

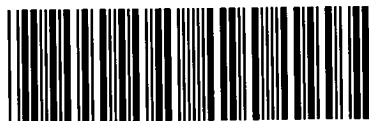
WEIR ENGINEERING SERVICES LIMITED

Report and Financial Statements

1 January 2016

Registered No: SC033381

THURSDAY



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COMPANIES HOUSE

Company information

Registered No: SC033381

Directors

Phil Crookes
Michael Mannion
Steven Wallace

Company Secretary

Mark Murphy

Auditors

Ernst & Young LLP
G1
5 George Street
Glasgow
G2 1DY

Bankers

HSBC
2 Buchanan Street
Glasgow
G1 3LB

Registered Office

Pegasus House
Bramah Avenue
Scottish Enterprise Technology Park
East Kilbride
G75 0RD

Country of Incorporation

Scotland

Strategic report

The directors present their Strategic report on Weir Engineering Services Limited ('the Company') for the 52 week period ended 1 January 2016.

Principal activities

The Company is principally engaged in the provision of services on equipment in the power, oil and gas, industrial and water, and waste water markets. Our service offering includes management and execution of major power plant refurbishments, in addition to overhaul, repair and upgrade process of critical pumps, valves, turbomachinery and hydro turbines in targeted geographical territories, including major global refurbishment projects through key account relationship management, widening our global reach for servicing of Power & Industrial (P&I) divisional product and continued support of Oil & Gas product in the North Sea.

Business review

The Oil & Gas market and Power & Industrial markets remain challenging. However, overhead reduction actions, whilst maintaining investment in product and service quality, are expected to assist business competitiveness.

On 3 January 2015 the Company transitioned from previously extant UK GAAP to FRS 101 *Reduced Disclosure Framework* for both periods presented and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, TWG Investments (No. 7) Limited, was notified of and did not object to the use of the disclosure exemptions from EU-adopted IFRS, provided by FRS 101. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in note 24 to the financial statements. The accounting policies which follow set out the policies that apply in preparing the financial statements for the 52 weeks ended 1 January 2016 ('2015') and the restated comparative information for the 52 weeks ended 2 January 2015 ('2014'). The Company has taken early adoption of SI2015/980 for presentational purposes in order to align with the financial statements of its ultimate parent company.

The company's key financial and other performance indicators during the period were as follows:

	2015	2014	
	£000	£000	Change
Revenue	78,974	96,473	-18%
Operating profit (loss) (before exceptional items)	(9,728)	(117)	8215%
Profit (loss) before tax (before exceptional items)	12,466	132	9344%
Profit (loss) for the period (before exceptional items)	14,938	185	7975%
Exceptional items	12,783	3,190	301%
Shareholders' funds	100,749	96,402	5%
Working capital as % of sales	57%	43%	1,400 bps
Current assets as % of current liabilities	198%	219%	(2,100)bps
Average number of employees	628	678	-50

Turnover is reduced by 18% or £17.5m year on year. This is driven by the impact of UK markets on service work with £5.6m impact in 2015 from the Oil & Gas market and £2.6m due to the Power & Industrial market. 2014 also included an exceptional volume of turbo-machinery spares and new machines £6.0m which was not repeated in 2015. The business also transferred £3.3m of valve MRO business to another Weir Group business to better align with the customer.

Operating performance of £(9.7)m loss is driven by £15.2m cost of additional contribution to The Weir Group Pension & Retirement Savings Scheme which was £11.2m higher than 2014. On a like for like basis operating profit was £5.5m (7% of turnover) in 2015 compared to £3.9m (4.1% of turnover) in 2014. The reduced return was driven by incremental costs of holiday pay related to change in legislation with incremental costs of £0.6m in 2015.

Year on Year profit for 2015 of £4.3m compared to a loss of £(2.3)m in 2014 is impacted by an incremental £22.0m dividend income in 2015 offset by incremental costs in 2015 related to pension £11.2m, holiday pay £0.6m and exceptional costs. On a more comparative basis excluding these 4 factors the year on year profit shows a £3.4m improvement despite the volume reduction which has been achieved through reduced costs across the business to improve competitiveness in the market.

£4.4m or 5% increase in shareholders funds in 2015 due to year on year profit in 2015 as explained above.

Current ratio of 198% in 2015 is lower compared to 2014 of 219% due to providing for the write off of exceptional costs relating to the repayment of an insurance reclaim that was received in 2013 and the write off of balances and payments due on completion of a project arbitration, this is offset to a certain degree by inter company loans and balances being written off as a result of the sale of another Weir group company on 31 May 2016, however a larger proportion (64% from 45%) of current assets is made up of cash in 2015 demonstrating improved cash inflows in 2015.

Headcount reduction reflects the difficult markets and reduced turnover.

Looking forward to 2016, the company has taken steps to be more competitive and prepare for the upturn in the medium term. There are no significant plans to alter the business of the company in the future.

Principal risks

Risk is inherent in our business activities and as a consequence of operating a sound risk management process the Company has identified the following principal risks and uncertainties, which it believes could have a materially adverse effect on its business, turnover, profit, assets, liquidity, resources and reputation. The nature of risk is such that no list can be comprehensive and it is possible that other risks may arise, or that risks not currently considered material may become so in the future. The Company's ultimate parent company, The Weir Group PLC ('the Group'), operates controls as described in its Strategic report to mitigate against these risks.

Political risks

The Company and its customers operate around the world including Europe, Middle East, Far East, Africa and Scandinavia. While benefiting from the opportunities in these regions, the Company and its customers are exposed to the political and business risks associated with international operations, such as sudden changes in regulation, expropriation of assets, imposition of trade barriers and limits on the export of currency.

Product liability claims

The Company faces an inherent business risk of exposure to product liability and warranty claims in the event that a failure of a product results in, or is alleged to result in, bodily injury, property damage and/or consequential loss. The Company's ultimate parent company maintains insurance coverage for product liability claims where possible. For warranty claims not covered by insurance, warranty costs may be incurred which the Company may not be able to recover.

Employee issues

Company performance depends on the skills and efforts of its employees and management team across all of its businesses. The Company recognises that failing to attract new talent and retain existing expertise, knowledge and skills in operations, products and infrastructure areas such as information technology could have a negative impact on its business.

Health & safety

The Company operates in a number of demanding environments and safe working practices are extremely important to protect everyone on the Company's premises with long established working practices and controls to minimise damage and injury.

The Company's safety management system is accredited to OHSAS 18001 (certificate No: LRQ 4003139) and was recertified in November 2013 by Lloyds Register Quality Assurance Limited (LRQA). Additionally the Company operates to Weir Zero Harm principles and ensures all employees receive training in this behavioural safety programme within the first month of employment.

Customer relationships

The Company benefits from close commercial relationships with a number of key customers. The loss of any of these key customers, or a significant worsening in commercial terms, could impact on the Company's results. The Company devotes significant resources to supporting these relationships to ensure they continue to operate satisfactorily.

Supply chain risk

The Company subcontracts certain elements of the manufacturing process through supply chains external to the Company. Any failure of the supply chain would represent a risk to the Company's ability to meet customer requirements and achieve its financial goals. The Company's strategy is to simplify the external supply chain and forge deeper strategic relationships with fewer but stronger suppliers.

Business continuity and disaster recovery

The Company has a Business continuity and disaster recovery plan which is reviewed annually. Risk of disablement of the Company's business critical systems at a key location is mitigated by data back-up designed to ensure that information can be recovered rapidly and independently of any disabled location. In addition, I.T. disaster recovery plans are in place for each location in the event of disruption.

Financial risk management objectives & policies

The Company's principal financial instruments comprise cash and short-term deposits as well as financial derivatives. The main purpose of these financial instruments is to manage the Company's funding and liquidity requirements. The Company has other financial instruments such as trade receivables and trade payables which arise directly from its operations. The principal financial risks to which the company is exposed are listed below. These risks are managed in accordance with Board approved policies.

Foreign exchange risk

As a result of the Company's business activities it is exposed to transactional currency risk. Transactional currency exposure arises when the Company enters into transactions denominated in currencies other than its functional currency which is Sterling. Foreign currency exposures are identified and managed directly by the Company within the policies and guidelines established by the Company's ultimate parent, The Weir Group PLC. The parent company enters into foreign exchange hedging transactions on behalf of the Company in accordance with those policies and procedures. The Company makes limited use of derivative financial instruments to hedge balance sheet translation exposures. Transaction exposures are hedged with the use of forward exchange rate contracts where deemed appropriate and where they can be reliably forecast. It is policy not to engage in any speculative transaction of any kind.

Commodity price risk

The Company's exposure to raw material price risk is generally diminished by restricting bid validity to periods within those quoted by suppliers and by material price escalation clauses.

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies. The Company's credit risk is primarily attributable to its trade receivables. The Company is exposed to risk over a large number of countries and customers and there is no significant concentration of risk. Where appropriate, the Company endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. Credit worthiness checks are also undertaken before entering into contracts with new customers and credit limits are set as appropriate. Due to long established relationships with the majority of customers, the Company does not consider there to be a significant credit quality issue. The amounts presented in the balance sheet are net of an allowance for doubtful receivables. 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.

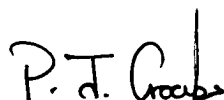
Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and inter-company trading accounts.

Interest rate risk

The Company's borrowings consist of inter group loans and these are at variable rates of interest. Based on current levels of net debt, interest rate risk is not considered to be material.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'P. J. Crookes'.

Phil Crookes
Director

28 July 2016

Directors' report

The directors present their report and the audited financial statements of Weir Engineering Services Limited (Registered Number SC033381) ('the Company') for the 52 week period ended 1 January 2016.

Dividends

No dividend was declared or paid in the period (2014: £nil).

Research and development

Expenditure on research and development was directed to the expansion and efficiency improvements of existing product ranges.

Disabled employees

The Company's policy is to give full and fair consideration to employment applications from disabled persons who have the necessary aptitudes and abilities to perform the job in question. Where a person becomes disabled while employed by the Company, arrangements are made, wherever practicable, to continue employment by identifying, where available, a job suitable to that person's capabilities and providing any necessary retraining. It is also the policy of the Company to encourage the career development of disabled persons having regard to the particular abilities and skills of the individual concerned.

Employee involvement

Within commercial confidence, information continues to be given to employees about the progress of the Company and on matters of concern to them as employees. Regular meetings are held to discuss matters affecting employees.

During the period the Company has continued arrangements whereby it periodically makes presentations to employees on the performance of the Company and its objectives in the context of both internal and external economic factors.

Foreign branches

The Company continues to operate branches in Ireland.

Financial instruments

The Company's principal financial instruments are shown on the balance sheet. The principal financial risks to which the Company is exposed are outlined in the Strategic report.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review contained in the Strategic report, as is the financial position of the Company. In addition, the Strategic report includes the Company's objectives, policies and processes for managing its capital, financial instruments and its financial risk management objectives and policies.

The Company has considerable financial resources together with continuing contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Company is ultimately owned by The Weir Group PLC ('the Group') and it participates in the Group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries. As a consequence, the Company depends, in part, on the ability of the Group to continue as a going concern. The directors have considered the Company's funding relationship with The Weir Group PLC to date and have considered available relevant information relating to The Weir Group PLC's ability to continue as a going concern. In addition, the directors have no reason to believe that The Weir Group PLC will not continue to fund the Company, should it become necessary, to enable it to continue in operational existence.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Future developments

Future developments affecting the business are discussed in the Business review section of the Strategic report.

Directors

The directors of the company during the period and to the date of this report were:

Phil Crookes

Rick Brawn (resigned 31 December 2015)

Andrea Simon (resigned 6 May 2016)

Michael Mannion (appointed 11 February 2015)

Steven Wallace (appointed 23 May 2016)

Directors' liabilities

The Company's Articles of Association contain a provision that every director or other officer shall be indemnified against all losses and liabilities which they may incur in the course of acting as directors (or officers as the case may be) permitted by the Companies Act 2006 (as amended). These indemnities are uncapped in amount. The Company's ultimate parent company maintained directors and officers liability insurance throughout 2015 in respect of the Company's directors and officers.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The ultimate parent company's Annual General Meeting has recommended that PricewaterhouseCoopers LLP be appointed under section 485 of the Companies Act 2006 as the Company's auditor.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable UK law and regulations.

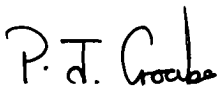
Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Phil Crookes
Director

28 July 2016

Independent auditors' report to the members of Weir Engineering Services Limited

We have audited the financial statements of Weir Engineering Services Limited for the 52 weeks ended 1 January 2016 which comprise the Income statement, the Balance sheet, the Statement of changes in equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out in the Directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 January 2016 and of its result for the period then ended;
- ~~have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and~~
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic report or Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.



Douglas Nisbet (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

28/1/16

**Income statement
for the 52 weeks ended 1 January 2016**

	Notes	52 weeks ended 1 January 2016			52 weeks ended 2 January 2015		
		Before exceptional items & intangibles amortisation £000	Exceptional items & intangibles amortisation (note 4) £000	Total £000	Before exceptional items & intangibles amortisation £000	Exceptional items & intangibles amortisation (note 4) £000	Total £000
Revenue	3	78,974	-	78,974	96,473	-	96,473
Operating profit (loss)		(9,728)	(12,783)	(22,511)	(117)	(3,190)	(3,307)
Income from shares in group undertakings		22,252	-	22,252	294	-	294
Finance costs	6	(116)	-	(116)	(45)	-	(45)
Finance income	7	58	-	58	-	-	-
Profit (loss) on ordinary activities before tax		12,466	(12,783)	(317)	132	(3,190)	(3,058)
Tax on profit (loss) on ordinary activities	8	2,472	2,192	4,664	53	686	739
Profit (loss) for the period		14,938	(10,591)	4,347	185	(2,504)	(2,319)

The Company's results for the current and the prior period were earned from continuing operations.

The result reported above includes all income and expenses for the period.

**Balance sheet
at 1 January 2016**

	Notes	2015 £000	2014 £000
ASSETS			
Non-current assets			
Property, plant & equipment	9	7,393	8,879
Intangible assets	10	1,908	1,452
Investments	11	44,519	44,519
Deferred tax asset	8	1,693	211
Total non-current assets		55,513	55,061
Current assets			
Inventories	12	9,057	6,474
Trade & other receivables	13	23,920	35,147
Derivative financial instruments	18	44	173
Cash & short-term deposits	14	58,400	34,234
Total current assets		91,421	76,028
Total assets		146,934	131,089
LIABILITIES			
Current liabilities			
Financial liabilities	15	(3,445)	(9,189)
Trade and other payables	16	(41,377)	(24,757)
Derivative financial instruments	18	(97)	(442)
Provisions	17	(1,208)	(298)
Total current liabilities		(46,127)	(34,686)
Non-current liabilities			
Derivative financial instruments	18	(58)	(1)
Total non-current liabilities		(58)	(1)
Total liabilities		(46,185)	(34,687)
NET ASSETS		100,749	96,402
Capital & reserves			
Share capital	20	7,413	7,413
Share premium		1,966	1,966
Revaluation reserve		106	115
Retained earnings		91,264	86,908
TOTAL EQUITY		100,749	96,402

On behalf of the Board of Directors



Phil Crookes

Director

28 July 2016

**Statement of changes in equity
for the 52 weeks ended 1 January 2016**

	Share capital £000	Share premium £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 3 January 2014	7,413	1,966	124	89,218	98,721
Result for the period	-	-	-	(2,319)	(2,319)
Amortisation of property revaluation surplus	-	-	(9)	9	-
At 2 January 2015	7,413	1,966	115	86,908	96,402
Result for the period	-	-	-	4,347	4,347
Amortisation of property revaluation surplus	-	-	(9)	9	-
At 1 January 2016	7,413	1,966	106	91,264	100,749

Notes to the financial statements for the 52 week period ended 1 January 2016

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Weir Engineering Services Limited for the 52 weeks ended 1 January 2016 were authorised for issue by the Board of Directors on 28 July 2016 and the balance sheet was signed on the Board's behalf by Phil Crookes.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and in accordance with applicable accounting standards.

The Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful life. However, under IFRS 3 *Business Combinations* goodwill is not amortised. Consequently, the Company does not amortise goodwill, but it reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

The Company's financial statements are presented in Sterling and all values have been presented in thousands (£000) except where otherwise indicated.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of The Weir Group PLC. The results of the Company are included in the consolidated financial statements of The Weir Group PLC which are publically available.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The Company transitioned from the previously extant UK GAAP to FRS 101 for both periods presented. Transition reconciliations showing all material adjustments under IFRS 1 are disclosed in note 24. The accounting policies which follow set out the policies which apply in preparing the financial statements for the 52 weeks ended 1 January 2016 ('2015'), the comparative information is provided for the 52 weeks ended 2 January 2015 ('2014'). The Company has taken early adoption of SI2015/980 for presentational purposes in order to align with the Group Consolidated Financial Statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- paragraphs 45(b) and 46-52 of IFRS 2 *Share-based Payment*, because the share based payment arrangement concerns the instruments of the Weir Group PLC;
- IFRS 7 *Financial Instruments: Disclosures*;
- paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- IAS 7 *Statement of Cash Flows*;
- paragraph 38 of IAS 1 *Presentation of financial statements* comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 *Property, Plant & Equipment*; and paragraph 118(e) of IAS 38 *Intangible Assets*;
- paragraph 17 of IAS 24 *Related Party Disclosures*; and
- IAS 24 *Related Party Disclosures* disclosure of related party transactions with a fellow wholly owned subsidiary in IAS 24 *Related Party Disclosures*.

For the 52 week period ended 1 January 2016 and previous periods, the Company has reported its financial statements to the week ending closest to the Company reference date of 31 December. For practical purposes, a decision has been made to alter the reporting basis to reflect a calendar year, with the next annual reporting date being 31 December 2016. This is not expected to significantly impact the reported results in 2016.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for revenues and expenses during the year. These estimates and assumptions are based on historical experience, information available at the time and other factors considered relevant.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments

The Company has entered into commercial leases in exchange for the use of property, plant and equipment. The classification of such leases as operating or finance leases requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets, and accordingly whether the lease requires an asset and liability to be recognised on the balance sheet.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given 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. Management judgement is required to determine the amount of such provisions, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Provisions

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

Impairment

The company carries 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.

Tangible fixed assets

Tangible fixed assets are reviewed for obsolescence on an annual basis.

Significant accounting policies

Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, usually on despatch of goods, and reliable measurement is possible. No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods. Transfers of risks

and rewards vary depending on the nature of the products sold and the individual terms of the contract of sale. Where the sale of product requires customer inspection, revenue is not recognised until the inspection has been completed and approved by the customer.

This policy is applicable to the sale of both original equipment and spare parts, whether sold individually, in bulk or as part of a cross-selling marketing strategy.

Provision of services

Revenue from the rendering of services is generally recognised on completion if the service contract is short-term in nature. Where this is not the case, revenue from services is recognised in proportion to the stage of completion of the service at the balance sheet date. The stage of completion is assessed by reference to the contractual agreement with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Revenue recognition commences only when the outcome of the contract can be reliably measured otherwise it is recognised to the extent costs are incurred.

Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Exceptional items

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 Company's financial performance for the period and are presented on the face of the income statement to facilitate comparisons with prior periods and assessment of trends in financial performance. Exceptional items may include but are not restricted to: profits or losses arising on disposal or closure of businesses; the cost of significant business restructuring; significant impairments of intangible or tangible assets; adjustments to the fair value of acquisition related items such as contingent consideration and inventory; other items deemed exceptional due to their significance, size or nature; and the related exceptional taxation.

Foreign currency translation

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 translated into Sterling at the exchange rate ruling at the balance sheet date. Currency translation differences are recognised in the income statement.

Investment income

Investment income is included at the amount of cash received or receivable plus withholding tax.

Investments

Investments are held at historical cost less a provision for impairment when required.

Fixed assets and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Freehold land and assets under construction are not depreciated.

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

Freehold buildings, long leasehold & buildings	7 – 40 years
Plant & equipment	4 to 20 years

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents any excess of the cost of the acquired entity over the Company'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 on the balance sheet. The Company does not amortise goodwill, but it is reviewed at least annually for impairment and carried at cost less any recognised impairment losses.

Any contingent consideration is recognised at the acquisition date. Subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Other intangible assets

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

Intangible assets acquired separately are measured at cost on initial recognition. An intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost to the income statement over its useful life. An intangible asset with an indefinite life is not amortised but is tested at least annually for impairment and carried at cost less any recognised impairment losses.

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

Brand names	indefinite life
Customer & distributor relationships	5 – 25 years
Purchased software	4 – 8 years

Intellectual property & trade marks	6 – 15 years
Other	up to 6 years

Research and development costs

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

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

Impairment of non-current assets

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

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. Cost represents the expenditure incurred in bringing inventories to their existing location and condition and comprises the cost of raw materials, direct labour costs and related production overheads. Raw materials 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 Company's principal financial assets and liabilities, other than derivatives, comprise the following:

- bank overdrafts
- short-term borrowings
- loans and fixed rate notes
- cash and short-term deposits
- trade receivables
- trade payables
- contingent consideration.

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

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

Trade receivables

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

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity 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.

Provisions

A provision is recognised in the balance sheet when the Company 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 Company uses derivative financial instruments, principally forward foreign currency contracts and cross currency swaps, to reduce its exposure to exchange rate movements. The Company also uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. 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 and counterparty and the Company's own credit risk. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves, spot foreign exchange rates and counterparty and own credit risk. Changes in their fair values have been recognised in the income statement, except where hedge accounting is used, provided the conditions specified by IAS 39 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IAS 39 and practical to do so. When hedge accounting is used, the relevant hedging relationships 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, to the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in other comprehensive income rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in other comprehensive income will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

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

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

Share based payments

Equity settled share-based incentives are provided to certain employees of the company under a long-term incentive plan ('LTIP') operated by its ultimate parent company, The Weir Group PLC, as a consequence of occasional one-off conditional awards made to senior executives. The company recognises an expense in respect of shares awarded under the plan. This expense, which is based on the fair value of the awards, is recognised in the profit and loss account.

The fair value of the awards 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 non-market performance conditions.

Leases

Leases which transfer to the Company 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:

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;

Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and

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.

3. Revenues & expenses

The following disclosures are given in relation to total continuing operations and include exceptional items & intangibles amortisation.

	2015 £000	2014 £000
A reconciliation of revenue to operating profit (loss) is as follows		
Revenue	78,974	96,473
Cost of sales	(83,244)	(85,862)
Gross profit (loss)	(4,270)	10,611
Other operating income	150	139
Selling & distribution costs	(3,183)	(4,866)
Administrative expenses	(2,425)	(6,001)
Operating profit (loss)	(9,728)	(117)
	2015 £000	2014 £000
Operating profit (loss) is stated after charging (crediting)		
Depreciation of assets (note 9)	1,391	1,420
Loss (gain) on disposal of fixed assets	(65)	(3)
Amounts provided for (released) in respect of provisions (note 17)	910	224
Exchange (gains) losses	267	423
Cost of stocks recognised as an expense (included in cost of sales)	32,562	45,099
Audit fees payable to the Company's auditor	48	47
Operating lease payments	1,625	1,863

4. Exceptional items

	2015 £000	2014 £000
Recognised in arriving at operating profit (loss) from continuing operations		
Reorganisation costs	2,012	3,190
Write off of balances and payments due on completion of project arbitration	4,970	-
Repayment of insurance claim received in 2013	3,844	-
Loans and inter-company balances	1,957	-
	12,783	3,190

The costs held within exceptional costs are due to a restructuring exercise that occurred during the current and prior periods and loans and inter-company balances for YESS which was sold on 31 May 2016.

5. Staff costs & directors' remuneration

	2015 £000	2014 £000
Employee benefits expense		
Wages and salaries	30,495	33,762
Social security costs	3,123	3,453
Pension costs	16,517	5,193
	50,135	42,408

Included in pension costs are £15,201,000 (2014: £4,042,000) in respect of defined benefit schemes and £1,316,000 (2014: £1,151,000) in respect of the defined contribution scheme. The Company is a member of The Weir Group Pension & Retirement Savings Scheme which is a defined benefit multi-employer plan operated by The Weir Group PLC which closed during 2015. The assets and liabilities of the scheme are held on the balance sheet of the ultimate parent entity.

	2015 Number	2014 Number
Employee numbers		
The average number of people employed by the company (including directors) is as follows		
Direct	375	384
Indirect	253	294
	628	678

	2015 £000	2014 £000
Directors' remuneration		
Aggregate emoluments of directors in respect of qualifying services	305	161
Aggregate Company contributions to defined benefit pension plans	-	1
Aggregate Company contributions to defined contribution pension plans	22	11
Aggregate payments in respect of long term incentive plans	2	61

	2015 Number	2014 Number
Number of directors accruing benefits under		
Defined contribution schemes	3	3
Defined benefit schemes	-	1
Number of directors who received shares in respect of qualifying services	3	4
Number of directors exercising share options in the period	-	4

	2015 £000	2014 £000
In respect of the highest paid director		
Aggregate remuneration	257	101
Accrued pension contributions in the period	17	7
Share options exercised during the period	-	49
	274	157

Share based payments

The share awards are conditional awards to acquire free shares, subject to The Weir Group PLC's performance. In 2015, conditional awards of performance shares were made worth 55% (2014: 60%) of salary to the employees that participate. The shares only vest if a highly demanding performance condition is achieved.

For awards granted in 2014 and 2015, the performance condition was a third based on the growth in the Group's Total Shareholder Return ('TSR') over a single three year period (three consecutive financial periods, beginning with the period in which the award is made) relative to the growth in the TSR of a comparator group, a third based on earnings per share ('EPS') growth (adjusted to exclude intangibles amortisation and exceptional items) and a third based on the Group's Return on Capital Employed.

For awards granted in 2013, the performance condition was 50% based on the growth in the Group's TSR and 50% based on EPS growth, as defined above.

Only if the Groups TSR ranks in the upper quintile of the comparator group will the full awards be receivable. This reduces on a sliding scale so that for median performance, 25% of the awards will be receivable. For below median performance, none of the awards will be receivable.

The EPS targets for awards made in 2013, 2014 and 2015 are as follows.

2013		2014		2015	
EPS growth	% of EPS portion of the award that vests	EPS growth	% of EPS portion of the award that vests	EPS growth	% of EPS portion of the award that vests
11% p.a	100%	11% p.a	100%	11% p.a	100%
5% p.a	25%	5% p.a	25%	5% p.a	25%
Less than 5% p.a	0%	Less than 5% p.a	0%	Less than 5% p.a	0%

The ROCE targets for awards made in 2014 and 2015 are as follows.

2014		2015	
ROCE	% of ROCE portion of the award that vests	ROCE	% of ROCE portion of the award that vests
4% p.a	100%	4% p.a	100%
0.5% p.a	25%	0.5% p.a	25%
Less than 0.5% p.a	0%	Less than 0.5% p.a	0%

The total expense recognised in the period in relation to share based payments was £205,695 (2014: £142,312).

The fair value of the conditional awards under the LTIP has been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during 2015 and 2014.

	2015	2014
Weighted average expected volatility (%)	29.00	34.88
Weighted average expected life (years)	3.00	3.00
Weighted average risk free rate (%)	0.82	1.22
Weighted average share price (£)	18.11	26.20
Weighted average fair value (£)	14.84	23.62

The expected life of the options 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.

Full details of the Group long-term incentive plan are provided in the Annual Report of The Weir Group PLC, a copy of which can be obtained from the address given in note 23.

Weir Engineering Services Limited

6. Finance costs

	2015 £000	2014 £000
Interest payable on bank loans, fixed rate notes & overdrafts	7	7
Interest payable to group undertakings	109	38
	116	45

7. Finance income

	2015 £000	2014 £000
Interest receivable on financial assets	58	-
	58	-

8. Taxation**Tax charged in the income statement**

	2015 £000	2014 £000
The tax charge (credit) is made up as follows		
Current income tax		
UK corporation tax	(2,995)	(1,100)
Adjustments in respect of previous years	(187)	(41)
Total current income tax	(3,182)	(1,141)
Deferred income tax		
Origination & reversal of temporary differences	(1,482)	402
Total deferred tax	(1,482)	402
Total income tax charge (credit) in the income statement	(4,664)	(739)

Factors affecting the tax charge for the period

The standard rate of tax for the period based on the UK standard rate of corporation tax is 20.25% (2014: 21.5%). The actual tax charge for the current period is set out in the following reconciliation.

	2015 £000	2014 £000
Result from continuing operations before income tax	(317)	(3,058)
Tax calculated at UK standard rate of corporation tax of 20.25% (2014: 21.5%)	(64)	(658)
Effect of		
Expenses not deductible for tax purposes	25	(600)
Non-taxable dividend income	(4,506)	(63)
Tax overprovided in previous periods	(187)	(41)
Capital allowances less than depreciation	84	8
Other timing differences	(16)	615
Tax expense (income) in the income statement	(4,664)	(739)

Factors that may affect future tax charges

Finance Act (No 2) 2015 included legislation to reduce the rate of UK Corporation Tax to 19% on 1 April 2017 and to 18% on 1 April 2020.

These changes reduce the tax rates expected to apply when temporary differences reverse and impact the deferred tax charge. Consequently UK deferred tax has been provided at the prevalent rates during the periods in which the UK temporary differences are expected to unwind. The Chancellor announced in his budget on 16th March 2016, that there would be a further 1% reduction on the rate of corporation tax to 17% on 1 April 2020. This will decrease the deferred tax asset by £27,000.

No deferred tax is recognised on the revaluation of property, which if disposed of at book value, would give rise to a capital loss.

At present, it is not envisaged that any tax will become recoverable in the foreseeable future in this regard.

The deferred tax included in the balance sheet is as follows

	2015 £000	2014 £000
Deferred income tax assets		
Other timing differences	1,693	173
Accelerated capital allowances	-	84
Deferred income tax assets	1,693	211

9. Property, plant & equipment

	Land & buildings £000	Plant & equipment £000	Total £000
Cost			
At 2 January 2015	7,682	16,528	24,210
Additions	-	512	512
Disposals	-	(202)	(202)
Reclassifications	-	(3,783)	(3,783)
At 1 January 2016	7,682	13,055	20,737
Aggregate depreciation			
At 2 January 2015	3,089	12,242	15,331
Charge for period	338	1,053	1,391
Disposals	-	(51)	(51)
Reclassifications	-	(3,327)	(3,327)
At 1 January 2016	3,427	9,917	13,344
Net book value at 2 January 2015	4,593	4,286	8,879
Net book value at 1 January 2016	4,255	3,138	7,393
Cost or valuation is represented by			
Cost	6,798	13,055	19,853
Valuation in 1978	884	-	884
	7,682	13,055	20,737

Outstanding capital commitments contracted but not provided for relating to property, plant & equipment amounted to £172,000 (2014: £70,000).

10. Intangible assets

	Goodwill £000	Purchased software £000	Total £000
Cost			
At 2 January 2015	1,452	-	1,452
Reclassifications from property, plant & equipment (note 9)	-	3,783	3,783
At 1 January 2016	1,452	3,783	5,235
Accumulated amortisation			
At 2 January 2015	-	-	-
Reclassifications from property, plant & equipment (note 9)	-	3,327	3,327
At 1 January 2016	-	3,327	3,327
Net book value at 2 January 2015	1,452	-	1,452
Net book value at 1 January 2016	1,452	456	1,908

11. Investments

Cost and net book value:	£000
At beginning and end of the period	44,519

At the period end, the Company held an interest in the following companies:

Legal name	Country of incorporation	Class of shares	Percentage of shares held	Ownership
Weir Pumps Limited	Scotland	Ordinary	100%	Direct
PSL International Limited	England	Ordinary	100%	Direct
CH Warman Asia Limited	Malta	Ordinary	29%	Direct

12. Inventories

	2015 £000	2014 £000
Raw materials	1,964	1,651
Work in progress	7,093	4,823
	9,057	6,474

13. Trade and other receivables

	2015 £000	2014 £000
Trade receivables	9,587	16,535
Amounts recoverable on long term contracts	7,107	7,050
Amounts receivables from group undertakings	741	1,569
Tax receivable	3,370	1,141
Other receivables	448	1,066
Prepayments and accrued income	2,667	7,786
	23,920	35,147

Other receivables comprise mainly of foreign taxation to be reclaimed amounting to £393,944.

14. Cash and short-term deposits

	2015 £000	2014 £000
Cash	58,400	34,234
	58,400	34,234

15. Financial liabilities

	2015 £000	2014 £000
Amounts due are repayable as follows		
Current		
- loans from group undertakings	3,445	9,189
	3,445	9,189

16. Trade and other payables

	2015 £000	2014 £000
Trade payables	9,728	11,141
Payments received on account	937	714
Amounts owed to group undertaking	17,074	4,988
Other payables	2,929	2,675
Accruals & deferred income	10,711	5,239
	41,377	24,757

Other payables relates to VAT and other taxation liabilities

17. Provisions

	Warranties £000	Restructuring £000	Other £000	Total £000
At 2 January 2015	134	99	65	298
Additions	63	1,501	-	1,564
Utilised	(34)	(555)	(65)	(654)
At 1 January 2016	163	1,045	-	1,208
Current	163	1,045	-	1,208
	163	1,045	-	1,208

Warranty provisions include provisions for expected warranty and contract penalty claims on products sold and services provided. It is expected that all costs related to such claims will have been incurred within one year of the balance sheet date.

The restructuring provision includes provisions for organisational restructuring which includes provisions for staff redundancies, closure of premises and legal fees.

Other provisions are for discontinued operations and were fully utilised by the end of 2015.

18. Derivatives

	2016 £000	2014 £000
Current assets		
Cross currency swaps	16	15
Forward foreign currency contracts	28	158
	44	173
Current liabilities		
Cross currency swaps	(36)	(61)
Forward foreign currency contracts	(61)	(381)
	(97)	(442)
Non-current liabilities		
Cross currency swaps	(3)	-
Forward foreign currency contracts	(55)	(1)
	(58)	(1)

The figures in the above table are inclusive of derivative financial instruments where the counterparty is a subsidiary of The Weir Group PLC.

19. Commitments & legal claims**Operating lease commitments**

	2015 £000	2014 £000
Less than one year	1,016	1,421
After one year but no more than five years	1,613	2,338
More than five years	1,014	1,326
	3,643	5,085

Capital commitments

At the period end, the Company had the following capital commitments

	2015 £000	2014 £000
Contracts for future capital expenditure, before deduction of government grants, not provided	172	70

20. Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
7,413,000 Ordinary shares of £1.00 each	7,413	7,413
	7,413	7,413

21. Contingent liabilities

The Company has given a guarantee in relation to the overdraft and loan facilities extended to The Weir Group PLC and certain subsidiary companies. The net debt of the other companies party to these facilities at 1 January 2016 amounted to £55,123,000 (2014: £35,956,000).

22. Related party disclosures

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. During the period the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances outstanding at the period end with other related parties are as follows.

	2015	2014
	£000	£000
Weir International Co. Ltd		
Sales	-	43
Management charges	618	257
Total transactions	618	300
Amounts due	70	2

23. Ultimate group undertaking

The immediate parent undertaking is TWG Investments (No. 7) Limited.

The ultimate parent undertaking is The Weir Group PLC. The Company is included within these group accounts which are available to the public and may be obtained from The Weir Group PLC, 1 West Regent Street, Glasgow, G2 1RW.

24. Changes in accounting policies

For all periods up to and including the year ended 2 January 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 1 January 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 4 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing the financial statements, the Company has started from an opening balance sheet as at 4 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101.

As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 4 January 2014 prepared under extant UK GAAP and its previously published UK GAAP financial statements for the year ended 2 January 2015.

Weir Engineering Services Limited

Reconciliation of equity

At 4 January 2014

	UK GAAP £000	FRS 101 adjustments £000	FRS 101 £000
ASSETS			
Non-current assets			
Property, plant & equipment	8,472	-	8,472
Intangible assets	1,452	-	1,452
Investments	44,519	-	44,519
Deferred tax asset	659	(46)	613
Total non-current assets	55,102	(46)	55,056
Current assets			
Inventories	8,960	-	8,960
Trade & other receivables	32,962	(13)	32,949
Derivative financial instruments	-	326	326
Cash & short-term deposits	26,496	-	26,496
Total current assets	68,418	313	68,731
Total assets	123,520	267	123,787
LIABILITIES			
Current liabilities			
Financial liabilities	(1,985)	-	(1,985)
Trade and other payables	(22,350)	1	(22,349)
Derivative financial instruments	-	(82)	(82)
Income tax payable	(128)	-	(128)
Provisions	(522)	-	(522)
Total current liabilities	(24,985)	(81)	(25,066)
Total liabilities	(24,985)	(81)	(25,066)
NET ASSETS	98,535	186	98,721
Capital & reserves			
Share capital	7,413	-	7,413
Share premium	1,966	-	1,966
Revaluation reserve	124	-	124
Retained earnings	89,032	186	89,218
TOTAL EQUITY	98,535	186	98,721

Weir Engineering Services Limited

Reconciliation of equity

At 3 January 2015

	UK GAAP £000	FRS 101 adjustments £000	FRS 101 £000
ASSETS			
Non-current assets			
Property, plant & equipment	8,879	-	8,879
Intangible assets	1,255	197	1,452
Investments	44,519	-	44,519
Deferred tax asset	157	54	211
Total non-current assets	54,810	251	55,061
Current assets			
Inventories	6,474	-	6,474
Trade & other receivables	35,038	109	35,147
Derivative financial instruments	-	173	173
Cash & short-term deposits	34,234	-	34,234
Total current assets	75,746	282	76,028
Total assets	130,556	533	131,089
LIABILITIES			
Current liabilities			
Financial liabilities	(9,189)	-	(9,189)
Trade and other payables	(24,727)	(30)	(24,757)
Derivative financial instruments	-	(442)	(442)
Provisions	(298)	-	(298)
Total current liabilities	(34,214)	(472)	(34,686)
Non-current liabilities			
Derivative financial instruments	-	(1)	(1)
Total non-current liabilities	-	(1)	(1)
Total liabilities	(34,214)	(473)	(34,687)
NET ASSETS	96,342	60	96,402
Capital & reserves			
Share capital	7,413	-	7,413
Share premium	1,968	-	1,968
Revaluation reserve	115	-	115
Retained earnings	86,848	60	86,908
TOTAL EQUITY	96,342	60	96,402