

TWG Young Limited (formerly Liquid Gas Equipment Limited)

Report and Financial Statements

28 December 2012

Registered No: SC045285

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TWG Young Limited (formerly Liquid Gas Equipment Limited)

Registered No: SC045285

Directors

J A Stanton
K A Ruddock

Company secretary

C Stead

Auditors

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

Bankers

The Royal Bank of Scotland plc
10 Gordon Street
Glasgow
G1 3PL

Registered office

Clydesdale Bank Exchange
20 Waterloo Street
Glasgow
G2 6DB

Directors' report

The directors present their annual report together with the audited financial statements of TWG Young Limited (formerly Liquid Gas Equipment Limited) ("the Company") (Registered Number SC045285) for the 52 week period ended 28 December 2012.

Results and dividends

The profit for the period after tax amounted to £36,206,000 (2011: £2,009,000). An ordinary dividend of £1,346,000 was paid in the period (2011: £1,640,000).

Principal activities and review of the business

The Company's principal activities during the first 11 months of the period continued to be the design and installation of liquid gas storage and handling systems both for marine and onshore markets.

On 1 December 2012, certain of the trade and assets of the Company were transferred to a new Company "LGE Process Limited", which was subsequently sold to Babcock International Group plc on 28 December 2012. This resulted in an exceptional profit on the transfer of these trade and assets of £34,327,000.

Following the sale of the trade and assets, the directors are currently reviewing the future activities of the business.

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

	2012	2011	Change
	£000	£000	%
Order input	35,804	26,990	+33%
Turnover	33,996	26,272	+29%
Operating profit	2,226	2,528	-12%

2012 saw a return to more normal levels of activity in our marine market. Our onshore market continued to experience delays in decisions to move forward with new projects and no major onshore orders were won in 2012. Despite this, marine order input in 2012 was very encouraging.

Turnover increased by 29% during the period reflecting an increase in deliveries of equipment.

Operating profit decreased by 12% during the period. There were fewer final contribution releases from completed contracts in 2012 compared to 2011.

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 above as is the financial position of the Company. In addition, the directors' report includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Company has considerable financial resources, as a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Directors' report (continued)

Going concern (continued)

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 company 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.

Board of directors

The directors during the period and up to the date of signing were:

R Davies	(resigned 4 January 2013)
A R Duckett	(resigned 4 January 2013)
N E Campbell	(resigned 4 January 2013)
G Robinson	(resigned 4 January 2013)
J A Stanton	(appointed 4 January 2013)
K A Ruddock	(appointed 4 January 2013)

Principal risks

Risk is inherent in the business's activities and as a consequence of operating a sound risk management process the Company identified the following principal risks and uncertainties, which it believed could have a materially adverse effect on its business, turnover, profit, assets, 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 parent company, The Weir Group PLC, operates controls as described in its Directors report to mitigate against these risks.

Political risks

The Company and its customers operate around the world including in the Middle East and Asia. 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 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.

Directors' report (continued)

Employee issues

Company performance depends on the skills and efforts of its employees and management team across all aspects of its business. The Company recognises that failing to attract new talent and retain existing expertise, knowledge and skills in design, operations and product areas could have a negative impact on its business.

Health & safety

The Company operates long established working practices and controls to minimise damage and injury. The Company has developed quality and safety processes that are regularly audited.

Customer relationships and supply chain

The Company benefits from close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, 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.

Financial risk management objectives & policies

The Company's principal financial instruments comprise bank overdrafts, intercompany loans and cash 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 those relating to foreign currency and credit risk. These risks are managed in accordance with Board approved policies.

Foreign exchange risk

The Company buys and sells goods and services in currencies other than its functional currency which is pound sterling. As a result, the Company's non-sterling revenues, profits, assets, liabilities and cash flows can be affected by movements in exchange rates. The Company seeks to minimise its transaction exposure by maintaining a policy that forward foreign currency contracts are used to hedge material currency exposures on firm future commitments. The fair value of forward foreign currency contracts held at the balance sheet date, determined by reference to their market values, is £nil (2011: net liability £1,585,936). It is Company policy not to engage in any speculative transaction of any kind.

Credit risk

The Company is primarily exposed to credit risk to the extent of non-payment by its customers in respect of its trade receivables and amounts due under construction contracts. The credit risk on liquid funds and derivative financial instruments is limited because the counter-parties are financial institutions with high credit-ratings assigned by international credit rating agencies. 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.

Supplier payment policy

The Company agrees with its suppliers the terms and conditions under which business transactions are conducted, including the terms of payment. It is Company policy that payments to suppliers are made in accordance with the agreed terms. The number of days relating to the total amounts owed to trade creditors at the period end and the total of the amounts invoiced by suppliers in the period was nil (2011: 52 days).

Directors' report (continued)

Employee involvement

Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are encouraged to suggest ways to improve the Company's designs and Company processes and procedures.

Employees are able to access the Group website which contains a wide range of information relating to The Weir Group PLC and its subsidiaries.

Disclosure of information to the 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 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.

Auditors

The auditors, Ernst & Young LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006. Ernst & Young LLP have indicated their willingness to continue in office.

On behalf of the Board



J A Stanton
Director

3 July 2013

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Independent auditors' report to the members of TWG Young Limited

We have audited the financial statements of TWG Young Limited for the 52 weeks ended 28 December 2012 which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 21. 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).

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 auditor

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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 Report and Financial Statements 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 financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 December 2012 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

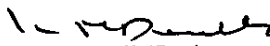
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the 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 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.


Ian McDowall (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

4 July 2013

Profit and loss account

for the 52 weeks ended 28 December 2012

	<i>Notes</i>	52 weeks ended 28 December 2012 £000	52 weeks ended 30 December 2011 £000
Turnover	2	33,996	26,272
Operating profit	3	2,226	2,528
Profit on sale of trade and assets	4	34,327	-
Profit on ordinary activities before interest and tax		36,553	2,528
Interest receivable and similar income	5	165	138
Interest payable and similar charges	6	(19)	(13)
Profit on ordinary activities before tax		36,699	2,653
Tax on profit on ordinary activities	7	(493)	(644)
Profit for the period	15	36,206	2,009

There are no recognised gains or losses other than those reported above.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

On 1 December 2012, certain of the trade and assets of the Company were transferred to a new Company "LGE Process Limited", which was subsequently sold to Babcock International Group plc on 28 December 2012. Therefore, the results above with the exception of interest received from the parent company represent discontinued operations.

Balance sheet

at 28 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	9	-	61
Investments	10	<u>35</u>	<u>35</u>
		35	96
Current assets			
Debtors	11	48,349	23,181
Cash at bank		<u>-</u>	<u>2,307</u>
		48,349	25,488
Creditors: amounts falling due within one year	12	<u>(3,904)</u>	<u>(12,466)</u>
Net current assets		44,445	13,022
Total assets less current liabilities		44,480	13,118
Provisions for liabilities	13	<u>-</u>	<u>(3,498)</u>
Net assets		<u>44,480</u>	<u>9,620</u>
Capital and reserves			
Called up share capital	14	10	10
Profit and loss account	15	<u>44,470</u>	<u>9,610</u>
Shareholders' funds	16	<u>44,480</u>	<u>9,620</u>



J A Stanton
Director
3 July 2013

Notes to the financial statements

for the 52 weeks ended 28 December 2012

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The financial statements were approved for issue by the Board of Directors on 3 July 2013.

Consolidation

As the Company and its subsidiaries are included in the consolidated financial statements of The Weir Group PLC, the Company is exempt from the obligation to prepare and deliver group accounts under Section 400 of the Companies Act 2006. Consequently, the financial statements present information about the Company as an individual undertaking.

Cash flow statement

The cash flows of the Company are included in the consolidated cash flow statement of its parent company, The Weir Group PLC. Consequently, the Company is exempt under the terms of FRS 1 from publishing a cash flow statement.

Tangible assets

Tangible fixed assets are stated at cost. Depreciation is provided on all tangible fixed assets and is calculated to write off the net cost of each tangible fixed asset over its estimated useful life by equal annual instalments at the following rates:

Office equipment	-	10% to 20%
Office furniture	-	7.5%
Computers	-	25%
Software systems	-	12.5%

Long term contracts

A long term contract is defined as the supply of a single substantial asset or the provision of a service where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Turnover recorded on long term contracts is the value of work done and this is calculated to be cost together with a proportion of profit appropriate to the stage of completion of each contract. Provision is made for all foreseeable losses. Claims for progress payments are deducted from amounts recoverable on long term contracts, or to the extent that they exceed this value are disclosed as payments received on account.

Foreign currencies

In order to reduce its exposure to foreign exchange risks the Company enters into forward foreign currency contracts.

Monetary assets and liabilities in foreign currency are translated into sterling at the rates ruling at the balance sheet date or if appropriate at the forward contract rate. Transactions in foreign currencies are translated at the rate ruling on the date of the transaction or if appropriate at the forward contract rate. All exchange differences are taken to the profit and loss account.

Notes to the financial statements

for the 52 weeks ended 28 December 2012

1. Accounting policies (continued)

Deferred tax

Deferred taxation 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 following exceptions:

- provision is made for deferred tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, joint ventures and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- 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.

Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Retirement benefits

The Company and other UK subsidiaries of The Weir Group PLC participates 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. Contributions to defined contribution plans are charged to the profit and loss account when they become payable.

Share based payments

Equity settled share-based incentives are provided to certain employees of the Company under a long-term incentive plan operated by its ultimate parent company, The Weir Group PLC. 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.

Notes to the financial statements

for the 52 weeks ended 28 December 2012

2. Turnover

Turnover represents the amount invoiced to third parties in respect of goods sold and services provided excluding value added tax. In the case of long term contracts, it represents the value of work done during the period.

An analysis of turnover by geographical market has not been disclosed. The directors are of the opinion that to disclose such information could be seriously prejudicial to the interests of the Company.

3. Operating profit

	2012 £000	2011 £000
(a) Movement between turnover and operating profit		
Turnover	33,996	26,272
Cost of sales	(29,963)	(19,737)
<i>Gross profit</i>	<u>4,033</u>	<u>6,535</u>
Distribution costs	(689)	(1,216)
Administrative costs	(1,118)	(2,791)
Operating profit	<u>2,226</u>	<u>2,528</u>
(b) Operating profit is stated after charging:	2012 £000	2011 £000
Auditors' remuneration and expenses- audit	15	16
Depreciation of owned tangible fixed assets	14	18
Operating lease rentals - land and buildings	<u>113</u>	<u>122</u>

4. Profit on sale of trade and assets

	2012 £000
Proceeds of sale	25,220
Trade and assets disposed of	
- fixed assets	(47)
- debtors	(7,090)
- creditors	15,435
- provisions	2,898
- cash at bank	(1,787)
Costs associated with disposal	<u>(302)</u>
	<u>34,327</u>

Notes to the financial statements

for the 52 weeks ended 28 December 2012

5. Interest receivable and similar income

	2012 £000	2011 £000
Bank interest receivable	-	3
Interest receivable from parent company	165	135
	<u>165</u>	<u>138</u>

6. Interest payable and similar charges

	2012 £000	2011 £000
Bank interest payable	19	9
Interest payable to parent company	-	4
	<u>19</u>	<u>13</u>

7. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2012 £000	2011 £000
<i>Current tax:</i>		
UK corporation tax	440	666
Adjustments in respect of prior years – UK corporation tax	39	(25)
	<u>479</u>	<u>641</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	14	3
Tax on profit on ordinary activities	<u>493</u>	<u>644</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is at the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are reconciled below:

The tax charge is made up as follows:

	2012 £000	2011 £000
Profit on ordinary activities before tax	<u>36,699</u>	<u>2,653</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	8,991	703
Expenses not deductible for tax purposes	(57)	4
Deduction for share based payments	(70)	(38)
Tax under/(over) provided in previous years	39	(25)
Capital gain	(8,410)	-
Other	-	(3)
Current tax	<u>493</u>	<u>641</u>

Notes to the financial statements

for the 52 weeks ended 28 December 2012

7. Taxation (continued)

(c) Deferred tax	2012	2011
The deferred tax included in the balance sheet is as follows:	£000	£000
Included in debtors	<u>8</u>	<u>22</u>
Accelerated capital allowances	-	11
Other timing differences	<u>8</u>	<u>11</u>
	<u>8</u>	<u>22</u>
	2012	2011
	£000	£000
Balance at 31 December 2011	22	25
Debit to the profit and loss account	<u>(14)</u>	<u>(3)</u>
Balance at 28 December 2012	<u>8</u>	<u>22</u>

d) Factors affecting future tax charge

A number of changes to the UK Corporation tax system were announced in the June 2012 Budget and Autumn statement. The Finance Act 2012 enacted legislation to reduce the UK corporate rate of taxation from 24% to 23% from 1 April 2013. A further reduction in the UK rate has been announced reducing the corporation tax main rate to 21% from April 2014. This further change has not been substantively enacted at the balance sheet date and therefore is not reflected in the results for the 52 weeks ended 28 December 2012. We expect that these reductions will not have a material effect on the effective tax rate or on the result for the year in future periods

8. Directors and employees

(a) Staff costs	2012	2011
	£000	£000
Wages and salaries	2,041	2,172
Social security costs	219	418
Other pension costs	<u>575</u>	<u>490</u>
	<u>2,835</u>	<u>3,080</u>

Included in other pension costs are £536,000 (2011: £447,000) in respect of the defined benefit scheme and £39,000 (2011: £43,000) in respect of the defined contribution scheme.

	2012	2011
	No.	No.
Average monthly number of employees during the period	<u>50</u>	<u>48</u>

Notes to the financial statements

for the 52 weeks ended 28 December 2012

8. Directors and employees (continued)

Share awards, made to employees under a Long Term Incentive Plan (LTIP), are conditional awards to acquire free shares in the Weir Group PLC subject to The Weir Group PLC's performance. In 2012, conditional awards of performance shares were made worth 25% (2011: 25%) of salary to the employees that participate. The shares only vest if a highly demanding performance condition is achieved.

For awards granted in 2010, 2011 and 2012, the performance condition was 50% based on the growth in the Group's TSR over a single three year period (three consecutive financial years, beginning with the year in which the award is made) relative to the growth in the TSR of a comparator group and 50% based on earnings per share growth (adjusted to exclude intangibles amortisation and exceptional items).

Only if The Weir Group PLC's 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 2010, 2011 and 2012

2010		2011		2012	
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%	15% p.a	100%	15% p.a	100%
4% p.a	25%	7% p.a	25%	7% p.a	25%
Less than 4% p.a	0%	Less than 7% p.a	0%	Less than 7% p.a	0%

The total expense recognised in the period in relation to share-based payments was £40,761 (2011: £27,032).

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 2011 and 2012.

	2012	2011
Weighted average dividend yield (%)	-	-
Weighted average expected volatility (%)	40.00	50.00
Weighted average expected life (years)	3.00	3.00
Weighted average risk free rate (%)	0.53	1.66
Weighted average share price (£)	19.43	16.13
Weighted average fair value (£)	14.32	12.69

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 21.

Notes to the financial statements

for the 52 weeks ended 28 December 2012

8. Directors and employees (continued)

(b) Directors' emoluments

	2012 £000	2011 £000
Aggregate emoluments of directors	450	467
Value of shares received by directors under long term incentive schemes	265	142
Amount of Company contributions paid in respect of money purchase schemes	4	4

	2012 No	2011 No
Number of directors employed directly by the Company to whom retirement benefits are accruing under:		
Defined benefit schemes	3	3
Money purchase schemes	1	1

	2012 £000	2011 £000
In respect of the highest paid director:		
Aggregate emoluments	165	170
Accrued pension at the end of the period	44	40

The highest paid director received shares under the Group Long Term Incentive Plan of £112,568 (2011: £60,031).

Notes to the financial statements

for the 52 weeks ended 28 December 2012

9. Fixed Assets

	<i>Office Furniture £000</i>	<i>Office Equipment £000</i>	<i>Computers £000</i>	<i>Software Systems £000</i>	<i>Total £000</i>
Cost					
At 31 December 2011	40	29	51	131	251
Additions	-	-	5	-	5
Disposals	-	-	(13)	(80)	(93)
Transfers to LGE Process Ltd	(40)	(29)	(43)	(51)	(163)
At 28 December 2012	-	-	-	-	-
Accumulated depreciation					
At 31 December 2011	18	21	49	102	190
Charge for the period	3	2	3	6	14
Disposals	-	-	(13)	(75)	(88)
Transfers to LGE Process Ltd	(21)	(23)	(39)	(33)	(116)
At 28 December 2012	-	-	-	-	-
Net book value at 28 December 2012	-	-	-	-	-
Net book value at 31 December 2011	22	8	2	29	61

10. Investments

	Associated undertakings £000
At 30 December 2011 and 28 December 2012	35

At the period end the Company held 20% of the equity of the following Company:

<i>Name of Company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of shares held</i>	<i>Nature of Business</i>
L.G.E. Japan	Japan	Ordinary shares	20%	Liquid gas storage and handling systems

The Company disposed of the above investment on 28 March 2013 for proceeds of £95,000.

The Company holds more than 50% of the equity of the following Company:

<i>Name of Company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of shares held</i>	<i>Nature of Business</i>
L.G.E. Italia S.R.L.	Italy	Ordinary shares	51%	In liquidation

In the opinion of the directors, the aggregate value of the Company's investment in associated undertakings is not less than the aggregate amount included in the balance sheet.

Notes to the financial statements

for the 52 weeks ended 28 December 2012

11. Debtors

	2012 £000	2011 £000
Trade debtors	-	2,535
Amounts recoverable on long term contracts	-	284
Other debtors	-	162
Amounts owed by parent company	23,095	20,042
Amounts owed by other group undertakings	25,246	-
Prepayments and accrued income	-	136
Deferred tax (note 7)	8	22
	<u>48,349</u>	<u>23,181</u>

The Company has entered into a loan agreement with its parent company, The Weir Group PLC. The principal amount outstanding at 28 December 2012 amounted to £20,000,000 (2011: £20,000,000) which is payable at the request of the parent company. Other amounts owed by the parent company are also repayable at the request of the parent company. Interest on all amounts owed by the parent company is charged at London Interbank Offer Rate (LIBOR) less 12.5 basis points.

12. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank overdraft	-	796
Payments received on account	2,408	7,370
Trade creditors	52	2,878
Amounts owed to group companies	500	144
Corporation tax	479	640
Other taxes and social security costs	296	259
Other creditors	-	7
Accruals	169	372
	<u>3,904</u>	<u>12,466</u>

13. Provisions for liabilities

	2012 £000	2011 £000
Warranties		
At 31 December 2011	3,498	2,455
Additional provisions	367	1,748
Utilised	(349)	(338)
Unutilised	(618)	(367)
Transfer to LGE Process Ltd	(2,898)	-
At 28 December 2012	<u>-</u>	<u>3,498</u>

Warranty provisions include provisions for expected warranty and contract damages claims on products sold and services provided. All warranty provisions have been transferred to LGE Process Ltd.

Notes to the financial statements

for the 52 weeks ended 28 December 2012

14. Share capital

	2012 £000	2011 £000
Allotted, issued and fully paid:		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>

15. Movements in profit and loss account

	2012 £000	2011 £000
At 31 December 2011	9,610	9,241
Profit for the financial period	<u>36,206</u>	<u>2,009</u>
Dividend	<u>45,816</u> <u>(1,346)</u>	<u>11,250</u> <u>(1,640)</u>
At 28 December 2012	<u>44,470</u>	<u>9,610</u>

16. Reconciliation of shareholders' funds

	2012 £000	2011 £000
At 31 December 2011	9,620	9,251
Profit for the financial period	<u>36,206</u>	<u>2,009</u>
Dividend	<u>45,826</u> <u>(1,346)</u>	<u>11,260</u> <u>(1,640)</u>
At 28 December 2012	<u>44,480</u>	<u>9,620</u>

17. Other financial commitments

At 28 December 2012, the Company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	2012 £000	2011 £000
Operating leases which expire:		
In two to five years	<u>-</u>	<u>123</u>
	<u>-</u>	<u>123</u>

Notes to the financial statements

for the 52 weeks ended 28 December 2012

18. Retirement benefits

The Company participates in the defined benefit plan arrangements within The Weir Group Pension & Retirement Savings Scheme. This defined benefit plan is a multi employer plan which is operated by The Weir Group PLC and which is 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 this plan as if it were a defined contribution plan. While assets and liabilities in respect of this scheme are not reflected on the Company's balance sheet, details of this plan 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 plan in 2013 are expected to be £12,686,000.

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 £60,182,000 (2011: £29,831,000).

The assets and liabilities of the plan and the long term expected rates of return are as follows:

	2012 %	2012 £000	2011 %	2011 £000
Equities	6.8	140,325	7.6	134,485
Bonds	3.5	95,862	3.5	67,242
Insurance policy	4.3	348,067	4.8	335,255
Other	0.5	6,109	2.6	14,184
Fair value of plan assets		590,363		551,166
Present value of plan liabilities		(664,228)		(616,948)
Net deficit in the plan		(73,865)		(65,782)
			2012 £000	2011 £000
Recognised in the profit & loss account				
Current service cost			1,999	1,332
Past service gain			-	(19,000)
Expected return on plan assets			(28,451)	(30,004)
Interest cost on plan liabilities			28,986	30,730
Other finance costs			535	726

Notes to the financial statements

for the 52 weeks ended 28 December 2012

18. Retirement benefits (continued)

	2012 £000	2011 £000
Taken to the statement of total recognised gains & losses		
Actual return on plan assets	60,182	29,831
Less: expected return on plan assets	(28,451)	(30,004)
	<u>31,731</u>	<u>(173)</u>
Other actuarial losses	(44,745)	(40,788)
	<u>(13,014)</u>	<u>(40,961)</u>
Actuarial (losses) gains recognised in the statement of total recognised gains & losses		
	<u>(13,014)</u>	<u>(40,961)</u>

The major assumptions used by the actuary were as follows:

	2012 %	2011 %
Rate of increase in salaries	2.9	3.1
Rate of increase in pensions in payment:		
Pre 6 April 2006 service	2.9	2.9
Post 6 April 2006 service	2.1	1.9
Discount rate	4.3	4.8
Inflation assumption	2.9	3.1

The mortality assumptions used were as follows:

	2012 Years	2011 Years
Post-retirement mortality		
Current pensioners at 65 - male	21.8	20.9
Current pensioners at 65 - female	24.3	23.7
Future pensioners at 65 - male	23.6	23.80
Future pensioners at 65 - female	26.3	25.8

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 2032 (in 20 years time).

Notes to the financial statements

for the 52 weeks ended 28 December 2012

18. Retirement benefits (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2012 £000	2011 £000
Opening defined benefit obligations	616,948	589,320
Current service cost	1,999	1,332
Past service gain	-	(19,000)
Interest cost	28,986	30,730
Benefits paid	(28,489)	(27,000)
Contributions by employees	39	778
Actuarial losses	44,745	40,788
Closing defined benefit obligations	664,228	616,948

Changes in the fair value of plan assets are analysed as follows:

	2012 £000	2011 £000
Opening plan assets	551,166	540,690
Expected return on plan assets	28,451	30,004
Employer contributions	7,465	6,867
Contributions by employees	39	778
Benefits paid	(28,489)	(27,000)
Actuarial (losses) gains	31,731	(173)
Closing plan assets	590,363	551,166

The past service gain in 2011 of £19.0m was 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). The decision was announced to the members of the Scheme in July 2011. The past service gain was recognised as an exceptional item in the Consolidated Income Statement of The Weir Group PLC.

Notes to the financial statements

for the 52 weeks ended 28 December 2012

18. Retirement benefits (continued)

History of experience gains & losses

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of plan assets	590,363	551,166	540,690	502,747	453,383
Present value of defined benefit obligations	(664,228)	(616,948)	(589,320)	(559,749)	(464,705)
(Deficit) surplus in the plan	(73,865)	(65,782)	(48,630)	(57,002)	(11,322)
Experience adjustments arising on plan liabilities	14,547	-	(2,793)	(10,574)	(9,957)
Changes in assumptions underlying plan liabilities	(59,292)	(40,788)	(18,450)	(107,485)	67,372
Experience adjustments arising on plan assets	31,731	(173)	22,472	62,523	(113,005)

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £248,232,000 (2011: £235,218,000).

19. Contingent liabilities

In 2011, the Company had given guarantees in relation to the bank and other borrowings of certain companies. The Company is no longer part of this arrangement. The net debt of the companies party to these facilities as at 30 December 2011 amounted to £871,000.

During the period, the Company had other contingent liabilities in the normal course of business including counter indemnities for performance and warranty bonds. At the period end, no other contingent liabilities remain.

20. Related party disclosures

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are wholly owned by The Weir Group PLC group. There have been no transactions with related parties that are non wholly owned by The Weir Group PLC group in the current or previous financial period.

21. Ultimate parent company

The Weir Group PLC (registered in Scotland) is the Company's ultimate parent company. This is the only parent undertaking for which group accounts are drawn up and of which the Company is a member. The address from which copies of these group accounts are available to the public is: The Weir Group PLC, Clydesdale Bank Exchange, 20 Waterloo Street, Glasgow, G2 6DB.