69.7
- loans from subsidiaries	**-**	0.1
More than five years		
- fixed rate notes	**88.1**	87.7
	1,125.5	588.5
Less current instalments due on:		
- bank loans	**(85.9)**	(1.0)
- loans from subsidiaries	**(345.2)**	(196.1)
	694.4	391.4

8. Provisions

	Subsidiaries £m	Discontinued operations warranty & indemnity £m	Total £m
At 31 December 2010	**5.1**	**4.1**	**9.2**
Released - unutilised	**(3.8)**	**-**	**(3.8)**
At 30 December 2011	**1.3**	**4.1**	**5.4**

Subsidiaries

As at 30 December 2011, a provision of £1.3m (2010: £5.1m) has been made against the deficiency of underlying net assets in certain subsidiaries. It is expected that this amount will be settled within one year of the balance sheet date.

Discontinued operations warranty & indemnity

Provisions in respect of discontinued operations include provision for warranty and indemnity exposures under asset and share agreements. The provision as at 30 December 2011 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ, and in some cases, this will be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within two years of the balance sheet date.

Notes to the Company Financial Statements (continued)

9. Retirement benefits

The net pension liability in respect of the Company unapproved plan is reflected on the Company's balance sheet. The liabilities of the Company unapproved plan are shown below.

	2011 £m	2010 £m
Present value of plan liabilities	(1.4)	(1.3)
Related deferred tax asset	0.4	0.4
Net pension liability	(1.0)	(0.9)

	2011 £m	2010 £m
Recognised in the profit & loss account		
Interest cost on plan liabilities	0.1	0.1
Other finance costs	0.1	0.1

The major assumptions used by the actuary for the Company unapproved plan were as follows.

	2011 %	2010 %
Rate of increase in pensions in payment	2.9	3.1
Discount rate	4.8	5.4
Inflation assumption	3.1	3.4

The mortality assumptions used were as follows.

	2011 Years	2010 Years
Post-retirement mortality		
Current pensioners at 65 - male	20.9	20.9
Current pensioners at 65 - female	23.7	23.7
Future pensioners at 65 - male	23.8	23.8
Future pensioners at 65 - female	26.6	26.6

The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2041 (in 30 years time).

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

	2011 £m	2010 £m
Opening defined benefit obligations	1.3	1.1
Interest cost	0.1	0.1
Benefits paid	(0.1)	(0.1)
Actuarial losses	0.1	0.2
Closing defined benefit obligations	1.4	1.3

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

	2011 £m	2010 £m
Opening plan assets	-	-
Employer contributions	0.1	0.1
Benefits paid	(0.1)	(0.1)
Closing plan assets	-	-

9. Retirement benefits (continued)

History of experience gains & losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligation	(1.4)	(1.3)	(1.1)	(1.1)	(1.1)
Deficit in the plans	(1.4)	(1.3)	(1.1)	(1.1)	(1.1)
Experience adjustments arising on plan liabilities	-	-	-	-	(0.1)
Changes in assumptions underlying plan liabilities	(0.1)	(0.2)	-	(0.1)	0.1

In addition, the Company also participates in the defined benefit plan arrangements within The Weir Group Pension & Retirement Savings Scheme and The Weir Group 1972 Pensions and Life Assurance Plan for Senior Executives. These defined benefits plans are funded multi-employer plans which are operated by The Weir Group PLC and which are run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities. In accordance with FRS17, the Company accounts for its contributions to these plans as if they were defined contribution plans. While assets and liabilities in respect of these plans are not reflected on the Company's balance sheet, details of these are set out below.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit method. The total contributions to the defined benefit plans in 2012 are expected to be £8.0m.

Plan assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts to each category of plan assets and allowing for plan expenses. The actual return on plan assets in the period was a gain of £31.7m (2010: £56.5m).

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

	2011 %	2011 £m	2010 %	2010 £m
Equities	8.1	150.2	7.7	143.7
Bonds	3.3	91.4	3.8	95.5
Insurance policy	4.8	335.3	5.4	326.5
Other	3.3	14.8	3.8	14.9
Fair value of plan assets		591.7		580.6
Present value of plan liabilities		(660.9)		(632.6)
Net deficit in the plans		(69.2)		(52.0)

	2011 £m	2010 £m
Recognised in the profit & loss account		
Current service cost	1.3	1.3
Past service gain	(19.0)	-
Expected return on plan assets	(32.2)	(32.5)
Interest cost on plan liabilities	33.0	33.4
Other finance costs	0.8	0.9
Taken to the statement of total recognised gains & losses		
Actual return on plan assets	31.7	56.5
Less: expected return on plan assets	(32.2)	(32.5)
	(0.5)	24.0
Other actuarial losses	(41.6)	(25.1)
Actuarial losses recognised in the statement of total recognised gains & losses	(42.1)	(1.1)

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

Notes to the Company Financial Statements (continued)

9. Retirement benefits (continued)

The major assumptions used by the actuary were as follows.

	2011 %	2010 %
Rate of increase in salaries	3.1	3.4
Rate of increase in pensions in payment		
Pre 6 April 2006 service	2.9	3.1
Post 6 April 2006 service	1.9	2.0
Discount rate	4.8	5.4
Inflation assumption	3.1	3.4

The mortality assumptions used were as follows.

	2011 Years	2010 Years
Post-retirement mortality		
Current pensioners at 65 - male	20.9	20.9
Current pensioners at 65 - female	23.7	23.7
Future pensioners at 65 - male	23.8	23.8
Future pensioners at 65 - female	26.6	26.6

The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2041 (in 30 years time).

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

	2011 £m	2010 £m
Opening defined benefit obligations	632.6	599.2
Current service cost	1.3	1.3
Past service gain	(19.0)	-
Interest cost	33.0	33.4
Benefits paid	(29.4)	(27.2)
Contributions by employees	0.8	0.8
Actuarial losses	41.6	25.1
Closing defined benefit obligations	660.9	632.6

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

	2011 £m	2010 £m
Opening plan assets	580.6	539.8
Expected return on plan assets	32.2	32.5
Employer contributions	8.0	10.7
Contributions by employees	0.8	0.8
Benefits paid	(29.4)	(27.2)
Actuarial (losses) gains	(0.5)	24.0
Closing plan assets	591.7	580.6

9. Retirement benefits (continued)

History of experience gains & losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of plan assets	591.7	580.6	539.8	487.7	586.8
Present value of defined benefit obligations	(660.9)	(632.6)	(599.2)	(500.2)	(550.3)
(Deficit) surplus in the plans	(69.2)	(52.0)	(59.4)	(12.5)	36.5
Experience adjustments arising on plan liabilities	0.9	(2.8)	(10.6)	(10.0)	(7.0)
Changes in assumptions underlying plan liabilities	(42.5)	(22.3)	(111.6)	70.7	49.0
Experience adjustments arising on plan assets	(0.5)	24.0	64.4	(119.8)	(21.0)

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £252.9m (2010: £210.8m).

10. Derivative financial instruments

	2011 £m	2010 £m
Current assets		
Derivative financial instruments due within one year		
Forward foreign currency contracts	16.5	12.3
Derivative financial instruments due after more than one year		
Forward foreign currency contracts	1.1	1.4
	17.6	13.7
Creditors falling due within one year		
Cross currency swaps	12.9	12.2
Forward foreign currency contracts	16.7	13.3
	29.6	25.5
Creditors falling due after more than one year		
Cross currency swaps	14.3	26.8
Forward foreign currency contracts	1.2	1.4
	15.5	28.2

The figures in the above table are inclusive of derivative financial instruments where the counterparty is a subsidiary of The Weir Group PLC.

Notes to the Company Financial Statements (continued)

11. Share capital

	2011 £m	2010 £m
Allotted, called up & fully paid		
Ordinary shares of 12.5p each	26.6	26.6

	2011 Number Million	2010 Number Million
Shares allotted		
Issued during the period in respect of LTIP awards	0.2	0.1
Treasury shares		
At the beginning of the period	2.1	2.5
Issued during the period in respect of LTIP awards	(0.4)	(0.4)
At the end of the period	1.7	2.1
Equity settled share-based payments		
LTIP awards outstanding at the end of the period	2.3	2.5

Further details of the equity settled share-based payments and the associated cost for the period can be found in note 28 to the Group financial statements.

12. Reserves

	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Special reserve £m	Profit & loss account £m	Total £m
At 1 January 2010	38.0	(7.9)	0.5	1.8	307.1	339.5
Profit for the period	-	-	-	-	94.3	94.3
Actuarial losses on defined benefit plans	-	-	-	-	(0.2)	(0.2)
Dividends	-	-	-	-	(46.7)	(46.7)
Cost of share-based payment inclusive of tax credits	-	-	-	-	3.3	3.3
Exercise of LTIP awards	-	1.1	-	-	(1.1)	-
At 31 December 2010	38.0	(6.8)	0.5	1.8	356.7	390.2
Profit for the period	-	-	-	-	11.6	11.6
Actuarial losses on defined benefit plans	-	-	-	-	(0.1)	(0.1)
Dividends	-	-	-	-	(59.5)	(59.5)
Cost of share-based payment inclusive of tax credits	-	-	-	-	10.1	10.1
Exercise of LTIP awards	-	1.2	-	-	(1.2)	-
At 30 December 2011	38.0	(5.6)	0.5	1.8	317.6	352.3

The profit and loss account above is stated after deducting an accumulated loss in respect of retirement benefits of £1.0m (2010: £0.9m).

13. Balance sheet - deferred tax

	Deferred tax asset £m
At 31 December 2010	1.7
Included in profit for the period	(0.8)
Credit for the period included in equity	5.2
At 30 December 2011	6.1

	2011 £m	2010 £m
Included in debtors (note 5)	5.7	1.3
Included in retirement benefits (note 9)	0.4	0.4
	6.1	1.7
Other timing differences	5.7	1.3
Retirement benefits	0.4	0.4
	6.1	1.7

14. Operating lease commitments

	2011 £000	2010 £000
As at 30 December 2011, annual commitments under non-cancellable operating leases in respect of office equipment amounted to	9	15
of which payable in respect of operating leases ending in the second to fifth years inclusive	9	15

15. Contingent liabilities & legal claims

Guarantees

The Company has given guarantees in relation to the bank and other borrowings of certain subsidiary companies. The net funds of the companies party to these facilities as at 30 December 2011 amounted to £125.2m (2010: net funds of £88.3m).

Legal claims

The company and certain subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the normal course of business.

The Company is subject to a claim relating to an action for damages arising from the UN Oil for Food Programme which has been raised in the United States against just under 100 companies. This action will be robustly defended.

To the extent not already provided for, the directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Company's financial position.

16. Related party disclosures

The Company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are wholly owned by a subsidiary of The Weir Group PLC. The following table provides the total amount of transactions which have been entered into with non wholly owned related parties for the relevant financial year and outstanding balances at the period end.

Related party		Management charge £m	Amounts due by £m
Weir Minerals (India) Private Ltd	2011	0.4	0.4
	2010	0.1	0.4

17. Financial risk management objectives & policies

A description of the Group's financial risk management objectives and policies is provided in note 30 to the Group financial statements. These financial risk management objectives and policies also apply to the Company.

Principal Companies of the Group

The principal subsidiaries and joint ventures of the Group are as follows.

Name	Country of registration or incorporation	% equity interest 2011
Subsidiaries		
American Hydro Corporation	USA	100
EnviroTech Pumpsystems Inc	USA	100
Linatex Rubber Products Sdn Bhd	Malaysia	100
Liquid Gas Equipment Ltd*	Scotland	100
Mesa Manufacturing Inc	USA	100
Multiflo Pumps Pty Ltd	Australia	100
Seaboard Holdings Inc	USA	100
Specialised Petroleum Manufacturing Ltd	Scotland	100
SPM Flow Control Inc	USA	100
SPM Flow Control Ltd	Canada	100
Vulco Peru SA	Peru	100
Vulco SA	Chile	100
Weir Canada Inc	Canada	100
Weir do Brasil Ltda	Brazil	100
Weir Engineering Services Ltd	Scotland	100
Weir Floway Inc	USA	100
Weir Gabbioneta SrL	Italy	100
Weir Hazleton Inc	USA	100
Weir India Private Ltd	India	100
Weir International Co Ltd	South Korea	60
Weir Minerals Africa (Pty) Ltd	South Africa	100
Weir Minerals Australia Ltd	Australia	100
Weir Minerals Europe Ltd	England	100
Weir Minerals France SAS	France	100
Weir Minerals Netherlands BV	Netherlands	100
Weir Power & Industrial France SAS	France	100
Weir Slurry Group Inc	USA	100
Weir Solutions FZE	Dubai	100
Weir SOS Ltd	The Bahamas	100
Weir Valves & Controls UK Ltd*	England	100
Weir Valves & Controls USA Inc	USA	100
Ynfiniti Engineering Services SL	Spain	100
Joint ventures		
Weir Arabian Metals Company	Saudi Arabia	49
Wesco LLC	UAE	49

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

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

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

Group Products

ALLEN STEAM TURBINES is a trademark of Weir Engineering Services Ltd; AMERICAN HYDRO is a trademark of American Hydro Corporation; ATWOOD & MORRILL and TRICENTRIC are registered trademarks of Weir Valves & Controls USA, Inc; BDK is a trademark of Weir India Pvt Ltd; BATLEY VALVE, BLAKEBOROUGH, HOPKINSONS and MAC VALVE are registered trademarks of Weir Valves & Controls UK Ltd; SARASIN-RSBD and SEBIM are trademarks of Weir Power & Industrial France SAS; ROTO-JET is a registered trademark of Envirotech Pumpsystems, Inc; WEMCO is a registered trademark used under licence by companies forming part of The Weir Group PLC. WARMAN is a registered trademark of Weir Minerals Australia Ltd and Weir Group African IP Ltd; CAVEX, HAZLETON and MULTIFLO are registered trademarks of Weir Minerals Australia Ltd; LEWIS and LEWIS PUMPS are registered trademarks of Envirotech Pumpsystems, Inc; GEHO is a registered trademark of Weir Minerals Netherlands bv; FLOWAY is a registered trademark of Weir Floway Inc; VULCO is a registered trademark of Vulco SA; ISOGATE is a registered trademark of Weir do Brasil Ltda; LINATEX is a registered trademark of Linatex Ltd. GABBIONETA is a trademark of Weir Gabbioneta Srl; MESA is a trademark of Mesa Manufacturing, Inc; SPM is a registered trademark of S.P.M. Flow Control, Inc; BEGEMANN is a registered trademark of Weir Minerals Netherlands bv. WEIR is a registered trademark of Weir Engineering Services Ltd.

Shareholder information

2011 final dividend

The directors have recommended a final dividend of 25.8p per share, for the 52 weeks ended 30 December 2011. Payment of this dividend is subject to approval at the 2012 annual general meeting. Key dates relating to this dividend are given below:

Ex dividend date	2 May 2012
Record date	4 May 2012
Final day for receipt of DRIP elections	11 May 2012
Annual general meeting	9 May 2012
Payment date	1 June 2012

Investor Centre

You can choose to receive your dividend in a number of ways. Dividends will automatically be paid to you by cheque and sent to your registered address unless you have chosen one of the options below:

1. Direct payment to your bank: Cash dividends can be paid directly to a UK bank or building society account. This is more convenient and helps reduce the risk of cheques becoming lost or delayed in the post. The associated tax voucher will still be sent direct to your registered address. To switch to this method of payment you can apply online at Computershare's secure website www.investorcentre.co.uk or download a dividend mandate form from the FAQ section of the Company's website (www.weir.co.uk), under 'Shareholder Information' in the 'Investor' section. Alternatively, you can contact Computershare on 0870 707 1402, who will also be able to assist with any questions you may have.
2. 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*. This can be set up at www.investorcentre.co.uk or contact Computershare.
3. Dividend Reinvestment Plan (DRIP): The Company offers shareholders the opportunity to join the Computershare regulated DRIP to use their dividend to purchase further Weir Group shares. Instead of receiving cash, shareholders receive as many whole shares as can be bought with their dividend, taking into account related purchase costs. Any residual cash will be carried forward and added to their next dividend.

* Please note that a payment charge would be deducted from each individual payment before conversion into your local currency.

Consolidated tax vouchers

Starting in June 2012, the Company will adopt the Consolidated Tax Voucher (CTV) process in relation to future dividend payments. This means that rather than shareholders receiving a separate tax voucher for each dividend payment made they will receive a CTV once a year, detailing all payments made throughout that year. The first CTV will be dispatched with the November 2012 dividend mailing to shareholders and contain the tax and payment information for dividends paid during the tax year 2011/2012.

Investor Centre

Investor Centre is a free, secure share management website provided by Computershare. This service allows you to view your share portfolio and see the latest market price of your shares, check your dividend payment and tax information, change your address, update payment instructions and receive your shareholder communications online. To take advantage of this service, please log in at www.investorcentre.co.uk and enter your Shareholder Reference Number (SRN) and Company Code WEP. This information can be found on your share certificate or dividend tax voucher.

Capital gains tax

For the purpose of capital gains tax, the market value of an ordinary share of The Weir Group PLC as at 31 March 1982 was 29.75p. This market value has been adjusted to take account of the sub-division of the share capital whereby each ordinary share of 25p was sub-divided into two ordinary shares of 12.5p each on 28 June 1993. Rights issues of ordinary shares took place in April 1987 at 157p per share on the basis of one new ordinary share for every seven ordinary shares held, in July 1990 at 250p per share on the basis of one new ordinary share for every five ordinary shares held and in September 1994 at 252p per share on the basis of one new ordinary share for every four ordinary shares held.

Shareholder enquiries

The Company's registrars are:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ

Website: www.investorcentre.co.uk/contactus

Telephone: 0870 707 1402

Shareholder enquiries relating to shareholding, dividend payments, change of address, loss of share certificate, etc. should be addressed to Computershare.

Communications

Annual and interim reports

The Weir Group publishes an annual and interim report every year. The annual report is sent to all shareholders who have elected to receive a hard copy through the post as a printed document unless the shareholder has chosen to receive e-communications (see below). The interim report is published on the Company's website and a printed copy is available from the Company Secretary on request.

E-communications

The Company offers shareholders the opportunity to access shareholder documents, such as annual reports and notices of AGM, via e-communications rather than receiving printed documents in the post.

To sign up for e-communications, please register at www.investorcentre.co.uk. In order to do this, you will need your SRN which can be found on your share certificate or on your dividend tax voucher. Once registered, you will need to change your mailing preference to e-communications and provide your email address. We will then be able to notify you by email as soon as shareholder documents are available on the Company's website.

Corporate website

Shareholders are encouraged to visit the Company's corporate website (www.weir.co.uk), which contains a wealth of information about the Weir Group.

The website includes information about the markets in which we operate, our strategy and business performance, recent news from the Group and product information. The Investor section is a key tool for shareholders with information on the share price, our financial results, shareholder meetings and dividends, as well as a 'Frequently asked questions' section. You can also download current and past annual and interim reports.

Share dealing services

Computershare provide Weir Group shareholders with a quick and easy way to buy or sell Weir Group shares on the London Stock Exchange.

Internet share dealing commission is 1%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. There is no need to open an account in order to deal. Real time dealing is available during market hours. In addition, there is a convenient facility to place your order outside of market hours. Up to 90 day limit orders are available for sales. To access the service, log on to www-uk.computershare.com/Investor/ShareDealing.asp. Shareholders should have their SRN available. The SRN appears on share certificates and tax dividend vouchers. A bank debit card will be required for purchases. Please note that, at present, this service is only available to shareholders in certain European jurisdictions. Please refer to the Computershare website for an up-to-date list of these countries.

Shareholder information (continued)

Telephone share dealing commission is 1%, plus £35. In addition, stamp duty, currently 0.5%, is payable on purchases. You can contact Computershare on 0870 703 0084. Shareholders should have their SRN ready when making the call. The SRN appears on share certificates and tax dividend vouchers. A bank debit card will be required for purchases. Detailed terms and conditions are available on request by telephoning 0870 707 1402. Please note this service is, at present, only available to shareholders resident in the UK and Ireland.

These services are offered on an execution only basis and subject to the applicable terms and conditions. Computershare Investor Services PLC is authorised and regulated by the Financial Services Authority.

This is not a recommendation to buy, sell or hold shares in The Weir Group PLC. Shareholders who are unsure of what action to take should obtain independent financial advice. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

Voting

Information on how you can vote electronically can be obtained through our registrars by visiting www.investorcentre.co.uk/eproxy.

Shareholder Alerts

Unsolicited investment advice and fraud

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas ‘brokers’ who target shareholders offering to sell them what often turn out to be worthless or high risk shares, generally in US or UK investments.

These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. It is not just the novice investor that has been deceived in this way; many of the victims have been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount 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.
- Check that they are properly authorised (for example, in the UK by the FSA) before getting involved. You can check by visiting www.fsa.gov.uk/register.
- Any approach from such organisations should be reported to the FSA, as they also maintain a list of unauthorised overseas firms who are targeting, or have targeted, UK investors. This will assist the FSA to keep the list up to date and undertake other appropriate actions as considered necessary. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml.
- If calls persist, hang up.

Please note that if you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

More detailed information on this or similar activity can be found at www.moneyadviceservice.org.uk.

Annual Report & Financial Statements 2011 Glossary

2006 Act	The Companies Act of 2006, the primary source of UK company law
Board	The Board of Directors of The Weir Group PLC
Company	The Weir Group PLC
Director	A director of The Weir Group PLC
E&P	Exploration and production
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and intangibles amortisation
EBITDA	Earnings before interest, tax, depreciation and intangibles amortisation
EBT	Employee benefit trust
elastomer	An elastic polymer used in pump linings
emerging markets	Asia-Pacific, South America, Africa and Middle East
EPS	Earnings per share
EHS	Environmental, health and safety
free cash flow	Net cash flow generated from continuing operations excluding the cash impact in relation to acquisitions, disposals and net proceeds from / repayments of borrowings
Group	The Company together with its subsidiaries
horizontal rig	A directional drilling rig term where the rig is slanted at an angle to facilitate horizontal drilling
HR	Human resources
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Independent auditors	Ernst & Young LLP
Input	Orders received from customers
like-for-like	On a consistent basis, excluding the impact of current year acquisitions
LTA	Lost Time Accident resulting in lost time of more than 4 hours
low carbon industries	Nuclear, wind, hydro, solar, biomass and geothermal industries
mill circuit	The various stages of extracting and processing ore
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
quintuplex	A five cylinder reciprocating pump used in the oil and gas market
Registrar	Computershare Investor Services plc
ROCE	Continuing operations EBIT (excluding exceptional pension gain) divided by average net assets excluding net debt, pension deficit (net of deferred tax asset) and, for 2011, Seaboard net assets
RPI	UK Retail Prices Index
SAG	Semi-autogenous grinding mills
subsidiary	An entity that is controlled, either directly or indirectly, by the Company
TSR	Total Shareholder Return comprising dividends paid on ordinary shares and the increase or decrease in the market price of ordinary shares
UK GAAP	United Kingdom Generally Accepted Accounting Practice
WTI	West Texas Intermediate
Weir Production System Lean Score	Weir's designed lean production process

Notes

Financial Calendar

Ex-dividend date for final dividend
2 May 2012

Record date for final dividend
4 May 2012
Shareholders on the register at this date will receive the dividend

Annual general meeting
9 May 2012

Final dividend paid
1 June 2012

Cautionary statement
This annual report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

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Scotland
Registered in Scotland
Company Number 2934

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