

Group Package Accounts

Weir Group (Overseas Holdings) Limited

Report and Financial Statements

3 January 2014

Registered No: SC054821

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Strategic report

The directors present their annual report together with the audited financial statements of Weir Group (Overseas Holdings) Limited ("the Company") (Registered Number SC054821) for the 53 weeks ended 3 January 2014.

Principal activities

The Company is principally engaged in the acquisition and retention of investments, rights or interests in other companies.

Business review

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

	2013	2012
	£'000	£'000
Operating (loss)	(3,010)	(2,900)
(Loss) / profit for the period	(2,925)	170,192
Shareholders' funds	92,026	95,006

The loss for the period after taxation amounted to £2,925,000 (2012: profit of £170,192,000). Movement in the (loss) / profit for the period is mainly due to dividends received in the prior period of £179,421,000 compared to £6,652,000 in the current period.

Financial risk management objectives and policies

The Company's principal financial instruments comprise inter group loans, amounts due to and from the parent and other group companies and bank overdraft. The principal financial risks to which the Company is exposed are those relating to credit, liquidity and interest rate. These risks are managed in accordance with Board approved policies.

Credit risk

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies. There is no credit risk associated with the Company's inter group receivables.

Liquidity risk

The Company obtains funding for its operations via the Group's bank facilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Interest rate risk

The Company has inter group loans which have fixed rates of interest for a variety of periods from monthly to annual and a bank overdraft which is subject to variable rates of interest. Interest rate risk is regularly monitored and is not considered to be material at present.

By order of the Board



C Stead
Secretary
19 September 2014

Directors' report

The directors present their annual report together with the audited financial statements of Weir Group (Overseas Holdings) Limited ("the Company") (Registered Number SC054821) for the 53 weeks ended 3 January 2014.

Dividends

No dividend was paid during the year (2012: £173,996,000).

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding the Company had net current liabilities of £172,462,000 as at 3 January 2014. The directors believe this to be appropriate as the Company's ultimate parent company has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company to meet its liabilities as they fall due for payment.

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. 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.

Directors

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

M J Kelly (resigned 2 July 2014)

J A Stanton

K A Ruddock

C Morgan (appointed 2 July 2014)

Directors' indemnities

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. These indemnities are uncapped in amount. The ultimate holding company maintained directors and officers liability insurance throughout 2013 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 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.

Directors' report (continued)

Annual General Meeting

There was no annual general meeting held in the year, as permitted by the Companies Act 2006.

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.

By order of the board



C J Stead
Secretary
19 September 2014

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic and 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 judgments 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; and
- 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 auditor's report to the members of Weir Group (Overseas Holdings) Limited

We have audited the financial statements of Weir Group (Overseas Holdings) Limited for the 53 weeks ended 3 January 2014 which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16. 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 4, 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 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 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 3 January 2014 and of its loss for the 53 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

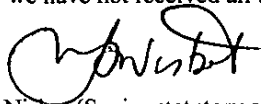
In our opinion the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of
Weir Group (Overseas Holdings) Limited
(continued)**

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.



James Nisbet (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
19 September 2014

Profit and loss account

for the 53 weeks ended 3 January 2014

	Notes	2013 £000	2012 £000
Other operating income		-	15
Administration expenses		(2,906)	(2,906)
Exchange loss		(104)	(9)
Operating loss	3	(3,010)	(2,900)
Provision for amounts due from subsidiary undertakings		14	145
Dividends received		6,652	179,421
Interest receivable	4	69	65
Interest payable	5	(9,226)	(9,502)
(Loss)/profit on ordinary activities before tax		(5,501)	167,229
Tax on (loss)/profit on ordinary activities	6	2,576	2,963
(Loss)/profit for the period	13	(2,925)	170,192

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

There are no material differences between the (loss)/profit on ordinary activities before tax and the retained (loss)/profit for the period stated above and their historical cost equivalents.

Statement of total recognised gains and losses

for the 53 weeks ended 3 January 2014

	2013 £000	2012 £000
(Loss)/profit for the period	(2,925)	170,192
Exchange gain/(loss) on retranslation of goodwill	15	(24)
Exchange gain on retranslation of foreign currency borrowings	1,659	4,287
Exchange loss on retranslation of foreign currency derivatives	(1,114)	(879)
Exchange loss on retranslation of foreign equity investment	(615)	(3,408)
Total recognised (losses) and gains	(2,980)	170,168

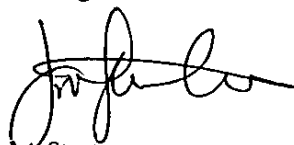
Weir Group (Overseas Holdings) Limited

Balance sheet

at 3 January 2014

	Notes	2013 £000	2012 £000
Fixed assets			
Investments	7	221,528	222,143
Intangible assets	8	42,960	45,850
		<u>264,488</u>	<u>267,993</u>
Current assets			
Debtors	9	<u>2,855</u>	<u>3,540</u>
Total current assets		<u>2,855</u>	<u>3,540</u>
Creditors: amounts falling due within one year	10	(175,317)	(176,527)
Net current liabilities		<u>(172,462)</u>	<u>(172,987)</u>
Total assets less current liabilities		<u>92,026</u>	<u>95,006</u>
Net assets		<u>92,026</u>	<u>95,006</u>
Capital and reserves			
Called up share capital	11	12,804	12,804
Profit and loss account	12	79,222	82,202
Shareholders' funds	13	<u>92,026</u>	<u>95,006</u>

The financial statements of Weir Group (Overseas Holdings) Limited were approved by the directors and were signed on their behalf by:



J.A. Stanton
Director

19 September 2014

Notes to the financial statements

for the 53 weeks ended 3 January 2014

1. Accounting policies

Basis of preparation

The financial statements of Weir Group (Overseas Holdings) Limited (the 'Company') have been prepared for the 53 weeks ended 3 January 2014 ('2013'), the comparative information is provided for the 52 weeks ended 28 December 2012 ('2012'). The financial statements have been presented in Sterling and all values have been presented in thousands (£'000) except where otherwise indicated. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Group financial statements

In accordance with section 400 of the Companies Act 2006, group financial statements are not prepared as the Company is a wholly owned subsidiary of another body corporate which publishes consolidated accounts.

Cash flow statement

The Company has taken advantage of the provisions of FRS1 (revised) which exempts companies which are part of a group which has published a consolidated cash flow statement from preparing a cash flow statement. Accordingly, no cash flow statement for the Company has been presented.

Derivative financial instruments

The Company uses forward foreign currency contracts to manage its exposure to exchange rate movements. These forward foreign currency contracts are foreign currency transactions on which exchange differences arise and these exchange differences have been recognised in the profit and loss account, except where SSAP 20 has been applied, where the forward currency contracts have been used to reduce the exchange exposure of the foreign currency investments, in which case the exchange differences are recognised in reserves. The discount/premium on the forward foreign currency contracts is amortised over the period of the contracts in the profit and loss account.

Goodwill

Purchased goodwill arising on acquisitions of businesses since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Foreign currency

Transactions in foreign currencies are converted at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Differences on exchange are dealt with through the profit and loss account as they arise with the following exception.

The Company has foreign equity investments which have been financed by foreign currency borrowings. In accordance with SSAP20, exchange on the foreign currency borrowings which were used to finance the acquisition is matched with the exchange movement on the equivalent portion of the foreign currency investment and is recognised in reserves up to the date of settlement of the foreign currency borrowings. After date of settlement of foreign currency borrowings, the foreign equity investments are treated as a non-monetary asset with no retranslation arising until another foreign currency borrowing is taken out to provide a hedge.

Notes to the financial statements (continued)

for the 53 weeks ended 3 January 2014

1. Accounting policies (continued)

Investments

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

Investment income

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

2. Directors and employees

The Company had no employees in 2013 (2012: none).

No directors received any emoluments for either 2013 or 2012 in respect of services to the Company.

3. Operating loss

Operating loss is stated after charging:

	2013 £000	2012 £000
Exchange loss	(104)	(9)
Amortisation of goodwill	<u>(2,906)</u>	<u>(2,906)</u>
	<u>(3,010)</u>	<u>(2,915)</u>

4. Interest receivable

	2013 £000	2012 £000
Interest receivable from group undertakings	68	65
Amortisation of forward points on forward contracts	<u>1</u>	<u>-</u>
	<u>69</u>	<u>65</u>

5. Interest payable

	2013 £000	2012 £000
Interest payable to ultimate parent company	8,975	9,382
Bank interest payable	251	81
Amortisation of forward points on forward contracts	<u>-</u>	<u>39</u>
	<u>9,226</u>	<u>9,502</u>

Notes to the financial statements (continued)

for the 53 weeks ended 3 January 2014

6. Taxation

	2013 £000	2012 £000
<i>Current taxation</i>		
UK Corporation tax	(2,795)	(2,987)
Overseas tax charge	259	172
Adjustment to prior years	-	(119)
Total current tax	(2,536)	(2,934)
Deferred tax - Current year	(40)	(29)
Total tax charge	(2,576)	(2,963)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 23.25% (2012: 24.5%). The actual tax credit for the current period is above (2012: above) the standard rate for the reasons set out in the following reconciliation:-

	2013 £000	2012 £000
(Loss)/profit on ordinary activities before tax	(5,501)	167,229
Tax on (loss)/profit on ordinary activities at standard rate of 23.25% (2012: 24.5%)	(1,279)	40,971
<i>Factors affecting charge for the period</i>		
Grossing up of dividends	259	172
Exempt dividends	(1,546)	(43,958)
Sundry disallowable expenses	-	-
Adjustment to prior year	-	(119)
Change in tax rate	30	-
Current tax credit	(2,536)	(2,934)

Factors that may affect future tax charges:

A number of changes which reduce future UK corporation tax rates were announced in the UK Budget Statement of 20 March 2013. Following on from this, legislation was enacted on 2 July 2013 such that the main rate of UK corporation tax will be 21% from 1 April 2014 and 20% from 1 April 2015. Consequently, deferred tax has been provided on UK temporary differences at 20% (2012: 23%).

Notes to the financial statements (continued)

for the 53 weeks ended 3 January 2014

7. Investments

	Shares in group Companies £000	Joint ventures & Associates £000	Total £000
Cost			
At 29 December 2012	221,491	5,228	226,719
Exchange	(615)	-	(615)
At 3 January 2014	220,876	5,228	226,104
Impairment			
At 29 December 2012 and 3 January 2014	(4,576)	-	(4,576)
Net Book Value			
At 29 December 2012	216,915	5,228	222,143
At 3 January 2014	216,300	5,228	221,528

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

Subsidiaries	Country of incorporation	Class of shares held	Percentage held
<i>The Weir Group International S.A.</i>	<i>Switzerland</i>	<i>Ordinary</i>	<i>100%</i>
<i>Weir Group Inc</i>	<i>USA</i>	<i>Ordinary</i>	<i>100%</i>
<i>Weir Minerals East Africa Limited</i>	<i>Tanzania</i>	<i>Ordinary</i>	<i>50%</i>
<i>Weir Group Trading (Shanghai) Co. Ltd</i>	<i>China</i>	<i>Ordinary</i>	<i>100%</i>
<i>Weir Minerals China Co. Limited</i>	<i>China</i>	<i>Ordinary</i>	<i>100%</i>
<i>Weir Valves & Controls (Suzhou) Co Ltd</i>	<i>China</i>	<i>Ordinary</i>	<i>100%</i>
<i>Weir Group African IP Limited</i>	<i>UK</i>	<i>Ordinary</i>	<i>100%</i>
<i>Weir Minerals Africa (Pty) Limited</i>	<i>South Africa</i>	<i>Ordinary</i>	<i>68%</i>
<i>Slurry Holdings Ltd</i>	<i>Malta</i>	<i>Ordinary</i>	<i>100%</i>
<i>Weir SPM Singapore Pte Limited</i>	<i>Singapore</i>	<i>Ordinary</i>	<i>100%</i>
Joint venture	Country of incorporation	Class of shares held	Percentage held
<i>Wesco L.L.C.</i>	<i>UAE</i>	<i>Ordinary</i>	<i>49%</i>
<i>Weir Arabian Metals Company Limited</i>	<i>Saudi Arabia</i>	<i>Ordinary</i>	<i>49%</i>

The Company also indirectly owns a number of subsidiary undertakings. The Company has taken advantage of the exemption under Section 410 (2) of the Companies Act 2006 and a complete list of subsidiary and associated undertakings will be attached to the next annual return of the Company to be filed at Companies House.

Notes to the financial statements (continued)

for the 53 weeks ended 3 January 2014

8. Intangible fixed assets

	Purchased Goodwill £000
Cost	
At 29 December 2012	58,106
Exchange	15
As at 3 January 2014	58,121
Amortisation	
At 29 December 2012	12,256
Exchange	-
Charge for the period	2,905
As at 3 January 2014	15,161
Net Book Value	
At 29 December 2012	45,850
At 3 January 2014	42,960

The purchased goodwill relates to the acquisition of the CH Warman Pump Group for £56,987,849 and the purchase of the business of Loftyman Engineering Limited, a Company registered in Hong Kong for an amount of US\$1.4million.

9. Debtors

	2013 £000	2012 £000
Amounts due from fellow subsidiary undertakings	5,477	5,491
Provisions for amounts due from fellow subsidiary undertakings	(5,457)	(5,471)
Corporation tax receivable	2,795	2,986
Forward foreign currency contracts	31	525
Other debtors	9	9
	2,855	3,540

Loans due from fellow subsidiary undertakings include 8 interest bearing loans held with Weir Minerals China, totalling \$8,100,000, at the annualised 12 month London Interbank Offered Rate ("LIBOR") plus a margin of 0.7%.

Notes to the financial statements (continued)

for the 53 weeks ended 3 January 2014

10. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Bank overdraft	7,894	11,111
Sundry creditors	102	99
Bank interest payable	64	75
Forward foreign currency contract	220	15
Deferred tax payable	34	74
Amounts owed to ultimate parent company	167,003	165,153
	<u>175,317</u>	<u>176,527</u>

Amounts owed to ultimate parent company include a £50,000,000 unsecured loan which is repayable on 15 April 2014 with interest being charged at 3 month London Interbank Offer Rate (LIBOR) plus a margin of 1.625%, a £12,637,416 unsecured loan which is repayable on 15 April 2014 with interest being charged at 3 month London Interbank Offer Rate (LIBOR) plus a margin of 1.625% and a \$165,034,888 (£100,465,629) unsecured loan which is repayable on 15 April 2014 with interest being charged at 3 month USD LIBOR plus a margin of 1.625%

11. Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid:		
12,804,274 Ordinary shares of £1 each	<u>12,804</u>	<u>12,804</u>

12. Profit and loss account

	2013 £000	2012 £000
At the beginning of the period	82,202	86,030
(Loss)/profit for the period	(2,925)	170,192
Dividend paid	-	(173,996)
Exchange gain/(loss) on retranslation of goodwill	15	(24)
Exchange gain on retranslation of foreign currency borrowings	1,659	4,287
Exchange (loss) on retranslation of foreign currency derivatives	(1,114)	(879)
Exchange loss on retranslation of foreign equity investment	<u>(615)</u>	<u>(3,408)</u>
At the end of the period	<u>79,222</u>	<u>82,202</u>

Notes to the financial statements (continued)

for the 53 weeks ended 3 January 2014

13. Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Opening shareholders' funds	95,006	98,834
(Loss)/profit for the period	(2,925)	170,192
Dividend paid	-	(173,996)
Exchange gain/(loss) on retranslation of goodwill	15	(24)
Exchange gain/ (loss) on retranslation of foreign currency borrowings	1,659	4,287
Exchange (loss)/ gain on retranslation of foreign currency derivatives	(1,114)	(879)
Exchange loss on retranslation of foreign equity investment	(615)	(3,408)
Net reduction in shareholders' funds	(2,980)	(3,828)
Closing shareholders' funds	92,026	95,006

14. Contingent liabilities

The Company has given a guarantee in relation to the overdraft and loan facilities extended to the Weir Group PLC and certain subsidiaries. The net funds of the other companies party to these facilities at 3 January 2014 amounted to £6,159,000 (2012: £18,887,000).

15. Transactions with related parties

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 year.

16. Ultimate parent company

The directors consider that The Weir Group PLC (registered in Scotland) is the Company's ultimate parent company and ultimate controlling party. This is the only parent undertaking for which group financial statements are drawn up and of which the Company is a member.

The address from which copies of these group financial statements are available to the public is: The Weir Group PLC, 20 Waterloo Street, Glasgow, G2 6DB.

The Weir Group PLC
Annual Report and
Financial Statements 2013

(SC054821)
(PARENT COMPANY)

MONDAY

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29/09/2014 #104
COMPANIES HOUSE

THE WEIR GROUP IS A GLOBAL ENGINEERING GROUP FOCUSSED ON PARTNERSHIPS WITH OUR CUSTOMERS

Strategic Report

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2013 Financial highlights

Revenue

£2,430m
-4%

Profit before tax¹

£418m
-5%

Operating profit¹

£467m
-4%

Order input²

£2,462m
+3%

Dividend per share

42.0p
+11%

Earnings per share¹

145.4p
-2%

Net debt

£747m
-£58m

Cash flow from operations

£474m
+19%

Growing order momentum in challenging end markets: second half input up 12% like for like on 2012;

Robust aftermarket performance: 16% order growth;

Record operating margins maintained: 19.2% (2012: 19.1%);

Value Chain Excellence initiatives delivering results: over £40m in direct cost savings;

Mining and Oil & Gas platforms extended: market-leading service network expanded;

Record cash generation and full year dividend: increased by 11% to 42.0p.

1. Continuing operations adjusted to exclude exceptional items and intangibles amortisation.
2. 2012 restated at 2013 average exchange rates.

How we do it: our four strategic pillars

INNOVATION

Developing new products and services which deliver a competitive advantage.

COLLABORATION

Working closely with colleagues, customers, suppliers and communities.

VALUE CHAIN EXCELLENCE

Investing in the best people, safety and operational performance.

GLOBAL CAPABILITY

Providing the same high standards and expertise wherever our customers need us.

WEIR AT A GLANCE: PARTNERS IN PRODUCTION

GLOBAL CAPABILITY, LOCAL DELIVERY

Customers are at the centre of Weir's strategy for growth. That means delivering the innovative engineering solutions they need, wherever in the world they need them.

Learn more about our strategy on pages 8 and 9.

The Weir Group consists of three complementary divisions operating in markets which share strong prospects for long term growth. Our products and services help meet the demands of the world's growing population for commodities and energy. You can learn more in 'Understanding our Markets' on pages 4 and 5.

Minerals

Designing, manufacturing and supporting products used in mining and minerals processing. Weir Minerals is the global market leader in slurry handling equipment.

2013 Revenue

£1,304m

0%

2013 Operating profit

£269m

+6%

Key brands:

Warman, Vulco, Cavex, Enduron and Linatex.

Main markets:

Mining and minerals processing; oil sands; comminution; aggregates; flue gas desulphurisation; and tunnelling and dredging.

Major operational locations:

US, Canada, Chile, Brazil, Peru, UK, Netherlands, South Africa, India, China and Australia.

Major customers:

Major and junior mining houses; Engineering, Procurement and Construction Management companies (EPCMs); national and international oil companies.

Employees:

8,300

Addressable market:

£6.2bn

Oil & Gas

Designing, manufacturing and supporting products used in the upstream pressure pumping, pressure control and downstream refining operations. Weir Oil & Gas is a market leader in pressure pumping.

2013 Revenue

£796m

-7%

2013 Operating profit

£181m

-16%

Key brands:

SPM, Seaboard, Mathena, Novatech, Mesa, Gabbioneta, Weir Oil & Gas Services.

Main markets:

Oil and gas drilling and completion; oil refining.

Major operational locations:

US, Canada, UK, Middle East, China, Singapore and Australia.

Major customers:

Oilfield service companies; national and international oil companies and EPCMs.

Employees:

3,700

Addressable market:

£6.3bn

Power & Industrial

Designing, manufacturing and supporting valves, pumps and turbines which are used in conventional and renewable power and industrial operations and in oil and gas production, mid-stream and refining markets.

2013 Revenue

£330m

+1%

2013 Operating profit

£31m

-2%

Key brands:

Roto-Jet, WEMCO, Blakeborough, Atwood & Morrill, Batley Valve, BDK, Hopkinsons, Tricentric, Sarasin-RBSD, Sebim, Allen Steam Turbines, American Hydro.

Main markets:

Nuclear, conventional and renewable power generation; water and waste water; mid and downstream oil and gas; and general industrial processes.

Major operational locations:

US, Canada, UK, France, Spain, South Korea, Singapore, South Africa, India and China.

Major customers:

Utility companies; general industrial companies; EPCMs.

Employees:

3,200

Addressable market:

£7.7bn

> Read more about Weir Minerals' performance from page 31.

> Read more about Weir Oil & Gas' performance from page 36.

> Read more about Weir Power & Industrial's performance from page 40.

UNDERSTANDING OUR MARKETS

Weir operates in three main markets: minerals; oil and gas; and power. Together, these markets contribute more than 90% of Group revenue.

Minerals

Weir Minerals operates primarily in the global minerals processing sector. Our equipment and services are applied across the 'mill circuit', the process by which rock ores are broken down into end commodities such as copper, gold and iron ore. Our largest exposures are to those commodities which need the greatest amount of processing and have the strongest long term prospects for growth. See Figure 2 which shows forecast copper demand versus supply.

Demand for these commodities comes from the growing world population and the trend towards urbanisation – where greater numbers of people move from the countryside to cities. This is particularly the case in emerging economies.

Our original equipment orders are driven by capital expenditure from mining companies. This can come in the form of greenfield expenditure on new projects or brownfield spending, where existing assets are developed to increase production or efficiencies. The abrasive process of turning rock into a valuable end commodity means our equipment is exposed to significant wear and tear. This generates aftermarket sales – where our products need regular servicing and replacement parts. This process is supported by another trend: global ore grades are in decline which means more processing is needed to produce the same amount of raw commodity over time.

Key links to business model and strategy:

- Highly engineered products used in critical processes.
- High levels of aftermarket support provide resilience.
- Strong service presence builds customer intimacy.
- Leadership in core mill circuit technologies.
- Broad product portfolio across mill circuit process flow.
- Global industry: diversity of revenue and technological and operational leverage.

Figure 1: Weir mining sector commodity exposure¹

Figure 2: Forecast copper ore demand and supply² (million tonnes)

1. Source: Weir Minerals mining sector revenues, 2013.

2. Source: SNL, February 2014.

3. Source: EIA 2014 annual report (early release version).

4. Includes shale formations.

5. Includes CO₂ enhanced oil recovery.

6. Source: EIA 2013 International energy outlook.

7. Source: EIA 2013 International energy outlook.

Oil & Gas

Weir Oil & Gas operates in the conventional and unconventional upstream oil and gas markets, with a niche position supplying specialist pumps to downstream markets. Our largest exposure is to the North American onshore unconventional market with international unconventional opportunities beginning to emerge.

Unconventional drilling involves the extraction of shale oil and gas using hydraulic fracturing where high pressure water, sand and chemicals are used to release gas and oil from rock far below the surface. We serve these markets in three main ways: pressure control equipment and services to Exploration and Production (E&P) companies to ensure drilling, completion and production processes can be carried out efficiently and safely; pressure pumping equipment and services, which provide original equipment to oil and gas service companies for use in hydraulic fracturing (fracking); and Weir Oil & Gas services, where dedicated engineering support and spares are provided to both conventional and unconventional markets in Europe and the Middle East. We also serve mid and downstream oil and gas markets with products for use in Floating Production Storage and Offloading (FPSO), Liquefied Natural Gas (LNG) and refining operations.

The main growth driver in these markets is growing global oil and gas demand. The number of wells drilled determines the level of demand for our equipment. The intensity and growing complexity of drilling and completion applications leads to strong aftermarket sales. Our downstream business is primarily influenced by refining activity levels.

Key links to business model and strategy:

- Highly engineered products used in critical processes.
- High pressure abrasive applications increase aftermarket requirements.
- Leading service presence in all shale plays: strong customer partnership.
- Pump to wellhead capability: broad portfolio provides opportunities in conventional and unconventional markets.
- Global manufacturing and service footprint to capture international opportunities.

Power

Weir Power & Industrial operates in the conventional, nuclear and renewables power generation, industrial and mid and downstream oil and gas markets. We serve these markets through the design and manufacture of valves, pumps and turbines and the provision of specialist support services.

Growing global energy demand, particularly from emerging economies, and the replacement of ageing facilities to meet new environmental regulations are the main growth drivers in this market. The increasing global population dictates the need for new power plants and the refurbishment of existing facilities along with the development of renewable projects and oilfield infrastructure development.

Key links to business model and strategy:

- Highly engineered products used in critical processes.
- High temperature, high pressure application.
- Global manufacturing and service footprint to capture international opportunities.
- Broad valves portfolio provides cross-selling opportunities.

Figure 3: US oil production forecast, 2011–2020 (million barrels per day)³

Figure 4: World tight gas, shale gas, coalbed methane production (excluding US, Canada) (trillion cubic feet)⁶

Figure 5: Total world installed generation capacity by source (Gigawatts)⁷

CHAIRMAN'S STATEMENT A DIVERSE BUSINESS ABLE TO CAPTURE GLOBAL OPPORTUNITIES

Despite challenging trading conditions, Weir's diverse end market and geographical exposure underpinned a solid performance in 2013. Revenues were down 4% at £2.4bn, with pre-tax profits from continuing operations, before exceptional items and intangibles amortisation, of £418m, a 5% decrease on 2012.

We are proposing a final dividend payment to shareholders of 33.2p per share, making 42.0p per share for the full year, an increase of 11% in line with our commitment to a double-digit dividend increase in 2013. This is the 30th consecutive year of dividend growth for the Group and the 8th consecutive year of double-digit growth.

I took over as Chairman on 1 January 2014, succeeding Lord Smith of Kelvin, who had been in the role for 11 years. Robert was an outstanding Chairman of Weir and I wish to record the Board's appreciation for his deft and wise leadership, as well as my personal thanks for his advice and friendship during my time as Deputy Chairman. It is worth briefly reflecting on the development of the Group during Lord Smith's tenure into a highly-focussed, high margin engineering group operating in the structural growth markets of minerals, oil and gas, and power. This has delivered a ten-year total shareholder return of almost 1,000% – one of the best performances in the FTSE 100 – an index which Weir joined during Lord Smith's time as Chairman.

It was fitting that on his last day as Chairman he was appointed by the Queen as a Knight of the Thistle, the highest honour in Scotland.

Strength from our diversity

In preparing for assuming my responsibilities as Chairman, I have visited many of our operations around the world. Doing this has allowed me to see our strategy and business model in action and appreciate how well positioned this Group is to address current and future challenges.

One source of strength is our diversity. By serving the end markets of mining, oil and gas and power, we are exposed to different capital expenditure cycles, operating environments and geographies. These opportunities are captured by a business model which provides resilience – a point reinforced by our solid 2013 performance which was ahead of our end markets.

Changing market dynamics in minerals meant a significant reduction in capital expenditure by mining companies. Our business was quick to respond: further extending into adjacent markets; selling an increasing suite of products; and capturing the aftermarket opportunities from a growing installed base.

We benefitted from the Group's industry leading service network which creates a platform to get closer to our customers and offers an expanded range of products. This route to market was also a source of real competitive advantage for our Oil & Gas division, both in our largest market of North America and in growing international opportunities, where it has leveraged Group resources to best effect.

Overall, this agility allowed us to outperform our key end markets in an environment of reduced spending on original equipment.

This performance was supported by significant progress in delivering our strategy. In each division, we expanded our range of products, strengthened partnerships with major customers and increased our best cost sourcing capability. This helped deliver greater value to our customers while operational efficiencies and procurement savings assisted in sustaining margins. We also made good progress in expanding in adjacent markets, with the acquisition of Mathena expanding our pressure control offering in Oil & Gas.

In Minerals, the division extended into the circa £1bn comminution segment of the mill processing market – where materials are crushed, ground and screened – providing the next leg of growth even in a capital constrained world.

We also continued to develop our engineering and human resources to support the effective execution of our strategy and the achievement of our ambitious growth plans. As our business has increased in scale and complexity, it has become even more important to attract and retain the right people to help take advantage of future opportunities. That is why we remain committed to helping our employees achieve their full potential.

Our Chief Executive, Keith Cochrane, provides a detailed review of the strategy in action from page 10.

Our wider commitments

Weir is a global business conscious of its obligations as a responsible corporate citizen. We are committed to sustainability in the widest possible sense, which means ensuring the business continues to grow in a way that benefits communities, at the same time as managing the environmental impacts associated with an engineering group.

In 2013, we made a significant economic contribution through our supply chain and direct support of community causes. As a Group operating in dynamic markets, we need to be able to react swiftly to changing conditions. While this necessitated restructuring in some businesses, we also invested in growth opportunities and overall added more than 800 employees, the majority of which were as a result of acquisitions. Our supply chain spending was over £1.3bn, and supports businesses in 50 countries. And this year the Group directly invested almost half a million pounds in charitable activities in the communities where we operate.

The safety of our employees and partners is of the utmost importance to us as a Board and we were all affected by the loss of a Weir colleague in a fatality towards the end of the year. As a Group, we continue to improve our safety culture. Over the course of 2013, the development of the Weir Environmental, Health and Safety System continued, with key initiatives including the launch of the Weir Behavioural Safety System. It contains a number of Group-wide tools to establish consistent standards in areas of risk. Significant resources will continue to be invested in the people, policies and processes to help us realise our safety ambitions.

The Group has also taken steps to assess our environmental impacts. We have introduced a robust, Group-wide system to calculate our performance on carbon emissions and water usage, which will enable us to measure and target energy reduction initiatives more effectively.

We are also updating our Code of Conduct in order to continue to provide relevant guidance to ensure we all operate to the highest ethical standards. Compliance with the Code will continue to be regularly monitored.

As part of the Board's programme of regular visits across the Group, we spent time in Yorkshire at the Weir Minerals plant in Todmorden and the Weir Power & Industrial plant in Elland. These visits are valuable to all members of the Board, adding to our understanding of the operations of the Group and recognising the contribution our people make to its continuing success. I was particularly pleased to see the Todmorden facility win its second Queen's Award for outstanding achievement in international trade.

I was delighted to welcome Mary Jo Jacobi to the Board at the beginning of 2014. Mary Jo has extensive experience in private enterprise and public life in both the US and the UK. I would like to thank her and all my fellow Board members for their support and look forward to continuing to work with them in the future.

On a personal level, I have been struck by the pride and common purpose shared by all Weir colleagues. It gives enormous strength to this business and helps explain Weir's record of success over the past 143 years. I would like to thank all colleagues for their hard work and continued commitment.

It also gives me great optimism for the future. 2013 has demonstrated that Weir is a Group which is well placed to respond to further challenges in our end markets and take advantage of future opportunities.

That agility, allied to a clear, well executed strategy and robust business model, has proved resilient in the past. I am confident, as we look forward, it will continue to deliver sustainable and growing returns to shareholders in the future.

Charles Berry
Chairman
26 February 2014

OUR STRATEGY AND BUSINESS MODEL: A PLATFORM FOR PROFITABLE GROWTH

Our mission is to be wherever and whenever our global energy and resource customers need us delivering innovative products and services and becoming their trusted partner of choice. We deliver our mission through our core strategy which is to strengthen and extend our position in the structural growth markets of minerals, oil and gas and power and achieve sustainable growth ahead of these markets.

Global megatrends

Emerging market growth

Urbanisation

Our chosen markets

Chosen for growth
The Group has chosen to operate in long cycle markets with positive fundamentals. We believe these sectors are influenced by trends that enable long term sustainable growth ahead of global GDP.

Minerals

Energy demand

Resource scarcity

Environment

Water security

Oil & Gas

Power

Driving growth The Weir Way

INNOVATION

Developing new products and technologies to provide the Group and our customers with competitive advantage. Innovation is also at the heart of developing our customer support activities and enhancing our functional capabilities.

COLLABORATION

Working closely with customers, suppliers and communities and across our businesses and divisions is of critical importance. This collaborative mindset ensures Weir gains a better understanding of the markets it serves and the associated technology and support requirements. Collaboration ensures effective delivery for the benefit of all stakeholders.

VALUE CHAIN EXCELLENCE

Investing in people, technology, safety performance and infrastructure to continue to develop our lean operating platform across the value chain.

GLOBAL CAPABILITY

Providing uniform capability and expertise, wherever our customers are, ensures Weir can become the solutions provider of choice. Mission critical applications demand products and services that can be rapidly provided to the point of customer need.

We execute our strategy by focussing on the four strategic pillars that define our distinctive approach and deliver real competitive advantages: innovation; collaboration; value chain excellence; and global capability.

These strategic pillars build on our robust business model, which: grows our installed base of original equipment; captures the opportunities presented in the aftermarket for spares and support; and leverages our technical leadership, global footprint and customer channels to cross-sell complementary products.

Through effective execution of our strategy and the competitive advantages of our business model, we seek to: sustainably grow revenues faster than our markets; deliver top quartile margins; and increase returns on capital whilst retaining a solid financial base to pursue organic and acquisition-led opportunities.

Our key performance indicators are shown on pages 22 and 23.

Principal risks and uncertainties

Information on how our business is affected by risk is contained from page 24.

CHIEF EXECUTIVE'S STRATEGIC REVIEW: A RESILIENT PERFORMANCE FROM A ROBUST BUSINESS

2013 was a challenging year in many of our end markets but our relative outperformance demonstrated the strength of the Group's strategy, the diversity of our portfolio and the resilience of our aftermarket focussed business model. This was supported by a robust performance from Minerals and growing momentum in Oil & Gas as we saw a gradual recovery in upstream markets.

We serve structural growth markets providing leading engineering solutions to our customers in the minerals, oil and gas and power sectors. Our products are used in critical processes. Without our equipment, rock could not be turned into ore and shale oil and gas would remain underground.

Because of the industries in which we work, our products are exposed to high abrasion, high pressure and extreme temperature environments. This delivers substantial aftermarket opportunities, which supports healthy and stable returns throughout the economic cycle.

In line with our aim of becoming a partner of choice, we have a strong commitment to making our operations and those of our customers and suppliers more efficient. This is delivered through a market-leading network of service centres which ensures Weir products and services are available where and whenever our customers need them.

We rely on the dedication and commitment of our 15,000 employees and I thank them for their efforts over the course of 2013.

It is our strategic commitment to innovation, collaboration, value chain excellence and global capability which has helped deliver a solid performance in 2013 despite tough end market conditions. As the year progressed we revised down our second half expectations in response to the slower than anticipated recovery in certain markets. We still saw momentum build through the year as we delivered operational improvements across the business and fully captured growth opportunities for our extended product range. This delivered strong second half profits and cash generation in line with our updated guidance.

Our markets in 2013

Global economic growth remained subdued. While there was good momentum in North America and signs of recovery in Europe, emerging market growth slowed and contributed to declines in metal prices. In relation to our two largest exposures in the Minerals division, copper prices fell by over 10%, but long term prices remain supportive of investment. However gold prices fell nearly 30% to below incentive levels and close to marginal cost levels at many mines.

Falling commodity prices, combined with project over-runs and senior management changes at a number of major mining companies, led to an increased concentration on efficiency and double-digit declines in capital spending.

Revenue

£2,430m
-4%

Operating profit¹

£467m
-4%

New projects were subject to increased scrutiny which led to fewer greenfield investments and those that proceeded were subject to delays. Mining companies identified brownfield investment as a key focus for future investment, given the lower risk and higher, faster returns typically available from such projects.

Commissioning of already committed greenfield developments, particularly in South America, experienced delays as a result of regulatory and operational issues, which had a greater impact than initially anticipated. Despite this, and the overall fall in mining capital expenditure, global ore production continued to expand to meet growing demand.

In oil and gas, oil prices remained strong, supporting good growth in international upstream markets particularly in the Middle East.

In North America, tight oil production continued to increase with the US on track to overtake Saudi Arabia as the world's largest oil producer. Infrastructure constraints and export restrictions led to US oil prices trading at a discount to Brent Crude but they still remained supportive for investment. Natural gas prices remained below incentive levels resulting in a double-digit decline in gas drilling during 2013. Total upstream investment was slightly down with oil activity growing to almost 80% of rig activity by the year end.

Despite a near 10% fall in the number of active rigs, the number of wells drilled only fell by 3% due to continuing drilling and completion efficiencies. This was contrary to an earlier market expectation that there would be an increase in activity, particularly in the second half of 2013.

Specifically in pressure pumping, there was limited demand for capital equipment with a modest increase in frack fleet utilisation failing to eliminate excess capacity. Aftermarket demand rose through the year as customers progressively returned to more normalised buying patterns. There continued to be growing interest in developing shale resources internationally, particularly in China, Argentina, Australia and Saudi Arabia. Downstream investment in Asia and the Middle East was robust with developments also under way in North America to address infrastructure constraints.

Global power markets remained subdued with North America impacted by reduced electricity prices as a consequence of low US natural gas prices. Nuclear markets showed tentative signs of improvement with project activity resuming in China and positive developments in the UK. General industrial activity levels continued to be subdued, reflecting the global economic environment.

Our performance in 2013

Overall, in a challenging year, order input in constant currency was up 3%, with an improving trend through the year such that second half orders were 13% higher than the equivalent period in 2012. Aftermarket input was up 16%, driven by strong growth in Oil & Gas and positive trends in Minerals, despite some earlier destocking in South America. In contrast, Power & Industrial aftermarket orders fell 2% as maintenance and outage work was delayed. Overall, aftermarket performance was offset by a 13% decline in original equipment with input across the Group reflecting double-digit declines in greenfield mining orders, overcapacity in pressure pumping and power project delays. Cross-selling the broader Minerals' product portfolio partially compensated for these declines.

Group revenues were down 4% on a constant currency basis while the proportion of revenues from aftermarket sales increased to 63% from 55% in 2012. In Minerals, revenues were flat, with good aftermarket growth offset by declines in original equipment. Despite the benefits of the Mathena acquisition, Oil & Gas revenues declined as good aftermarket growth was more than offset by substantial reductions in original equipment sales as a result of a smaller opening order book and continued subdued Pressure Pumping equipment demand. Power & Industrial revenues were also broadly flat as tough hydro markets offset good growth in the core Valves portfolio.

Despite falling revenues and increasingly competitive markets, Group margins were maintained at record levels translating into a 4% fall in operating profit to £467m. Negative operating leverage effects were offset by value chain initiatives which delivered over £40m in direct procurement savings and increased efficiencies across the Group. In addition, the same initiatives contributed to a reduction in net working capital. Free cashflow increased to £168m, even after capital investment totalling £108m, which will underpin future growth opportunities.

Beyond our influence were the fluctuations of the international currency markets which saw significant shifts in exchange rates in the second half of the year, with the Australian Dollar and emerging markets currencies experiencing double-digit devaluations and our largest trading currency, the US Dollar, also depreciating significantly against Sterling. These foreign exchange movements contributed to reported pre-tax profits being 5% lower than 2012.

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

CHIEF EXECUTIVE'S STRATEGIC REVIEW CONTINUED

Capital investment

£108m

A strategy that produces long term value

At Weir we have four strategic pillars which are the foundation of our continued success and the source of long term value for our shareholders. Over the course of 2013, important progress was made in delivering further innovation, collaboration, value chain excellence and extending our global capability.

Innovation is part of Weir's DNA. Our company was originally founded in 1871 by engineers who invented a more efficient way to operate steam ship pumps. Almost a century and a half later we are still innovating to bring our customers leading engineering solutions.

In 2013, this meant establishing a comminution range, extending Minerals' addressable market by circa £1bn and opening up new opportunities to apply our differentiated materials expertise. During the year, the first orders for High Pressure Grinding Rolls were received and we saw good growth from our expanded screens range.

The Minerals division also increased revenues from non-mining equipment markets with notable contract wins in the oil sands sector in Canada and the coal-seam gas industry in Australia.

In Oil & Gas, our Pressure Pumping bundling strategy, which packages together our full product offering, delivered aftermarket revenues at levels last seen at the peak of the market despite a reduction in overall market activity. In Pressure Control, we successfully entered the flowback and zipper manifold markets towards the end of the year.

By helping to make our customers more efficient we are ensuring our future success too. That is why we have a clear strategic focus on **collaboration**. This was demonstrated in September when we signed a global framework agreement with Anglo American which will see our differentiated mining technology rolled out across the world, supported by our market-leading service network. Internally, products have been leveraged through the Oil & Gas forum which provides a platform for cross-divisional co-operation. Products developed through the forum generated £14m in revenues in 2013, with swellable packers a particular success.

As a Group operating in 70 countries we have a reputation for supporting our customers wherever they need us. This means constantly improving our **global capability**, including expanding our market leading global service centre network to almost 200 locations. This delivers real competitive advantages as demonstrated

by the early progress of Pressure Pumping operations in China alongside good further development in the Middle East. Power & Industrial produced a strong performance in South Korea as the division continued to expand in structural growth markets. We increased our manufacturing capacity in other key growth markets with our purchase of the Xmecc foundry in South Africa and the Cheong foundry in Malaysia. We announced plans to further expand our operations in Malaysia with the development of a new foundry, machine shop and Linatex rubber processing facility. The acquisition of the Canada-based R Wales group of companies also extends our aftermarket position in the production and servicing of a wide range of rubber-lined wear components for the North American oil sands and mining sectors.

As well as pursuing new market opportunities we have focussed on improving our own operational processes. That is why **value chain excellence** is core to our strategy. By becoming a more efficient operation we can sharpen our performance and enhance our responsiveness to customers. Significant progress has been made leveraging the Group's procurement capability to deliver substantial efficiency gains. We are also developing closer relationships with key suppliers, using our lean operating process to help reduce customer lead times.

Essential to the successful achievement of our strategy is our people. At Weir, we take great care to ensure our highly skilled workforce is given the opportunity to achieve its full potential. Progress has been made to extend the support available for all of our people from apprentices to senior managers. Succession planning has continued to advance, with processes in place to ensure we have the engineers and leaders to deliver growth going forward.

Two new appointments to the Group Executive were made at the beginning of 2014. John Heasley succeeded Kevin Spencer as Divisional Managing Director of Power & Industrial following Kevin's retirement, and Andrew Neilson was appointed Director of Strategy and Corporate Affairs.

Safety

Everyone at Weir shares an ambition to make our company a zero-accident workplace. I have given a personal guarantee to all of our employees that I will support them in their right to stop any work they feel could be unsafe. The importance of continuous safety improvement was sadly reinforced during 2013 when a colleague was killed in a road traffic incident.

Aftermarket input

+16%

This was a tragic reminder of the need to ensure our safety culture extends beyond our operational environment. I firmly believe our zero-accident ambition is achievable. Significant progress has been made and I am pleased to see a reduction in our Total Incident Rate (TIR) this year but more needs to be done and will be done over the course of 2014.

Delivering on 2013 key priorities

In 2013 we identified a series of key priorities for the year:

Continue to enhance supply chain performance to increase customer responsiveness and benefit from Group leverage. Established new centres of excellence helping to deliver Group-wide procurement savings equivalent to more than 3% of expenditure and in excess of our £30m target.

Capture North American and international Pressure Control growth opportunities. Entry to the flowback and zipper manifold markets was achieved with first wellhead orders secured in the Middle East and Australia.

Extend Minerals' presence in comminution markets. Agreement was secured to give Weir exclusive control over the design, manufacture and distribution of KHD High Pressure Grinding Rolls (HPGR) for use in minerals processing applications – with the first HPGR orders now received. A partnership with Taiwan-based Minyu Machinery Corporation was signed to distribute and develop cone crusher technology.

Drive growth through an integrated global valves platform. Valve orders were broadly stable year on year although momentum increased in the last quarter. Significant progress was achieved in improving operational capacity to allow us to take advantage of future growth opportunities.

Deliver an enhanced IT platform to support greater collaboration. Work is under way on enhancing internal networks and developing common enterprise resource planning systems in each division which will enable the Group to operate more efficiently on a global scale.

Improve working capital performance to enhance returns. While it took longer to demonstrate progress than I would have liked, it was encouraging to see a net working capital reduction in the second half of 2013, although there is still further work to be done.

Outlook

The Group remains well positioned to benefit from the long term structural growth drivers in each of our principal end markets. Demand for minerals will be underpinned by continuing population growth and the industrialisation and urbanisation of emerging markets.

Growing desire for energy security and competitiveness will support the further development of unconventional oil and gas resources in North America and beyond. Increasing energy usage in emerging markets, environmental concerns and ageing power plants in developed markets will drive demand for new and refurbished power infrastructure. As easier to reach and higher quality resources become more scarce, increasingly complex solutions are needed to access more difficult to reach natural resources placing greater demands on the engineering equipment provided by the Group.

In 2014, we anticipate that the Group will return to underlying growth despite mixed end market conditions. We will continue to capture profitable aftermarket opportunities, cross selling our full product portfolio across all of our end markets and delivering further efficiencies from our Value Chain Excellence initiatives. We expect good constant currency revenue and profit growth with Group margins broadly in line with 2013 levels, although our reported results are likely to be impacted by recent adverse foreign currency movements. Strong cash generation is expected to continue assisted by further working capital initiatives.

2014 key priorities

In 2014, we will aim to grow ahead of our end markets by:

- Increasing technical differentiation through the pursuit of innovative new products.
- Improving working capital performance by further extending value chain excellence initiatives.
- Further embedding safety at the heart of our culture.
- Fully capturing growing aftermarket opportunities in Minerals and accelerating progress in our comminution strategy.
- Driving growth in frack rentals, flowback and broadening international oil and gas opportunities.
- Accelerate Valves growth building on a strengthened operational platform.

Keith Cochrane
Chief Executive
26 February 2014

STRATEGY IN ACTION: INNOVATION ENHANCES OUR COMPETITIVE ADVANTAGE

Creating products, technology and service models to provide the Group and our customers with competitive advantage.

How we do it:

- Investing in engineering skills and research.
- Investing in operational capability.
- Developing innovation as part of our culture.

What we did in 2013:

- Further investment in the Weir Advanced Research Centre.
- Developed new products and entered new markets.
- Rolled out enhanced product introduction process.

Benefits to Weir:

- Technological advantage.
- Maintain market leadership.
- Access to adjacent markets.
- Increased sales and returns.

Benefits to our customers:

- Greater operating efficiencies.
- Lower environmental impact.
- Predictable maintenance cycles.
- Competitive advantage.

Case study

Three years ago, in collaboration with the University of Strathclyde, Weir launched a dedicated research facility in the University's Technology and Innovation Centre in Glasgow, with investment of almost £2 million to date. The Weir Advanced Research Centre (WARC) is designed to review specific project proposals from Weir's global businesses, ranging from immediate product improvement opportunities to long-term advanced research activities.

After initial filtering and prioritisation, selected projects are ratified by the Weir Group Executive before being assigned to the research team. A small leadership team from Weir and the University regularly review the direction and progress of selected projects to ensure project objectives and timescales are met.

The facility provides the Group with access to dedicated academic resource and research capability and broadens and complements Weir's current engineering research capabilities.

Recently, in the Power & Industrial division, WARC helped the team develop a greater understanding of high pressure static face seals and the influences that affect the seal tightness. This has increased Weir's knowledge and understanding and will enable engineers and designers to develop the next generation of seal designs, with increased performance, efficiency and safety.

STRATEGY IN ACTION: COLLABORATION LEVERAGING OUR CAPABILITIES

Working with customers, suppliers, communities and colleagues ensures a better understanding of the markets we serve, and their evolving technology and support requirements.

How we do it:

- Work together to secure contracts, develop products and expand globally.
- Develop deep relationships with customers to provide engineering solutions across the product life cycle.
- Create industry alliances to support growth into new markets.

What we did in 2013:

- Worked together across divisions to bring new products to market.
- Expanded service centre network.
- Brought existing expertise to new markets, including coal-seam gas.

Benefits to Weir:

- Customer intimacy.
- Providing Group capability across all markets.
- Strong, sustainable relationships with local communities.
- Maximising returns on assets and intellectual capital.

Benefits to our customers:

- Technology and solutions partnerships.
- Anticipation of future needs.
- Reduction of operating complexity.
- Multi-end market knowledge.

Case study

Greater collaboration across Weir's divisions allows the Group to work closer together to meet and exceed customer expectations and requirements.

In 2011, Weir established an internal Oil & Gas forum to create new solutions for customers and more opportunities for Weir within the oil and gas markets. Through collaboration and innovation amongst the three Weir Group divisions, the forum set out to bring new and existing products and expertise to oil and gas customers.

Weir Minerals has applied more than 25 years of experience in high-performance rubber compounds to a line of swellable packers including the STAMPEDE™ packer, designed to facilitate efficient downhole application and enhanced sealing ability during hydraulic fracturing.

By enhancing the sealing around wells, customers can benefit from greater operational efficiency. As a result, the product has been able to support increased demand for more efficient products in the North America oil and gas market.

£5m

£5m in revenues from swellable packers developed by the cross-divisional Oil & Gas forum.

STRATEGY IN ACTION: VALUE CHAIN EXCELLENCE IMPROVING EFFICIENCY

Developing our lean operating platform across the customer fulfilment process, from order to delivery.

How we do it:

- Embedding customer needs in technology development.
- Working with suppliers to improve processes.
- Working with each other to pool expertise across our three end markets.

What we did in 2013:

- Introduced new service models to enhance customer experience.
- Worked with supply base to improve quality and cost.
- Signed landmark Global Framework Agreement with Anglo American.

Benefits to Weir:

- Culture of continuous improvement.
- Reducing waste.
- Supply chain savings.
- Increased profitability, cash and returns on capital.

Benefits to our customers:

- Enhanced product and service quality.
- Greater understanding of customer operations.
- Competitively priced solutions.
- Reduced lead times and improved on time delivery.

Case study

As one of the world's largest diversified mining and natural resource groups, Anglo American seeks to minimise its environmental impact, at the same time as maximising its production efficiency. Anglo American conducted total cost of ownership benchmarking of slurry pumping, with Weir solutions providing significant productivity advantages and energy consumption improvements.

In September 2013, this led to the signing of a Global Framework Agreement (GFA) between Weir and Anglo American.

The GFA will see Weir working together with Anglo American to improve energy consumption and lower maintenance requirements across its operations in South Africa, South America, North America and Australia. It will also see Weir accelerate the roll out of its Wear Reduction Technology across Anglo American's installed Warman pumps.

Future opportunities may also see the piloting of innovative Weir Mill Circuit Technology, promotion of the WBH range of slurry pumps and wider use of Cavex hydro-cyclones in dewatering applications.

Strategic Report:

STRATEGY IN ACTION: GLOBAL CAPABILITY GETTING CLOSER TO OUR CUSTOMERS

**Providing uniform excellence in service and solutions,
wherever our customers are, whenever they are needed.**

How we do it:

- Establish global manufacturing facilities.
- Grow global service centre capacity.
- Create strategic alliances to strengthen the supply chain.

What we did in 2013:

- Acquired additional foundry capacity in Malaysia and South Africa.
- Added ten new service centres.
- Shared 'lean' operational principles with key suppliers.

Benefits to Weir:

- Worldwide routes to market.
- Diverse revenues.
- Leveraging single solutions worldwide.
- Developing cross-Group best practice.

Benefits to our customers:

- Global consistency of products and service.
- Rapid support.
- Trusted operational performance.
- Partnerships with solutions experts.

Case study

In October 2013 we announced a major investment of £70m over the next three years in our operations in Malaysia. The investment will increase our capacity within the fast growing Asia-Pacific region through the creation of an additional foundry, machine shop and a second Linatex continuous rubber processing plant on a purpose built campus approximately 70km from Kuala Lumpur.

The foundry and machine shop will expand the production of high quality castings sourced at best cost. Meanwhile the rubber line will increase our ability to supply the growing demand for Linatex products, a 95% natural rubber product used in the mining industry which exhibits outstanding resilience, strength and resistance to cutting, tearing and abrasion. The new campus will be built on a 55 acre site with the new foundry capable of producing 6,000 tonnes a year with the potential to expand capacity up to 12,000 tonnes as demand increases.

The investment is one of the largest engineering investments in Malaysia by a UK company and will result in our workforce in the country more than doubling, from 400 to over 1,000. The investment will also support our operations outside the country, including our valve manufacturing facility in Elland, West Yorkshire. Over the course of 2014, Elland will double production levels to cope with increasing demand from its global customers.

At the time of the announcement, UK Prime Minister David Cameron said: "This is yet another sign of a UK company winning in the global race. The Weir Group is a fine example of Scottish engineering excellence".

£70m

**£70 million investment in
Malaysian operations over
the next three years.**

MONITORING OUR PERFORMANCE

Key Performance Indicators

Strategic goals and priorities	Input ¹ (£m)	Operating margin ² (%)	Free cash flow (£m)	Return on capital employed ³ (£m)	Inventory turns ⁴	Total Incident Rate (TIR) ⁵
Innovation	✓	✓	✓			
Collaboration	✓			✓		✓
Value chain excellence		✓	✓	✓	✓	✓
Global capability	✓	✓		✓	✓	✓
Strengthen and extend addressable markets in minerals, oil and gas and power sectors	✓			✓		
Attain status of partner of choice for engineered products and services in our chosen markets	✓	✓	✓			

1. Calculated at 2013 average exchange rates.

2. Adjusted to exclude exceptional items and intangibles amortisation.

3. Continuing operations EBIT (excluding Mathena and Wales EBIT and exceptional items) divided by average net assets excluding net debt, pension deficit (net of deferred tax asset) and Mathena and Wales net assets. 2011: As 2012/13 but also excluding Seaboard.

4. As reported 2011 excluding Seaboard.

5. 2013 average v 2012 and 2011 averages measuring medical treatment of any kind required by employees divided by 200,000 hours worked.

Key Performance Indicators: Monitoring and evaluating our performance

The Board uses a range of financial and non-financial metrics, reported on a periodic basis, to monitor the Group's performance over time.

Input¹ (£m)

£2,462m
+3%

Excluding acquisitions and disposals input for the year increased by 2% despite challenging end market conditions

- Group input increased as a result of a strong aftermarket performance, with trends improving as the year progressed.
- Each division continued to broaden its portfolio by developing and launching new products.
- We extended our geographic presence by expanding our service network.

Operating margin² (%)

19.2%
+10bps

Record margin levels maintained

- Record operating margins were maintained in 2013 despite competitive markets.
- Minerals achieved margins above expectations, Power & Industrial remained broadly stable and Oil & Gas declined slightly mainly due to Pressure Pumping market dynamics.
- An increased focus on operational and procurement initiatives helped support margins by reducing costs.

Free cash flow (£m)

£168m
+171%

Strong cash generation

- Free cash flow increased substantially following a strong second half performance.
- Working capital inflows of £22m in the second half partially offset first half outflows.
- Each division continued to invest in long term growth with a total of £108m being invested in capital expenditure.

Return on capital employed (ROCE)³ (%)

19.3%
-290bps

Reduction reflecting lower profits and continuing investment in long term growth

- ROCE fell year on year due to lower profits combined with further investment in fixed assets and working capital.
- Oil & Gas returns fell reflecting lower revenues and profits.
- Minerals' and Power & Industrial's returns were broadly maintained.

Inventory turns⁴

3.0 times
-0.1 times

Inventory turns fell as stock levels reflected increased Q4 activity

- Total inventory declined by 5% in 2013, despite Q4 output being 8% higher year on year.
- Inventory turns improved by 8% in the second half of the year due to value chain excellence initiatives.
- Inventory levels in the Oil & Gas division continue to reflect excess capacity in the industry but are declining.

Total Incident Rate (TIR)⁵

1.0
-38%

Incident rate reduced by more than a third over the course of 2013

- Roll out of the Weir Environment, Health and Safety system underpinned substantial safety improvement.
- The rolling programme of safety audits continues to identify opportunities to improve performance across the Group.
- The Behavioural Safety System has raised cultural awareness of safety at all levels of the business.

HOW WE MANAGE RISK

The risk agenda

We operate in a complex global environment, where risks offer opportunities as well as challenges. Our objective is to allow our people to be decisive, so we can take advantage of attractive opportunities whilst ensuring we are not exposing the organisation to excessive risk.

During 2013, the Board agreed a Risk Appetite Statement for the Group. The aim of the Risk Appetite Statement is to highlight the risks that we should be willing to take, as well as those which are unacceptable. The Risk Appetite Statement includes a series of risk assertions which are aligned to our strategy, together with the risk parameters within which we expect our people to work. The risk appetite is all of the risk assertions and the parameters taken together. The parameters can apply to more than one risk assertion, therefore the individual risk assertions should not be read in isolation. Compliance with the Risk Appetite Statement is monitored through the Group's standard monitoring and reporting mechanisms. The Board will review and update the Risk Appetite Statement on an annual basis. Details of the review of the internal control and risk management systems undertaken during the year are contained in the Audit Committee Report on page 79.

Risk management

The management of risks is at the core of the internal control framework. We have a risk management policy which defines how we expect risks to be identified, assessed, and managed throughout the organisation.

Risks are assessed, and quantified, in terms of impact and likelihood of occurrence, both before and after control mitigation. Assessing the gross risk before control mitigation also allows the business to review the relative impact of the existing controls by comparing the gross and net risk assessment. This also allows the business to avoid wasting resources on mitigating controls and actions which have a negligible impact on the risk assessment.

The impact of risks is quantified across a range of factors including: financial; reputation; people and property; ability to perform services; regulation; environment, health & safety; and investors and funding. The risk management policy includes defined criteria for each risk impact factor, supporting a consistent measurement approach. Risk management takes place at the grassroots level, for example in individual projects, all the way up to Group level assessments, thereby providing an integrated bottom-up and top-down approach to risk management.

Figure 1: Risk management cycle

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

Strategic risk

Industry and market downturns.
Technological advances.
Pricing pressures.
Acquisitions and mergers.
Planning and resource allocation.

Hazard risk

Political and social instability.
Natural disasters and other major incidents.
Fraud and corruption.
Environmental and safety incidents.

Operational risk

People.
Delivery and supply chain.
Quality.
Commercial.
Communication.
IT.
Cyber security.

Compliance risk

Laws and regulations.
Code of Conduct.
Environment, health & safety.
Governance.
Intellectual property.

Financial risk

Financial management.
Credit.
Debt and interest rates.
Foreign exchange.
Accounting and reporting.
Taxation.
Internal fraud.

Figure 2: Risk Universe

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

Risk appetite statement

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

Risk assertions	Risk parameters
1. Organic growth: We will aggressively pursue divisional organic growth strategies to meet our market growth objectives.	Investment of resources will be consistent with divisional strategies and divisional compound annual growth rates over five-year plans.
2. Mergers and acquisitions: We will actively pursue M&A opportunities that enhance our strategic platform subject to meeting investment criteria.	Post-tax returns should exceed our cost of capital within three years of the acquisition.
3. Returns and profitability: We will not pursue growth at all costs and expect high margins, strong returns on capital and working capital discipline.	Short term margin dilution is acceptable in gaining market entry but over the cycle we aim for top quartile operating margins and returns on capital.
4. Capital allocation: We will encourage capex in pursuit of our growth ambitions subject to Internal Rate of Return (IRR) and achievement of Group free cash flow targets.	Planned IRR on capital expenditure projects should not be less than 20%.
5. Capital structure: We are prepared to use leverage in pursuit of our growth agenda and will actively seek low cost debt to fund the Group but will maintain significant headroom against our financial covenants.	We will seek to maintain the ratio of net debt/EBITDA below two times (current financial covenants 3.5 times). Maintain financing facility headroom of at least £150m.
6. Reputation and brand image: We will manage/avoid situations or actions that could have a negative impact on our reputation and brands.	No tolerance for breaches of: • Legislative/statutory requirements. • Weir Code of Conduct. • International sanctions. • Delegated authority levels. • Group and divisional policies.
7. Environment, health and safety (EHS): We will not undertake or pursue activities that pose unacceptable hazard or risk to our people, the communities in which we operate, or the broader environment.	Total Incident Rate ≤ 1 and EHS Audit Score $> 40\%$. Active community and environmental engagement is expected. No tolerance for breaches of Weir EHS system.
8. New entry to countries: We are prepared to enter new countries which offer opportunities for growth consistent with our overall strategy. We will not enter countries which present a high risk of harm to our people, damage to our reputation, or breach of international sanctions.	No tolerance for breaches of: • Legislative/statutory requirements. • Weir Code of Conduct. • International sanctions. • Delegated authority levels. • Group and divisional policies.

HOW WE MANAGE RISK CONTINUED

Risk responsibilities and reporting

Ultimately, the Board is responsible for the Group's risk and internal control framework. It has set out the decisions, and hence the level of risk, which can be delegated to the Group Executive, divisional and operational company management without requiring escalation. This is articulated in a series of Group policies and delegated authority matrices, as well as the parameters within the Risk Appetite Statement. The Board and committee structure can be viewed on page 71.

The bottom-up risk reporting requires key risks identified, and reported, at project level to be escalated to the operating company management, which in turn may be escalated to divisional management, and ultimately to the Risk Committee and the Board. This is achieved through risk dashboard reports, which are maintained at operating company, divisional and Group level. The dashboards provide a summary of the top ten net risks at each respective level, as well as a summary of the key mitigating controls and actions, and further control actions required. The Risk Committee monitors quarterly risk dashboard reports from the operating companies and divisions. In addition, the Risk Committee has oversight of the Group Risk Dashboard, providing an update to the Board at each Board meeting. The Board obtains assurance over risks through the internal control framework. More information on the internal control framework can be found in the Corporate Governance Report on page 67 and in the Audit Committee Report on page 82.

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

Risk management responsibilities	
Board Overall responsibility for the Group's risk management and internal control frameworks, and strategic decisions within the Group.	- Annual review of the effectiveness of the risk management, risk appetite and internal control frameworks. - Review of risks which have the potential to impact the delivery of the Group's strategic objectives. - Taking decisions in accordance with the delegated authority matrices.
Audit Committee Delegated responsibility from the Board to review the effectiveness of the Group's risk and internal control frameworks.	- Annual assessment of the effectiveness of the risk management and internal control frameworks. - Review of reports from the internal and external auditors. - Review of the results from the six-monthly self-assessment compliance scorecards.
Risk Committee Management committee responsible for governance of the Group's Risk Management Policy and Framework.	- Review of the design and operation of the Group Risk Management Policy and Framework. - Identification and assessment of the key risks facing the Group, identification of the key controls mitigating those risks, and identification of further actions where necessary. - Review of the Divisional Risk Dashboards considering the appropriateness of management's responses to identified risks, and assessing whether there are any gaps. - Reporting key Group and divisional risks to the Board.
Group Executive Executive committee with overall responsibility for managing the Group to ensure we achieve our strategic objectives.	- Managing risks which have the potential to impact the delivery of the Group's strategic objectives. - Monitoring business performance, in particular key performance indicators relating to strategic objectives. - Taking strategic decisions in accordance with the delegated authority matrices. - Escalating issues to the Board as required.
Excellence Committees Engineering Environment, Health & Safety Finance HR IT Manufacturing Planning Purchasing Value Chain	- Monitoring the management of key risks across the Group associated with the respective remits of the Excellence Committees. - Monitoring performance and compliance with Group objectives, policies and standards related to the respective remits of the Excellence Committees. - Taking decisions in accordance with the delegated authority matrices. - Escalating issues to the Group Executive as required. - Reviewing the results from relevant assurance activities.
Management committees with representatives from across the Group in their respective areas of focus. The committees govern activities and performance in the individual functional areas.	
Divisional management Responsible for managing the businesses within the divisions to ensure divisional strategic objectives are achieved and there is compliance with Group policies and standards throughout their division.	- Managing risks which have the potential to impact the delivery of the Divisions' strategic objectives. - Monitoring performance and compliance with Group objectives, policies and standards within the divisions with regard to the outputs from the Excellence Committees. - Taking decisions in accordance with the delegated authority matrices. - Escalating issues to the Group Executive as required. - Reviewing the results from relevant assurance activities.
Operating company management Responsible for ensuring company objectives are achieved and business activities are conducted in accordance with Group policies and standards.	- Managing risks which have the potential to impact the delivery of their company's strategic objectives. - Monitoring performance and compliance with Group objectives, policies and standards within their company. - Taking decisions in accordance with the delegated authority matrices. - Escalating issues to divisional management and Excellence Committees as required. - Reviewing the results from relevant assurance activities.

HOW WE MANAGE RISK CONTINUED

Principal risks and uncertainties

As in any business, there may be unforeseen issues which could impact the Group's ability to achieve its objectives in the future. However, we believe the Group's risk management framework makes this less likely. The principal risks set out below are those which we believe to have the greatest potential to impact our ability to achieve the Group's strategic priorities.

Risk	Why we think this is important	How we are mitigating the risk
Global, economic and market conditions		
Changes in key markets, including mining and upstream oil and gas, and/or political conditions have an adverse impact on customers' expenditure plans. This may include delaying existing expenditure commitments.	We need to remain sufficiently flexible to allow us to meet growth in demand when our customers' markets are buoyant and therefore capital investment is high, and equally foresee downturns and/or instability in territories, to allow us to adjust our operations accordingly. Otherwise, we are at risk of not maximising our potential for growth in buoyant markets, and incurring unnecessary costs during downturns.	• We maintain regular engagement with our customers to understand their needs and challenges, and ensure our business is appropriately aligned. • Our strategic planning utilises extensive market intelligence to assist in forecasting opportunities and dips in markets, as well as potential political and social instability in regions. • We maintain contingency plans for downturns and exits from unstable regions.
Technology and innovation		
We fail to drive innovation to ensure that the business continues to deliver sustainable and attractive solutions for our customers.	The strength of our business is built upon a history of delivering innovative and sustainable solutions for our customers. If we fail to keep abreast of market needs or to innovate solutions we are at risk of losing market share to our competitors and lowering margins as demand will reduce.	• Continual investment in research and development, including the Weir Advanced Research Centre in conjunction with the University of Strathclyde. • We have a dedicated governance team (Engineering Excellence Committee) focussed on the delivery of our strategic objectives for technological advances and innovation in manufacturing practices to meet the needs of our customers.
Environment, health & safety (EHS)		
Failure to adequately protect our people and other stakeholders from harm associated with a breach in EHS standards.	We operate in hazardous environments, and therefore have a fundamental duty to protect our people and other stakeholders from harm whilst conducting our business. As well as the personal impact on our people resulting from a failure to meet this obligation, we would also be at risk of: • reputational damage leading to a loss of business; • legal action from regulators including fines and penalties; and • exclusion from markets important for our future growth.	• The Weir EHS Management System is in place to reduce the risk of safety incidents. In addition, there are initiatives to prevent the most common accident types. The Weir global EHS standards are continually reviewed. • The EHS Excellence Committee is responsible for monitoring performance and compliance with Group objectives, policies and standards relating to EHS. • There is a formal EHS assurance programme with issues escalated as required through the reporting structures.

Risk	Why we think this is important	How we are mitigating the risk
Ethics and governance		
Interactions with our people, customers, suppliers and other stakeholders are not conducted with the highest standards of integrity which devalues our reputation.	We are unwilling to accept dishonest or corrupt behaviour from our people, or external parties acting on our behalf, whilst conducting our business. If we fail to act with integrity we are at risk of: • reputational damage leading to a loss of customers; • increased scrutiny from regulators; • legal action from regulators including fines, penalties and imprisonment; and • exclusion from markets important for our future growth.	• The Code of Conduct, supplemented with Group policies on related topics, provides a clear benchmark for how we expect our business will be conducted. • Regular training is provided using a range of mechanisms including "Town Hall" style sessions, online and induction training. • The financial control framework is continually monitored for effectiveness. • Internal Audit's remit includes regular review of the anti-bribery and corruption and financial controls across the Group. The Group legal team is responsible for monitoring compliance with the Code of Conduct. • A Group-wide crisis management plan has been developed and rolled out across the organisation and is subject to periodic testing and regular review.
Supply chain		
We fail to adequately manage the supply chain thereby reducing our ability to meet customer demand in an economic and efficient manner.	Our supply chain is dependent upon a number of factors including having sufficient manufacturing capacity, access to raw materials and key components, integrated sales and production planning, and skilled people. If we fail to meet the delivery targets agreed with customers as a result of a failure in the supply chain we risk: • damaging our reputation and as a consequence losing customers and market share; • incurring penalties as a result of late delivery contractual clauses; and • reducing margins by incurring unnecessary additional costs associated with late remedial actions taken to avoid missing delivery targets.	• There is an established engagement framework with key suppliers. • Regular KPI monitoring of the supply chain throughout the organisation. • The Value Chain Excellence Committee monitors performance and compliance with Group objectives, policies and standards relating to procurement. • Centres of Excellence have been established to drive efficiencies and enhance delivery standards whilst maintaining quality. • There is a developing Group-wide approach to inventory control, sales and operational planning.
Political and social risk		
Adverse political action, or political and social instability, in territories in which we operate may result in strategic, financial or personnel loss to the Group.	We operate across the globe and therefore have to work within a wide range of political and social conditions. Adverse events may occur in the territories in which we operate that may require us to act swiftly to protect our people, property and to maintain our competitiveness. Expansions into new territories are only undertaken after rigorous assessment of the risks, including the social and political situation within the territory.	• Regular review of market attractiveness. • Monitoring travel by Weir employees to higher risk locations. • External expert risk assessments and regular monitoring in higher risk locations. • Contingency plans and exit strategy planning.
Acquisitions and expansion into new territories		
Inadequate planning and management of the integration and expansion processes impacts the ability to generate growth opportunities, synergies and cost savings within expected timescales.	Acquisitions and expansions into new territories are only undertaken after rigorous review and identification of expected synergies, cost savings and growth opportunities. However, there is a risk that these benefits may not be achieved, or may not be achieved within the anticipated timescales, thereby tying up the Group's funds in investments with insufficient returns. There is also a risk that we could be left liable for past acts or omissions of the acquired businesses without adequate right of redress.	• The strategic planning process includes market and competitive position assessments to drive the acquisition agenda. • Comprehensive due diligence is performed on all potential acquisitions. • We have a formal 100 day integration plan with dedicated integration directors and managers appointed to oversee and manage the full integration programme. • We seek to secure appropriate legal protection against potential liabilities and to secure rights of redress against sellers where such liability arises.

HOW WE MANAGE RISK CONTINUED

Risk	Why we think this is important	How we are mitigating the risk
IT security and continuity		
Failure to maintain business systems or technical infrastructure that serves the business needs. Failure to adequately protect the business operations from cyber crime.	Up-to-date data allows us to make informed decisions about our business. Therefore we require reliable and efficient IT systems and infrastructure to provide our data requirements. Breaches of our IT security could have serious consequences for our business including: • interruption to business operations; and • loss of intellectual property and other valuable data. The Group is investing in a significant IT transformation programme. If this is not managed effectively the consequences could include: • the business becomes too internally focussed whilst the change is under way, and we fail to maintain our focus on delivering for our customers; and • interruption to business operations if data is unavailable due to unsuccessful execution of change. All of which could impact our ability to compete and our reputation in the market.	• We continually review the effectiveness of our key IT security controls in consultation with external experts. • There is regular reporting of IT incidents and potential security breaches, with lessons learned across the Group. • Significant and ongoing investment in the IT infrastructure and key systems. • We have an IT Governance Framework with a focus on structured change management techniques, including setting project governance levels in line with risk. • Full time programme and project team appointments, with adequate succession planning for internal appointments. • Regular programme and project monitoring. • External assurance being obtained on major IT transformation projects reporting through Internal Audit. • Close liaison with UK Government bodies in regard to cyber crime risk.
Cost competitiveness		
Failure to deliver cost competitive products and services, or failure to deliver sufficiently differentiated products and services which justify a price premium through lowest total cost of ownership value propositions.	Customers are increasingly focussed on the price competitiveness of products and services as they seek to lower operating costs. If the Group fails to demonstrate the value of our products and services it risks losing market position.	• There is continual focus on maximising the efficiency of our products to ensure the solutions provided to customers deliver the best overall value, allowing our customers to meet their cost reduction strategies through lower energy costs and improved productivity. • Centres of Excellence are driving cost efficiencies, whilst maintaining quality. • Expansion of production in best cost locations, including foundry expansions in Malaysia and South Africa. • We regularly monitor market activity to ensure we remain competitive.

OPERATIONAL REVIEW

WEIR MINERALS

DIVISION

2013 saw the division continue to deliver strong results and growing profits despite challenging trading conditions. We did this by building closer relationships with our customers and using our market-leading position to offer a broader range of differentiated products which provide attractive aftermarket benefits. This performance was supported by initiatives which delivered increased procurement and efficiency savings.

Market drivers

Mining sector capital expenditure fell by an estimated 16% in 2013 as metals prices continued to decline from 2011 highs. Greenfield projects were hardest hit as mining companies switched their priorities from new projects to maximising returns from their current operations. This drive towards optimisation supported largely unchanged maintenance and brownfield capital expenditure.

Some new projects experienced order delays as customers continued to adopt a cautious approach to large investments. In addition, ongoing projects were subject to delay. This was particularly evident in South America where developments were postponed by regulatory and operational issues.

Prices continued to remain above incentive levels for key commodities including copper and iron ore. This, in addition to the commissioning of some greenfield projects, supported an estimated 3% growth in global ore production.

Regionally, there was strong growth in Africa (outside of South Africa) with continued investment in a number of ongoing greenfield developments. In Europe and North America, markets remained subdued. In Australia, project activity stayed at low levels due to difficult conditions in coal markets in particular. Brownfield investment in South America continued to offer good opportunities. Outside of mining end markets, the division saw growth in water and oil and gas. This included continued growth in brownfield spending in the Canadian oil sands and the development of coal-seam gas projects in Australia.

Market input breakdown

Geographic input breakdown

Key priorities and progress in 2013

Global capability and value chain • Expansion of our best cost manufacturing base with the acquisition of two foundries in South Africa and Malaysia. • Continued investment across our regions to strengthen our service and support capabilities. Eight service centres were added during 2013. • The launch of a global systems integration programme to exploit synergies across the division and provide the management platform for long term sustainable growth.	Establishing capability within comminution • Secured a licensing agreement with KHD for their market-leading High Pressure Grinding Roll (HPGR) technology and achieving first original equipment orders. • Established a joint venture with Taiwan-based Minyu Machinery Corporation for the development of crusher technology for mining.
Continue to drive market share of the full product portfolio and services • Market entry into the attractive centrifuge aftermarket with the acquisition of Australian centrifuge engineered wear component manufacturer Aspir. • Strengthening our aftermarket capability in the North American engineered wear lining market with the acquisition of R Wales. • Increase market share using the full product portfolio and services.	Build on the collaborative successes of the Oil & Gas forum to develop new products and services • Secured our first significant orders for swellable packers for oil and gas downhole drilling applications developed using Minerals elastomer technology.

Strategic progress

The division has continued to make strategic progress to ensure long term growth whilst at the same time demonstrating agility in responding to challenging market conditions. During the year, we reacted to reductions in mining company capital expenditure by increasing customer responsiveness, extending our product range into attractive adjacent markets and improving our operational efficiency.

We expanded our market-leading service centre network and opened a new manufacturing plant in Mexico to support the high growth Central American market. Globally, our service network proved a valuable platform for our enhanced and extended product range which supported a significant increase in aftermarket revenues and helped to offset the impact of reduced original equipment spending. As miners concentrated on brownfield investment to increase productivity at existing facilities, we were able to take advantage of our lowest

total cost of ownership proposition. A Global Framework Agreement with Anglo American, one of the world's largest mining companies, was signed which will roll out Weir products to their worldwide operations, helping to improve energy consumption and lower maintenance requirements.

Over the course of the year we made significant progress through strategic acquisitions and alliances which provide access to differentiated technology and extend our presence in attractive non-mining markets. The purchase of Aspir complements our existing product portfolio and allows us to extend our aftermarket offering. The division also expanded further in the comminution segment of the mill circuit through two agreements which increase our product offering. The agreement with KHD gives Weir direct control over the design, manufacture and distribution of HPGRs, with the first original equipment orders received in 2013. We also entered into a partnership with the Minyu Machinery Corporation, providing crushing technology from which we can

Revenue

£1,304m**0%**

Operating profit

£269m**+6%**

2011 and 2012 restated at 2013 average exchange rates.

develop product lines specifically for mining markets, using our materials technology. Combined, these products give us a strong platform to grow and increase our addressable market in comminution to circa £1bn.

We also concentrated on building capacity to meet growing aftermarket demand in mining markets and expanding the product portfolio into non-mining markets. The acquisition of additional foundry capacity in South Africa and Malaysia provides best cost manufacturing near strategically important markets to support growing aftermarket demand. Our presence in the Canadian oil sands market was also strengthened with the acquisition of the R Wales group of companies. Dewatering pump technology was used to secure orders in the coal-seam gas market in Australia.

Our commitment to value chain excellence continued with significant operational efficiencies, cost reductions and procurement savings supporting margins and reductions in working capital. We worked closely with key suppliers sharing the benefits of our lean operating system to reduce customer lead times.

Order input increased by 1% to £1,311m (2012: £1,296m) and was flat on a like for like basis. Original equipment orders were 6% lower year on year with a double-digit decline in original equipment slurry pump orders for mining end markets, partially offset by growth in orders for the broader product range and success in non-mining markets. Momentum increased towards the end of the year with original equipment input up by 19% in the fourth quarter, including for projects to be delivered in 2015 and 2016. Despite project delays and changes to the scope of certain greenfield developments, only £3m of prior year orders were cancelled and the division recorded a positive book to bill in 2013.

Aftermarket orders grew by 6% (3% like for like) and represented 63% of total input (2012: 60%) supported by the benefits of a large and growing installed base, reflected in the 4% order growth for slurry pump spares. Aftermarket growth of 5% or more was achieved in three out of four quarters with Q2 impacted by destocking in South America.

Order input was supported by the initial success of our comminution strategy which included the first orders for HPGRs. In total, comminution orders (crushers, HPGRs and screens) almost doubled to more than £30m. Orders from a coal-seam gas project in Australia supported growth in dewatering pump orders approaching 50%. Alongside growth in waste water and general industrial markets, this supported a near 30% increase in non-mining orders in 2013.

Emerging markets accounted for 46% of input (2012: 52%), with orders reflecting lower activity in South America and Indonesia. Orders from mining end markets accounted for 75% of input (2012: 80%).

Revenue was flat year on year at £1,304m (2012: £1,307m) and 2% lower on a like for like basis with second half revenues 1% above the prior year record. Original equipment sales were 9% lower and accounted for 37% (2012: 41%) of divisional revenues. Short-cycle production-driven aftermarket revenues increased by 6% (3% like for like), with strong ore production growth and the benefits of an expanding installed base more than offsetting the impact of extended wear-life offered by our latest product enhancements.

Double-digit growth in Africa was offset by revenue declines in South America and Asia Pacific. Despite subdued end market conditions, growth was also achieved in North American and European markets.

Operating profit increased 6% to £269m (2012: £253m) benefiting from a positive first contribution from acquisitions, a higher proportion of aftermarket revenues alongside cost and procurement efficiencies.

Operating margin increased to 20.6% (2012: 19.4%) and was ahead of expectations reflecting a growing aftermarket revenue mix, benefits from procurement initiatives, productivity gains and effective cost control measures. Combined, these more than offset inflation and the limited pricing pressure seen in the period. Margins were maintained at good levels in all regions.

OPERATIONAL REVIEW CONTINUED

Partners in production worldwide

CREATING INNOVATIVE ENGINEERING SOLUTIONS

The Weir Minerals Screen Design Centre in Johannesburg, South Africa, is responsible for the development of the division's vibrating screens global product portfolio.

The team comprises design engineers and draughtsmen who use the latest engineering analysis equipment to design new screen products.

The design centre was established after the Weir Group purchased the Linatex rubber brand in late 2010. Since then, we have invested significantly in our team and provided our employees with cutting edge technology to develop innovative screening equipment, helping enhance our offering under the new brand identity of Enduron screens.

The design centre is also responsible for building and testing prototypes, making use of the dedicated vibrating screen and geared exciter testing facility situated in the manufacturing plant in Johannesburg.

The engineers provide design and manufacturing support to the Group's facilities around the world, expanding the division's global capability and building on Weir's reputation for creating innovative products.

Investment

Capital expenditure was £53m (2012: £50m) as investment was made in foundry capacity and wear resistant lining production. Eight service centres were added and research and development spending remained in line with last year at £13m as the division continued to develop its materials technology positions and broaden its product portfolio.

In Malaysia, land was secured to build a best cost manufacturing campus with plans to invest more than £70m over the next three years establishing a new foundry, machine shop and continuous rubber processing line (see case study on page 20).

Including acquisitions, the division added around 400 employees during the year.

Outlook

Weir Minerals remains well positioned to sustain its growth strategy supported by a strong business model and the long term attractive market fundamentals in mining and minerals processing which are driven by emerging market urbanisation and signs of improving economic conditions in developed markets. Sustained ore output growth, underpinned by declining ore grades and metals prices above incentive levels, lends itself to ongoing demand as Weir Minerals leverages its strong aftermarket position.

The division entered 2014 with an order book at similar levels to the prior year, although total mining capital expenditure is expected to continue to decline at double-digit rates in 2014, reflecting miners' investment plans. Maintenance and brownfield capital expenditure is expected to remain relatively stable while greenfield activity will continue to decline.

The impact on original equipment revenues is anticipated to be partially offset by the combined growth of comminution and non-mining end market sales. Commissioning of ongoing greenfield developments is expected to support continued aftermarket growth such that full year divisional revenues are expected to be slightly ahead of 2013 on a constant currency basis. It is anticipated margins will decline slightly reflecting a greater proportion of lower margin products and further investment in new products and technology.

Key priorities in 2014

Invest in comminution process knowledge and materials wear technology.

Identify new platforms for potential growth aligned to our core strategy and competencies.

Reduce lead times and working capital through global supply chain initiatives.

Continue development of Minerals and Oil & Gas product portfolios through collaboration and innovation.

Help make our customers' existing operations more efficient by continuous improvement of our core products, wherever they need us.

OPERATIONAL REVIEW

WEIR OIL & GAS

Steve Noon
Divisional Managing Director

In 2013 the division continued to make progress in pursuit of its key strategic objectives, despite further challenges in the pressure pumping market. By increasing operational efficiency, leveraging our service centre network and maximising the benefits from our complete product portfolio, we were able to more fully capture aftermarket opportunities.

Market drivers

In North America tight oil production continued to grow strongly. The US government now estimates the US will shortly overtake Saudi Arabia as the world's biggest oil producer. Throughout the year WTI oil prices remained above incentive levels but traded at a discount to Brent because of US infrastructure constraints and restrictions on exports. Gas prices stayed below incentive levels. In Canada, an extended spring break and flooding in Alberta adversely impacted the market. These factors contributed to a slower recovery in North American upstream markets than had been anticipated by the industry, with the number of wells drilled stable from the second quarter of 2013 onwards. Increased drilling efficiencies meant well count declined by 3% despite a 9% decline in average rig count, as pad drilling enabled each rig to drill more wells. Oil and liquids drilling increased to 79% of drilling and completion activity, emphasising the continued move away from gas, where rig count fell by 14%.

Wells drilled, the key driver of our business, supported demand for pressure pumping and pressure control products. In pressure pumping markets, frack fleet utilisation is estimated to have improved marginally to 76% by the end of the year but remained below the level required to stimulate an increase in original equipment demand. There was a reduction in customer inventory levels, with demand for shorter cycle aftermarket products and services normalising. International pressure pumping markets continued to grow strongly, particularly in China, which saw a 73% increase in its frack fleet. Pressure control markets declined slightly reflecting the number of wells drilled and the switch from gas to oil rich basins which are typically lower pressure and require less complex solutions.

In the Middle East, services markets continued to grow with average rig count increasing by 5%. Iraq offered significant opportunities as the country continued to rebuild its oil and gas infrastructure. In mid and downstream markets there were good opportunities in Liquefied Natural Gas (LNG) and Floating Production, Storage and Offloading (FPSO) sectors, although the core refining market remained subdued.

Market input breakdown

Geographic input breakdown

Key priorities and progress in 2013

Develop aftermarket business model and bundling strategy in Pressure Pumping	Dedicated aftermarket sales team established with positive impact across all aftermarket product streams. Aftermarket input up 32% in Pressure Pumping, with fluid end valves and seats especially strong, reflecting the benefit of the Novatech acquisition in early 2012.	Capture Seaboard domestic and international growth opportunities	- The business secured its first Australian revenues with further orders expected in 2014. - The customer base was broadened and the business grew wellhead revenues in challenging market conditions.
Continue momentum in new product development	- Duralast and stainless steel fluid ends released across the full frack pump range, assisting recapture of market share in this category. - Gabbioneta completed development of a high capacity vertical pump for downstream applications which has the highest specific speed rating ever designed by the business. - Seaboard developed a unique overshot system for subsea well kill applications.	Integrate and realise the benefits expected from the Mathena acquisition	Mathena was successfully integrated and has broadened its reach and extended its share of rigs across North America to over 400, up 26% year on year, in what was a declining market.
Capitalise on growth opportunities in Saudi Arabia and Iraq	Input in Saudi Arabia and Iraq was up more than 40% year on year (including joint ventures), as we took advantage of growing oil and gas production.	Enhance Pressure Control offering in North America upstream markets	We successfully launched our flowback and zipper rental service streams towards the end of the year, giving us the platform for organic growth in 2014.
		Increase supply chain flexibility and reduce working capital	In absolute terms the division reduced like for like working capital by £2m.

Strategic progress

In 2013, we responded to the slower than expected recovery in upstream markets by increasing our product range and leveraging our industry-leading service centre network to grow aftermarket revenues. That network was a real source of competitive advantage for Pressure Pumping allowing us to gain market share and leverage our complete product portfolio through the provision of integrated aftermarket products and services. We also made significant changes to ensure continued operational efficiency. Pressure Pumping manufacturing was consolidated in Fort Worth, Texas, allowing the closure of two small satellite manufacturing units. These initiatives partially offset the impact of pricing pressure, particularly in frack pumps and legacy fluid ends.

Internationally, Pressure Pumping increased market share in China as it benefitted from the extension of the locally manufactured product range and targeted sales initiatives; capturing both original equipment and aftermarket opportunities.

In Pressure Control, we launched a zipper frack manifold product which is used in pad drilling and contributes to the material efficiency gains seen from this technology. Seaboard also launched a frack flowback offering which combines elements of both the Pressure Pumping and Pressure Control portfolio to safely and efficiently manage the initial flowback of water and solids from completed wells. Additional resources were also invested in Seaboard to increase service and operational capabilities.

OPERATIONAL REVIEW CONTINUED

Services continued to experience good growth in both Saudi Arabia and Iraq – where Weir has the first facility to be awarded internationally recognised API and ISO licenses, which led to a US\$98m order from LUKOIL in January 2014, to support its operations in southern Iraq. Downstream operations also saw momentum build through the year as they expanded into mid and upstream markets through organic product development. Profitability improved as the business benefitted from value engineering initiatives and the commissioning of a best cost manufacturing facility in Poland.

Order input at £811m (2012: £688m) was 18% higher and 10% higher like for like. Aftermarket input was up 41% year on year (29% like for like) due to strong Pressure Pumping and Services growth and accounted for 72% (2012: 60%) of divisional orders. Original equipment input fell 18% (18% like for like) mainly due to the reduction in demand for new pressure pumping equipment, which was partially offset by good growth in Downstream orders.

Pressure Pumping input increased by 9% with improvement evident through the year such that second half orders were 34% higher than the equivalent prior-year period. This was driven by strong aftermarket growth as a result of the normalisation of inventory levels and the success of our product bundling strategy. SPM aftermarket orders exceeded 2011 levels and Novatech run rates approached levels last seen at the peak of the market. Original equipment orders were materially lower year on year reflecting overcapacity in the frack fleet and accounted for 17% of Pressure Pumping input. International orders grew strongly as interest in new shale opportunities continued to grow outside of North America and now represent almost 15% of Pressure Pumping input.

Pressure Control was impacted by the decline in well count and the bias towards tight oil basins. Input was supported by a good first contribution from Mathena.

Despite sequential second half growth, full year Seaboard orders reflected the end market conditions and the delayed introduction of new product initiatives in the first half.

Input from Services and Downstream grew strongly in the period. In the Middle East, Services benefitted from regional expansion into Iraq and Oman while LNG and FPSO orders, alongside good spares trends, supported Downstream growth.

Revenue decreased by 7% (13% like for like) to £796m (2012: £857m) reflecting a lower opening order book at the start of 2013 compared to 2012 and continuing subdued demand for Pressure Pumping original equipment. In total, original equipment revenues were down 42% (42% like for like). Aftermarket revenues increased by 22% (11% like for like). Revenues increased sequentially driven by incremental growth in Pressure Pumping and Pressure Control. Services and Downstream recorded strong growth in the period. Divisional second half revenues were 17% higher year on year (9% like for like).

Operating profit including joint ventures was 16% lower at £181m (2012: £214m) and 29% lower on a like for like basis, reflecting a smaller Pressure Pumping contribution. Total one-off costs of £6m (2012: £3m), were incurred, primarily due to the closure of two small pressure pumping manufacturing facilities. Pressure Control profit growth was supported by a first contribution from Mathena which was partially offset by additional investment in Seaboard. Strong profit progression was seen at Services and Downstream operations. Profits from joint ventures increased to £8m (2012: £6m) reflecting good growth in Saudi Arabia and the first contribution from a North American oil and gas equipment distribution partnership.

Operating margin declined 230bps to 22.7% (2012: 25.0%) and was down 450bps on a like for like basis reflecting lower Pressure Pumping activity levels, higher one-off costs and pricing pressure on legacy fluid ends and original equipment frack pump orders. Like for like Pressure Control margins also declined as a result of a lower proportion of higher margin frack rental revenues and additional investment in extending sales and operational capabilities. Divisional margins improved in the second half due to higher activity levels and improved efficiencies as a result of the restructuring actions taken in the first half of 2013.

Investment

Capital expenditure of £38m (2012: £52m) included expanding the Pressure Pumping service network and extending Seaboard's rental product portfolio. Total research and development expenditure of £5m was focussed on developing differentiated Pressure Pumping technology. Employee headcount increased reflecting the increased input and investment in extending our service network.

Revenue

£796m**-7%**

Operating profit

£181m**-16%****Key priorities in 2014**

Capitalise on growing international opportunities across each business.

Accelerate customer uptake of recent product and service launches.

Continue to grow share in the pressure pumping aftermarket.

Expand maintenance services capacity in Iraq, in support of the LUKOIL contract awarded in January 2014.

Deliver benefits from Group-wide upstream and downstream oil and gas forums.

Increase supply chain flexibility and improve working capital ratios through Value Chain Excellence initiatives.

Outlook

The medium term outlook for global pressure pumping and pressure control markets remains positive. In North America, shale gas production is predicted to grow strongly as it is increasingly used as a feedstock for power generation, manufacturing and transport. Liquefied Natural Gas (LNG) exports are expected to increase demand in the medium term with six terminals approved in North America and more applications pending. Tight oil production is anticipated to continue its strong growth as infrastructure constraints are addressed. Internationally, development of shale reserves is expected to continue to grow in China, Russia, Saudi Arabia and Argentina, all of which are estimated to have substantial technically recoverable reserves.

The division entered 2014 at a substantially higher run rate than the prior year and is expected to deliver strong full year constant currency revenue growth, supported by mid single-digit growth in upstream expenditure in North America and the Middle East, assuming stable oil and gas prices. Pressure Pumping will also benefit from the normalisation of aftermarket demand although original equipment revenues are expected to remain subdued. It is anticipated divisional margins will remain broadly in line with the second half of 2013.

Partners in production worldwide**INCREASING OUR GLOBAL CAPABILITY**

When the Weir Group acquired Seaboard in 2011, the provider of wellhead and frack stack solutions was focussed on growing in North American unconventional oil and gas markets. Weir identified the opportunity to enter the frack flowback market by combining the product offering of Seaboard and SPM.

As a result, the Weir Group is now using its international experience and global capability to grow Seaboard's product and service lines into new markets. Weir's established service centres, machining capabilities and well established sales networks enable the company to expand quickly and efficiently into developing markets such as Australia and the Middle East.

With an increasing international interest in developing shale resources, demand for wellhead, frack stack and flowback solutions is increasing. Seaboard is well placed to meet this demand, given its experience in the US and its exposure through Weir to a platform which will allow it to offer its products and services to customers on a global scale.

OPERATIONAL REVIEW

WEIR POWER & INDUSTRIAL

In 2013, the division established a global valves platform and increased operational capabilities which position us well to take advantage of future growth opportunities. Over the course of the year some markets were particularly challenging but we responded by enhancing our global capability and further strengthening our customer relationships.

Market drivers

Emerging markets offered the best opportunities for growth over the course of 2013. Within Valves, demand from Korean Engineering Procurement and Construction Management (EPCM) companies was strong and there were positive initial signals in the nuclear new build market – particularly in China and India. However, general industrial conditions in India deteriorated during 2013, with a direct impact on demand for valves. In the Middle East momentum continued in oil and gas markets, supporting control and safety valve opportunities.

Key priorities and progress in 2013

Embed global valve structure and drive global sales hub performance	- Global valves platform now well established and operating under a Valves leadership team comprising both product line and operational experts. - Double-digit emerging market sales growth.
Further leverage Valve aftermarket opportunities	UK Valve aftermarket input up 19% since 2012.
Develop operational capabilities to support higher activity levels	- Supply chain and operations capability upgraded in all Valve facilities. - On time delivery performance increased by more than 10% in 2013. - Best cost supply chain enhanced through acquisition of Cheong Foundry in Malaysia.
Internationalise hydro, wind and power service offerings	- Additional approved repair facilities established in Southeast Asia, further internationalising the power service offering. £20m Libyan power plant refurbishment contract awarded. - Wind maintenance offering extended into South America.
Continue expansion in oil and gas markets	- Entry to the FPSO control valve market secured with a number of contract wins. - Oil and gas sector revenues up 6%.
Continue new product development and product extension	- Significant success in control valve initiatives such as X-Stream and turbine bypass products. - Transfer of range of valve technologies to Korea and China, extending the addressable market opportunity.

Revenue

£330m**+1%**

In developed markets, aftermarket demand in the UK and the US improved although the power market in the US was impacted by low natural gas prices. This led to challenging trading conditions in the hydro, coal and nuclear sectors but encouraged new build Combined Cycle Gas Turbine (CCGT) activity. In Europe, conventional safety valve demand was subdued reflecting general economic activity levels.

Strategic progress

Valves aftermarket initiatives made progress as a successful rapid response business model, which was initially developed in Canada, was replicated in the UK. The global valves platform is now well established, with senior leadership appointed at each plant to drive improved operational performance. Fourth quarter revenue run rates were at record levels, reflecting progress on these operational initiatives. Entry to the Floating Production, Storage and Offloading (FPSO) control valve market was secured with a number of contract wins.

Product transfers to South Korea and China continued, broadening emerging market opportunities.

Additional repair facilities were established in Southeast Asia, further internationalising the power service offering. Action was taken to reduce costs in Hydro operations to reflect challenging end market conditions and the wind services offering extended into South America. At the end of the year, the Services business secured re-entry into Libya with a large power plant refurbishment contract.

Order input decreased by 6% to £340m (2012: £363m) due to material declines in Hydro orders partially offset by growing Services input, as a result of a £20m contract win in the fourth quarter. Original equipment orders declined 10%, primarily reflecting the reduction in Hydro input. Aftermarket input was 2% lower year on year with strong second half growth largely offsetting first half declines. Valve orders declined slightly, with underlying progress offset by the absence of large individual project wins. Full year divisional book to bill remained positive at 1.03 while power markets continue to represent 60% of orders (2012: 60%). Emerging markets accounted for 33% of input (2012: 34%).

Revenue increased by 1% to £330m (2012: £326m) and was slightly below expectations as a result of project delays in the fourth quarter. Double-digit growth in Valves was offset by declines in Hydro and Services. Within Valves strong growth was achieved in South Korea and

Operating profit

£31m**-2%**

total Valves fourth quarter revenues were 20% higher than the equivalent prior year period. Emerging market revenues increased by 16% year on year and accounted for 34% of divisional sales.

Operating profit was broadly unchanged at £31m (2012: £32m), with underlying Valves profit growth offset by substantial investment in extending capabilities. A declining contribution from hydro was offset by one-off proceeds from an insurance settlement of a prior claim and a gain on sale of property.

Operating margin was broadly stable at 9.5% (2012: 9.8%), reflecting good growth from higher margin valve operations offset by additional investment to support future growth.

Investment

Capital expenditure of £11m (2012: £19m) included investment in our UK aftermarket rapid response cell and additional capacity at our French safety valve facility. Investment in research and development increased by more than 50% to £3m (2012: £2m). The division added 30 employees as it invested in operational capabilities and extending sales and service channels in the Valves business.

Outlook

Long term power and oil and gas fundamentals remain positive. Our addressable markets are expected to grow at circa 4-5%, driven by emerging market growth. Relatively low market shares in valve end markets provide scope to grow faster than these end markets as we continue to execute on our expansion plans into oil and gas markets, in particular. Nuclear remains an attractive prospect in the medium to long term, particularly in China, India and the Middle East. Aftermarket opportunities are being targeted to offset any short term risks from uncertainty on new build projects. International expansion will continue to deliver opportunities for our Renewable, Services and Industrial businesses.

In 2014, emerging markets are expected to continue to provide good growth opportunities in the power sector although it is anticipated North American hydro markets will remain subdued. Continued mid and downstream investment in oil and gas will also support growth. The division is expected to benefit from an improved operational performance in Valves, following measures taken in 2013. Strong constant currency revenue growth is expected, driven by Valves and Services, with low double-digit margins as the business continues to invest in new products and extending global capability.

OPERATIONAL REVIEW CONTINUED

Key priorities in 2014

Geographical expansion:

- Continue strong growth in emerging market hubs and Korea; establish presence in Russia and Northern/Eastern Europe; expand presence in Asia and South America.

Aftermarket enhancement:

- Maximise return from existing installed base, leveraging Services and Weir Group footprint; build on success of UK maintenance, repair and operations.

Best-cost sourcing:

- Continue product transfers to best-cost countries and expand low cost supply chain.

Market expansion:

- Expand in oil and gas, including LNG/cryogenics capabilities; increase in-house technical expertise.

Product development:

- Enhance super/ultra-critical capabilities for Valves; extend range of markets/applications for existing products.
-

Partners in production worldwide

The Power & Industrial team in the UK has been working to build deeper customer relationships as part of the Weir Group's commitment to being a partner of choice.

As a company with a long history of supplying the UK's nuclear industry, Weir has a large installed base of equipment in the country's nuclear reactor fleet. This is a legacy which goes back to the first conventional nuclear power programme at Calderhall in the 1950s. More than six decades later, we are still striving to help our customers improve their operational efficiency. In 2013, Weir's Power & Industrial teams focussed on working more closely with customers to exceed their expectations.

This involved Weir engineers analysing how products are used and identifying potential issues.

By doing this, engineers can recommend replacing or upgrading equipment as appropriate, addressing issues early to help customers improve performance. Rapid Response Cells set up within Weir allow teams to respond to customer needs, turning around orders quickly in the event that customers are experiencing unexpected outages requiring parts quickly.

FINANCIAL REVIEW

RESILIENCE IN TOUGH MARKETS

The Group performed robustly over 2013, despite challenging end market conditions, generating an operating profit (before exceptional items and intangibles amortisation) of £467m, a decrease of only 4% on the previous year.

This result demonstrates the strength of our operating model and the benefits of the diverse end markets and geographies in which we operate.

In this Financial Review, and where appropriate, the 2012 comparators have been restated to reflect the adoption of IAS19 (Revised) in relation to the accounting for the Group's defined benefit pension plans.

Order input at £2,462m increased 3% on a constant currency basis and was 2% higher on a like for like basis (excluding the impact of acquisitions and disposals). Original equipment orders were down 13% (down 10% like for like) as a result of reductions in greenfield mining orders, continued reduced demand for new pressure pumping equipment and power project delays. Aftermarket orders were up 16% (up 10% like for like) with a double-digit increase in Oil & Gas and good growth from Minerals. Aftermarket orders represented 64% of overall input (2012: 57%). Minerals order input was £1,311m, broadly flat on 2012, both in constant currency and like for like. Input in Oil & Gas of £811m was 18% up on 2012 (up 10% like for like) following strong growth in Pressure Pumping aftermarket orders combined with the first year impact of the Mathena acquisition. Finally, input in Power & Industrial was negatively impacted by a shortfall in Hydro, reporting an overall 6% decrease to £340m (down 6% like for like).

Revenue decreased by 4% to £2,430m on a reported and constant currency basis, down 5% like for like. Aftermarket accounted for 63% of revenues, an eight percentage point increase over the prior year. Emerging markets revenues decreased by 7% and represented 36% (2012: 37%) of total revenues. Minerals revenues were flat at £1,304m (2012: £1,307m) on a constant currency basis and down 2% like for like. Oil & Gas revenues, including the contribution from Mathena, decreased by 7% to £796m and were down 13% like for like. Power & Industrial revenues grew from £326m in 2012 to £330m in 2013, an increase of 1%. The 2013 acquisitions of Mathena and R Wales contributed £70m in revenue. There were no revenues from other Group companies following the disposal of LGE Process at the end of 2012 (2012: £37.7m).

FINANCIAL REVIEW CONTINUED

Operating profit from continuing operations before exceptional items and intangibles amortisation decreased by 4% to £467m (2012 restated: £485m). Although year on year there was a minimal currency translation impact, movements in the average exchange rates from the first to second half had an adverse effect on operating profit of £11m in H2, relative to H1 average rates. The main driver of this was the US dollar which moved from an average of \$1.54:£1 in H1 to \$1.58:£1 in H2, ending the year at \$1.64:£1. Subdued demand for Pressure Pumping original equipment was only partly offset by a first contribution from acquisitions and good growth in aftermarket revenue. One-off costs of £8.0m were incurred in the period (2012: £9.3m) of which £2.7m (2012: £4.0m) related to acquisition transaction and integration costs. Acquisitions contributed profit of £33.7m. There were no profits from other Group companies (2012: £2.5m). Unallocated costs were £14.0m (2012: £15.4m), reflecting targeted cost management initiatives and reduced discretionary spend.

Operating margin from continuing operations before exceptional items and intangibles amortisation was 19.2%, an increase of 10 basis points on the prior period (2012: 19.1%; 19.2% on a constant currency basis). On a like for like basis, the operating margin was 18.5% (2012: 19.5%). Sequential margin improvement was seen in the second half in each division. With regard to Minerals the operating margin was 20.6% (2012: 19.4% constant currency) for the full year, reflecting the strengthening aftermarket revenue mix alongside benefits from procurement initiatives, productivity gains and effective cost control. The Oil & Gas full year operating margin was 22.7% (2012: 25.0% constant currency) reflecting lower Pressure Pumping activity and higher one-off costs, only partially offset by the positive impact of acquisitions and a good performance in Downstream and Service businesses. As expected, H2 margins at 23.5% were higher than the first half of 21.8%. The operating margin in Power & Industrial was 9.5% (2012: 9.8% constant currency) with the impact of improved operational performance and higher activity levels leading to second half margins 380 basis points higher than the H1.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

Depreciation of property, plant and equipment in the period was £59.1m (2012: £49.4m) resulting in EBITDA of £525.6m (2012 restated: £534.5m).

Exceptional items and intangibles amortisation

An exceptional gain of £70.5m (2012: £20.2m) combined with an intangibles amortisation charge of £46.7m (2012: £36.7m) resulted in total Group operating profit for the year of £490.3m (2012 restated: £468.6m).

The increase in amortisation year on year is a direct result of the 2013 acquisitions. The exceptional gain in the current year relates to two items: (i) the release of the contingent consideration liability for Weir Mathena of £67.8m; and (ii) the curtailment gain of £2.7m recorded following the decision to close one of our main pension plans to future accrual with effect from 30 June 2015. The Mathena contingent consideration liability has been reduced to nil following the continuation of the depressed natural gas price which led to certain customers reducing their gas drilling activity in the second half of the year, resulting in the short term forecasts for the business no longer supporting payment of the contingent consideration. The exceptional credit in the prior year comprises the net of three items, the largest of which was the gain on sale of LGE Process of £30.5m which was completed on 28 December 2012. Offsetting this are: (i) a charge of £4.5m representing the uplift of inventory to net realisable value on acquisition being charged against profits as the inventory is sold; and (ii) an uplift of £5.8m to the net present value of contingent consideration payable in respect of the acquisition of Weir International.

Net finance costs

Total net finance costs, including exceptional items, were £59.1m (2012 restated: £47.9m). There are four components of this net charge, the most significant being the interest cost of £47.9m (2012: £46.5m) on the Group's borrowings (including amounts in relation to derivative financial instruments). The other elements are finance income of £3.0m (2012: £5.2m), a charge of £3.5m (2012 restated: £4.0m) in relation to the Group's defined benefit pension plans and an exceptional cost of £10.7m (2012: £2.6m) being the unwind of the discount on the contingent consideration liability.

1. Continuing operations excluding exceptional items and intangibles amortisation.
2. 2012 restated to reflect the impact of IAS 19 on pension costs

The unwind of the discount on the contingent consideration liability is higher than the prior year due to an amount being recorded in relation to Mathena, prior to this liability being released in the second half. The total contingent consideration liability recorded on the balance sheet in respect of all acquisitions is £27.7m (2012: £24.5m).

Net finance costs (excluding retirement benefit related amounts and exceptional items) were covered 10.4 times by operating profit from continuing operations, before exceptional items and intangibles amortisation (2012: 11.7 times).

Profit before tax from continuing operations but before exceptional items and intangibles amortisation decreased by 5% to £418.1m (2012 restated: £439.8m). Reported profit before tax from continuing operations increased by 2% to £431.2m (2012 restated: £420.7m) after intangibles amortisation of £46.7m (2012: £36.7m) and a net exceptional credit of £59.8m (2012: £17.6m), primarily in relation to the release of the Mathena contingent consideration liability.

The **tax charge** for the year of £107.5m (2012 restated: £123.3m) on profit before tax from continuing operations before exceptional items and intangibles amortisation of £418.1m (2012 restated: £439.8m) represents an underlying effective tax rate of 25.7% (2012: 28.0%), primarily reflecting a lower proportion of US profits. The Group's policy with regard to tax matters is discussed later in this report.

Discontinued operations

In 2012, the Group reported income from discontinued operations of £3.3m representing the release of unutilised provisions in relation to previous disposals on expiration of the tax warranty periods.

Earnings per share

Earnings per share from continuing operations before exceptional items and intangibles amortisation decreased by 2% to 145.4p (2012 restated: 149.0p). Reported earnings per share including exceptional items, intangibles amortisation and profit from discontinued operations was 157.2p (2012 restated: 147.5p). The weighted average number of shares in issue increased to 213.0m (2012: 212.2m).

Cash flows

Cash generated from operations before working capital movements was in line with the prior year at £514.8m (2012: £515.5m). Working capital cash outflows of £40.9m (2012: £116.9m) showed a significant improvement on the prior period with a second half working capital cash inflow of £21.9m. This second half performance was the result of improved supply chain performance and strong cash collection from receivables. Cash generated from operations increased by 19% from £398.6m in 2012 to £473.9m in 2013 representing an EBITDA to cash conversion ratio of 90% (2012: 75%).

Net capital expenditure decreased from £116.3m in 2012 to £97.3m in 2013 with investment to add capacity in Minerals and the addition of rental and service capacity in Oil & Gas. The settlement of financing derivatives resulted in a net cash outflow of £5.0m (2012: £11.0m). Additional pension contributions of £12.1m (2012: £7.5m) were paid in the year in respect of agreed special contributions to the UK schemes. This will fall to £9.6m in 2014.

Free cash flow from continuing operations was £168.4m (2012: £62.3m). Outflows in respect of the acquisition of subsidiaries of £202.5m and investments in joint ventures of £14.0m resulted in a closing net debt of £747.0m (2012: £688.9m, £691.5m constant currency). On a reported basis, the ratio of net debt to EBITDA was 1.4 times.

Return on capital employed (ROCE)

The Group's ROCE of 19.3% for 2013 (on a like for like basis, excluding Mathena and R Wales) was down on the prior year (2012: 22.2%) primarily reflecting lower Oil & Gas profits and additional investment to support future growth.

Dividends

The Board is recommending an 11% increase in the full year dividend, the 30th consecutive year of dividend growth, with a final dividend of 33.2p (2012: 30.0p) making a total of 42.0p for the year (2012: 38.0p). Dividend cover (being the ratio of earnings per share from continuing operations before exceptional items and intangibles amortisation to dividend per share) is 3.5 times (2012 restated: 3.9 times). If approved at the Annual General Meeting, the final dividend will be paid on 30 May 2014 to shareholders on the register on 2 May 2014.

FINANCIAL REVIEW CONTINUED

Acquisitions and disposals

On 31 December 2012, the Group completed the acquisition of 100% of the voting shares of Mathena, Inc (Weir Mathena) for an upfront cash consideration of US\$247m (£153m). Details of the contingent consideration and related accounting have been discussed earlier in this Financial Review and are also presented in note 13.

During the year the Group also acquired 100% of the voting shares of the R Wales group of companies (Weir Wales), 100% of the voting shares of Aspir Pty Limited in Australia, the business and assets of the Cheong foundry in Malaysia, and the assets of the Xmeco heavy bay foundry in South Africa. The combined consideration for these acquisitions was £55.7m, with an expected contingent consideration of £1.6m.

Tax policy

The Group's strategic tax objectives are to:

- comply with all applicable tax laws and regulations, including the timely submission of all tax returns and tax payments; and
- develop and maintain strong working relationships with local tax authorities and undertake all dealings with them in a professional and timely manner.

The Group has strong controls and clear policies and procedures covering tax, which must be followed by all finance personnel. We take a conservative approach to all tax planning with the overarching aim of paying the right amount of tax at the right time in each tax jurisdiction in which we operate. As a large multi-national, we conduct our business affairs in a way which is efficient from a tax perspective, for example by looking to take into account available global tax incentives and allowances, but we do not undertake tax planning for its own sake.

In terms of cash tax, the Group paid income tax of £71.9m in 2013 across all of its jurisdictions compared to £104.9m in 2012. This decrease is driven by the reduced North American profits of the Group, with the reducing rate of corporation tax in the UK also a factor. Net cash tax paid in the UK in 2013 across corporation tax, VAT and payroll taxes was approximately £45m (2012: £43m).

Treasury management

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

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

Funding and liquidity

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

In July 2013, the Group repaid the US\$300m amortising term loan and refinanced the US\$800m multi-currency revolving credit facility. These facilities have been replaced with a new five year US\$800m multi-currency revolving credit facility, which matures in 2018. At 3 January 2014, £43m was drawn under the revolving credit facility leaving an undrawn facility of £444m.

All covenants were met at 3 January 2014 with significant headroom under each financial ratio.

The Group held net cash balances of £68.6m at the end of 2013 (2012: £384.2m) representing operating balances held by the Group's subsidiaries. Of this total, £1.3m was held in the UK (2012: £313.5m); the substantially higher figure held at the end of 2012 being in preparation for the completion of the acquisition of Mathena, Inc.

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

Credit management

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

Interest rate risk management

The Group's debt is in a combination of fixed and variable rates of interest. It is our policy to maintain a proportion of debt at fixed rates of interest subject to the future outlook for the level of interest rates. As at the end of 2013, the proportion of the Group's debt at fixed rates was 92% compared to 71% as at the end of 2012 due to the repayment of the amortising term loan in the period.

Foreign exchange

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

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

The Group manages a proportion of the potential currency translation exposures from US dollar denominated net investments through a combination of US dollar borrowing, forward foreign currency contracts and cross currency swaps.

The strengthening of Sterling relative to 2012 against most main currencies, offset by a slight weakening against the Euro, resulted in a net loss on translation of net assets of £94.8m, including the effect of the balance sheet hedging programme. The fair value of derivatives designated as net investment hedges at 3 January 2014 was a net nil position (2012: liability of £0.8m).

The Group does not hedge foreign currency translation exposures related to profit and loss items. Approximately 55% of the Group's operating profit is US\$ denominated. A one cent move in the average US\$:£ exchange rate has an impact of circa £2m on operating profit over the full year.

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

Retirement benefits

The Group has five defined benefit pension plans, the largest of these being the two UK plans. The Group has sought to proactively manage its exposure to its pension plans and more than half of the liabilities of the main UK scheme are hedged using insurance policies, providing significant protection against changes in market conditions. During the current period, agreement was reached with the Trustees of the Main UK Plan to close the plan to future accrual of benefits with effect from 30 June 2015 and accordingly a curtailment gain of £2.7m has been recorded as an exceptional item in the Income Statement. With regard to the key assumptions underpinning the IAS19 (Revised) valuation, the discount rate applied to the pension liabilities has increased from 4.3% to 4.4% with RPI inflation increasing from 2.9% to 3.4% since 2012. The net effect of these changes partially offsets the returns on net assets and contributions in excess of benefit accrual, with an overall reduction in the net deficit in the Group's retirement benefit obligations from £90.4m to £70.4m over the year.

Net assets

Net assets at the end of 2013 were £1,486.7m, an increase of £176.4m (2012: £1,310.3m). This increase is driven by the total net comprehensive income for the year of £247.3m less dividends paid of £82.6m.

Litigation

The Company and certain subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the normal course of business. To the extent not already provided for, the Directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect on the Group's financial position.

There are 1,129 asbestos related claims outstanding in the US (2012: 917) against Group companies. There are 26 such claims in the UK (2012: 25). All actions are robustly defended.

On 6 February 2013, an Opinion & Order was filed with the United States District Court, Southern District of New York dismissing the claim against the Company (being one of many companies targeted) relating to a civil action for damages arising from the UN Oil for Food programme which was raised in the US. Subsequently the Iraqi Government filed a notice of appeal. A hearing of this appeal took place in the 2nd Circuit Court of Appeals on 18 February 2014. The decision of the Court of Appeals is still awaited at the time of publication. It is the Company's intention to continue to defend this action vigorously.

FINANCIAL REVIEW CONTINUED

Profit before tax from continuing operations but before exceptional items and intangibles amortisation decreased by 5% to £418.1m (2012: £439.8m).

Critical accounting policies

The financial statements have been prepared in accordance with IFRS and the material accounting policies are set out on pages 125 to 131 of this report. With the exception of the changes required under IAS19 (Revised) and disclosed in note 2 of the Financial Statements, there have been no significant changes to the accounting policies adopted in 2013.

In the process of applying the Group's accounting policies, management has applied certain judgements, assumptions and estimates. These estimates and assumptions are based on historical experience, information available at the time and other factors considered relevant. Those with the most significant effect on the amounts recognised in the financial statements are set out below. Further judgements, assumptions and estimates are set out on page 126.

Intangible assets

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

Impairment

IFRS requires companies to carry out impairment testing on any assets that show indications of impairment as well as annually for goodwill and other intangible assets with indefinite lives and so not subject to amortisation. This testing includes exercising management judgement about future cash flows and other events which are, by their nature, uncertain. In consideration of our recent acquisitions and the related changes to how the businesses are managed and reported, we have updated the definitions of our Cash Generating Units (CGUs) for the purposes of impairment testing of goodwill and other intangible assets. Full details are set out in note 14.

Retirement benefits

The assumptions underlying the valuation of retirement benefits assets and liabilities are important and based on actuarial advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligations. Sensitivities to changes in key assumptions are provided in note 24.

Taxation

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

Jon Stanton

Finance Director

26 February 2014

SUSTAINABILITY REVIEW

A KEY PART OF OUR STRATEGY

The Weir Group is aware that we have to balance our growing and energy intensive business with the potential impacts that we may have on the environment and the communities in which we work. In order to deliver long term sustainable success, we aim to operate efficiently, minimise our environmental impact wherever possible, work in an ethically and socially considerate manner and build confidence and trust with our stakeholders.

Sustainability underpins the Group's strategic priorities outlined on pages 8 and 9 and is inherent in the Company's purpose and values. The Sustainability Review reports on each of our six key sustainability priorities, outlining their importance to our business, our performance in these areas over the past year, and the policies and practices applied to help monitor and manage this performance.

The Weir Group is pleased to announce that it was admitted to the FTSE4Good index in September 2013. The index provides an objective performance measure for companies that meet globally recognised corporate responsibility standards.

**The Group has six
sustainability priorities:**

**Engagement with
stakeholders during 2013**

Environment

Health and safety

**Products and
technology**

Employees

Communities

Ethics

SUSTAINABILITY REVIEW CONTINUED

Gavin Nicol
Director of Operations
Support and Development

Environment

The Weir Group's environmental strategy is to reduce potentially adverse impacts of its operations and to strive to innovate and enhance the positive benefit of our products and services.

In addition to the five already owned, the Weir Group acquired two further foundries during the year. Due to their innate energy-intensive nature, this will have a significant impact on our total carbon emissions. We are a growing business and the markets that we work in mean the majority of our businesses are energy intensive. However, we also have operations in the hydro, wind and nuclear energy industries which are contributing to the production of clean, low carbon energy.

As our business expands we take sustainability into account in our organisational decisions and work to minimise potentially adverse impacts on the environment. For instance, where we acquire or open new sites, we assess the means by which potential environmental impacts can be minimised and look to adopt new technologies to help achieve this where possible.

Environmental risk

Managing environmental risks is key to Weir operations. The Weir EHS Management System details the top 11 priorities for assessing and measuring risk and environmental impacts. These include the use of compliance registers to ensure permit and authorisation requirements are met, environmental risk to soil and groundwater is mitigated through a set of storage, containment and management criteria, and environmental noise is risk assessed for all operations. The Weir Standards detail the minimum requirements for controlling these risks to air, land and water. More details on the Weir EHS Management System and accompanying Standards are provided in the Health & Safety section below. We operate under an awareness not just of the potential risks our business can have on the environment but equally the risk to our business from environmental or climatic events. There have been three reported incidents of the environment impacting our businesses during 2013. Two were incidences of flooding and the other was a tornado in El Reno, Oklahoma, which caused roof damage. More details on risk can be found on pages 24 to 30.

ISO 14001

ISO 14001 is an internationally recognised specification which sets out a framework for an effective environmental management system. Certification to ISO 14001 helps to demonstrate our ongoing environmental performance in terms of legal and environmental policy requirements. Acquisitions, as part of the integration process, are expected to implement an ISO 14001 programme and achieve subsequent accreditation. All our continuing operations are ISO 14001 accredited, or are planned to be by the end of 2014.

Environmental incidents

No significant environmental incidents were reported at sites under the operational control of the Group during the 53 weeks to 3 January 2014. There was a minor incident at a third party site on 20 May 2013 where a blow-out occurred at Marathon Oil's McCoy gas well in Live Oak County, Texas, while Seaboard employees were operating Seaboard equipment on the site. No injuries or physical damage to property or equipment was sustained. However, a very limited amount of surface environmental contamination occurred in the immediate area of the well due to a light spray of associated oil carried in the gas vapour. This contamination was very quickly cleaned up and there was only a short term interruption to the operation of the well. Within the Oil & Gas division, all field services safety protocols were reviewed to consider whether they could be further improved.

Greenhouse gas emissions

A review of our approach and systems for measuring our global greenhouse gas (GHG) emissions was undertaken in 2013 to consider evolving best practice and to ensure compliance with the new carbon reporting requirements under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

As a result we have procured a new software solution to enable more complete data collation and more accurate emissions calculation. A revised GHG Inventory Management Plan and updated Standard Operating Procedures have been developed and rolled-out to all relevant businesses. Implementation of the system including user training and data entry is ongoing and will be completed during 2014.

Periodic review of our data management system, processes and procedures is planned in order to continue to maintain and improve the relevance, accuracy and scope of our reporting over time.

Our calculation methodology is aligned with the principles of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard developed by the World Business Council for Sustainable Development and the World Resources Institute.

The Group has chosen to follow the 'operational control' approach, whereby it will account for 100% of the carbon emissions from operations over which it has control. This is consistent with our approach to financial accounting and reporting. On this basis, all subsidiary companies are included in reported annual carbon emissions, whilst our joint ventures which are not under our operational control are not. However, in reviewing our reporting we have excluded some sites on the basis of materiality or because of the type of site.

The UK Government GHG Conversion Factors 2013 have been used to calculate UK emissions. Factors from other credible sources have been used for overseas operations, specifically those published by the US Environmental Protection Agency the International Energy Agency and the International Panel on Climate Change.

As far as can be determined, all material Scope 1 and Scope 2 emissions sources have been included. Scope 1 sources are those emissions for which the Group is directly responsible, i.e. combustion of fuel for the operation of our facilities. Scope 2 sources comprise those emissions for which the Group is indirectly responsible, i.e. from the electricity, heat, steam and cooling we purchase to use in our operations or equipment.

We do not currently measure or report Scope 3 emissions, which relate to sources that are not within our direct control, third party warehouses and transport in vehicles not owned by the Group.

As this is the first reporting year for which the new data management system and procedures have been used, no prior year figures have been provided as direct comparison may not be appropriate. In future reporting years, emissions figures for 2013 will be presented as the baseline against which performance can be measured. The Group's total annual GHG emissions in tonnes of carbon dioxide equivalent (tCO₂e) for the 53 weeks ended 3 January 2014 are as follows:

	Total annual GHG emissions 2013 tCO ₂ e	Emissions intensity 2013 tCO ₂ e per £m revenue
Scope 1: On-site combustion of fuel	82,100	33.8
Scope 2: Purchased electricity, heat, steam & cooling for own use	129,900	53.5
Total	212,000	87.3

The Group now operates seven foundries, which are the most energy intensive areas of the business. GHG emissions data for the foundries acquired during 2013 have been reported from their date of acquisition. We have presented foundry GHG emissions separately to enable closer performance review.

	Total annual GHG emissions: foundries 2013 tCO ₂ e	Proportion of 2013 total annual GHG emissions %	Foundry emissions intensity tCO ₂ e per tonnage of metal poured
Scope 1: On-site combustion of fuel	21,800	10%	0.6
Scope 2: Purchased electricity, heat, steam & cooling for own use	68,300	32%	1.9
Total	90,100	42%	2.5

As with total global GHG emissions, it is intended that 2013 emissions figures for the foundries will be provided in future years as a performance baseline.

Energy reduction measures and targets

One of our sustainability improvement priorities is to reduce our energy use in relative terms and associated GHG emissions. Historically targets have been set at operating company level. This is planned to be reviewed during 2014 to determine if this continues to be the most appropriate approach for our business.

Details of some of the sustainability improvement measures undertaken and targets set during 2013 are:

- Weir Minerals Africa replaced geysers with heat pumps resulting in a 50% reduction in electricity consumption through these units.
- Weir Minerals Chile undertook five energy reduction projects, including the replacement of lighting systems and engines and making part of the roof transparent to allow natural light in, with an estimated annual reduction of almost one million kWh.
- Weir Gabbioneta in Italy has implemented several projects to reduce energy use and GHG emissions, including installing a new control panel in the test room to switch off the transformer when not in use.
- WESCO Abu Dhabi carried out an inspection survey using infrared equipment to identify the motors that consume the most power in order to target future actions.
- Weir American Hydro installed new energy efficient weld machines, fitted energy efficient office lighting that consume approximately 40% less electricity, and introduced a soft-start machine shutdown programme which reduces peak time energy use. Such projects helped them achieve a 9% reduction compared to 2012 use, driven by their aim to reduce total energy consumption during 2013 by 10% compared to the previous year.
- Weir BDK in India undertook an energy audit and through subsequent interventions reduced their total annual electricity consumption by 10.5% compared to 2012 usage. They also further reduced their total GHG emissions by replacing their diesel boiler burner fuel with biodiesel.

SUSTAINABILITY REVIEW CONTINUED

The Group continues to install and make use of telepresence video-conferencing facilities at its major sites worldwide. There are now 14 Weir sites in seven different countries with dedicated telepresence conference rooms. These allow meetings to be held throughout the Group as though attendees were in the same location. The facilities were used for both Board and Group Executive meetings as well as budget review meetings during the year and their use has resulted in a notable reduction in air travel and related GHG emissions.

Recycling

As part of our sustainability strategy, our businesses also focus on improving resource efficiency; for instance, increasing the proportion of waste materials that are recycled and reducing the total quantity of waste going to landfill.

Foundry recycling ('000 tonnes)

Nearly 12,000 tonnes of metal was reused internally in our foundry operations in 2013. 34% of all metal poured in the foundries in 2013 was reused internally compared to 42% in 2012. The decrease in the amount of metal being reused compared to the prior year is a reflection of the increased efficiency in our pouring and casting processes, which resulted in less waste metal being produced. Recycling data was not available for our new foundry in Malaysia and is only reported from the date of acquisition for our new foundry in South Africa.

Additional external reporting

The Group continues to participate in Phase 1 of the UK's Carbon Reduction Commitment Energy Efficiency Scheme (the 'CRC Scheme'). The CRC Scheme aims to encourage large public and private sector organisations to reduce GHG emissions through energy efficiency interventions. Phase 1 participation is mandatory for organisations meeting specific legal and technical criteria. Based on a qualification assessment indicating these criteria were met, the Group has been a scheme participant since Phase 1 started in 2010.

ENVIRONMENTAL DESIGN

Weir prides itself on promoting the highest standards of environmental care in each aspect of its operation. In 2013, this pride was recognised when Weir Oil & Gas won a highly sought-after environmental award for the design of its new divisional headquarters in Fort Worth, Texas.

The LEED Gold Certification, issued by the US Green Building Council, recognises the efforts made in the design, construction and operation of the new headquarters to ensure it is as environmentally friendly as possible. The building is the first in the City of White Settlement, near Fort Worth, to achieve LEED certification.

LEED (Leadership in Energy and Environmental Design) is a system for certifying the greenest performing buildings in the world. It provides independent, third-party verification that a building was designed and built using strategies aimed at achieving high performance in five key areas of human and environmental health: sustainable site development; water efficiency; energy efficiency; material selection; and indoor environmental quality.

When it came to planning the new headquarters, teams at Weir worked with designers to incorporate new technology to reduce energy consumption, conserve water

and create an attractive, healthy and collaborative working environment all while ensuring the building was affordable to build and operate.

The building, which was opened in January 2013, uses 'low flow' plumbing fixtures such as toilets and showerheads to reduce indoor water usage by 37%. Solar panels, which double up as car park shading in the hot Texas sun, also provide up to 5% of the building's power.

Along with these innovative solutions, the building was designed to make the most of natural resources. The exterior design and interior space planning were coordinated to maximise natural daylight in the building and to provide views to the outdoors for 90% of the occupants. The facility has so far helped contribute to a reduction of around 30% in energy usage thanks to its innovative design and continues to demonstrate Weir's goal of improving the environmental credentials of all aspects of its operation.

During specific scheme years, participants are required to purchase and surrender sufficient CRC allowances for their relevant GHG emissions. In 2013, the Company purchased and surrendered 3,967 CRC allowances at a cost of £47,604. Assuming the Company continues to meet the relevant participation criteria, the Company will continue to participate in Phase 1 until it ends in March 2014, with one further round of allowance purchase and surrender.

A recent legal and technical assessment has confirmed that the Group does not qualify as a participant in Phase 2 of the scheme and, therefore, will no longer be obligated to participate in the CRC Scheme after Phase 1 ends in March 2014. This is due to a change in the calculation of the qualification threshold whereby companies now exclude certain emissions covered by an alternative reduction scheme.

The CDP scheme (formerly known as the Carbon Disclosure Project) is a global, voluntary initiative for major companies to measure, disclose and share information about sustainability performance and associated risk management and performance with transparency and accountability. In 2013, we achieved a disclosure score of 77 out of a possible 100 and a 'D' rating for our sustainability performance relative to that of other participants. This was a significant improvement on the previous year disclosure score of 41, which was below the scheme threshold of 50 for receiving a performance rating. This notable improvement reflects our ongoing focus of continued improvement for all aspects of corporate sustainability.

Health and safety

The Weir Group is committed to preventing all accidents. That is why everyone has the right to stop an operation if they think it may not be safe. To help realise our zero-accident ambition we have put in place a series of initiatives to keep our people, customers, suppliers, sub-contractors and the environments in which they operate safe. In addition, safety has become a standing agenda item at every Board meeting of the Company.

In December 2013, an employee of Weir Mathena in Odessa, Texas, was killed in a road traffic accident close to the Mathena depot in Odessa as he was returning from a work site. The vehicle that he was driving drifted across the central reservation of the highway for an unknown reason, colliding with an oncoming vehicle. The employee was killed in the collision. No other injuries were sustained to third parties involved in the accident. This tragic incident has been thoroughly investigated by the local police, Weir's insurance loss adjuster and internally within Mathena, but the cause of the accident is still unknown. Mathena has been providing support to his wife and young family and to his work colleagues. While the cause

of the accident may never be known, it has prompted the Group nonetheless to conduct a thorough review at Group Executive level of its existing driving safety procedures against potential contributory factors and in particular to ensure that local policies fit within a consistent global framework.

EHS Excellence Committee

The action towards a zero-accident workplace is led by the Environment, Health & Safety (EHS) Excellence Committee. Its remit is to set and monitor rigorous standards to improve EHS performance across the Group. In 2013, the committee continued to implement the Weir Group EHS Roadmap, which charts the path to a safer workplace.

Weir EHS Management System

The Weir EHS Management System establishes a common set of EHS standards and expectations for addressing the risks that our operations face. Its purpose is to embed health and safety within our culture, behaviours and actions. The Duty of Care System provides an unbroken chain of accountability from the Chief Executive to our newest apprentice and details individual responsibilities for managing EHS risks. The EHS standards cover nine primary areas of risk from supply chain to field operations and provide step-by-step guidance on the minimum requirements expected at all of Weir's operations anywhere in the world. Weir has appointed Divisional EHS Directors for each of the three divisions. These individuals jointly develop EHS strategy and are responsible for its execution across the Group. In addition, they lead the implementation of the Weir EHS Management System and delivery of our EHS objectives.

Weir Zero Harm Behavioural Safety System

In the course of the year, we piloted our Behavioural Safety System. It assists in promoting a culture that values behaviours which continually improve our EHS performance. The system involves face-to-face training in identifying behavioural types and behavioural states, and the critical errors that these can cause. The training is designed to increase awareness of how personal behaviours and habits influence risks and promote safe behaviours. It has been designed to address Weir-specific EHS practice and training in the system will be given to all employees.

Measuring progress

All these efforts and more have contributed to a reduction in our Total Incident Rate (TIR). TIR measures medical treatment of any kind required by employees divided by 200,000 hours worked. The results for 2013 show that our incident rate has reduced by more than a third over the course of the year.

TIR performance

Our EHS procedures are regularly assessed. In 2013 we commissioned a leading independent EHS consultancy to evaluate our systems. This assessment concluded Weir was among the 'best in class' of those peers who publish similar EHS information.

SUSTAINABILITY REVIEW CONTINUED

Products and technology

As a key player in the energy and natural resources businesses, we are acutely aware of the importance of having sustainable products and technology. We continue to drive for more efficient products which not only improve performance and durability but also reduce environmental impacts.

Using bespoke three-dimensional laser scanning techniques alongside proprietary computation fluid dynamic models, Weir has been able to re-engineer products designed for use in power stations, refineries and process plants. The resultant improvements in operating efficiencies allow the products to perform the same function using less energy and therefore producing less greenhouse gas emissions. Through this initiative alone, we estimate the production of some 20,000 tonnes of carbon dioxide emissions was avoided in 2013.

Technological innovation throughout Weir also focusses on lowering overall operating costs for customers and providing equipment and services that contribute to workplace safety. An example of cost reduction is the introduction of patented Duralast™ technology in hydraulic fracturing pumps in North America which has increased product service life by a factor of two.

Engineering Excellence Committee

Weir's Engineering Excellence Committee comprises senior engineering and technology leaders from across Weir's three divisions. Its role is to ensure that through collaboration and cooperation, we are sharing and implementing best practice across all of our engineering teams, and specifically, driving leading edge technology and innovation.

The committee drives the innovation strategy across the Group and during 2013 facilitated over 20 innovation workshops to drive technology breakthroughs around the world. The committee also rolled out an enhanced new product introduction process, providing cross functional teams with leading edge tools and techniques to ensure flawless launches of new products and services.

SAFETY IN ACTION

Weir's approach to health and safety continues to be a primary focus across each of its divisions. Last year, as a result of this commitment, the Power & Industrial division's UK valve facility in Elland was recognised in the Occupational Health and Safety Awards 2013 by the safety charity The Royal Society for the Prevention of Accidents (RoSPA), for its approach to occupational health and safety.

Dating back 57 years, the RoSPA Awards scheme is the largest and longest-running programme of its kind in the UK. It recognises commitment to accident and ill health prevention and is open to businesses and organisations of all types and sizes from across the UK and overseas. The scheme not only looks at accident records, but also overarching health and safety management systems, including practices such as leadership and workforce involvement.

The RoSPA awards mark achievements at merit, bronze, silver and gold levels. Organisations awarded Gold Awards demonstrate a rigorous approach to occupational health, high levels of compliance and reducing rates of error, harm and loss. David Rawlins, RoSPA's

awards manager, said: "RoSPA firmly believes that organisations that demonstrate commitment to continuous improvement in accident and ill health prevention deserve recognition. Weir Valves & Controls UK Ltd has shown that it is committed to striving for such continuous improvement and we are delighted to honour it through the presentation of this award."

Colin Somers, Environment, Health and Safety Manager at Weir Valves & Controls UK, said: "We are delighted to have been awarded the RoSPA Gold Award, as it is full testament to the proactive approach that has been embraced by Weir, to continually improve health and safety standards for all staff and visitors who work for or on the behalf of our Elland facility."

2013 saw the appointment of a Group Head of Engineering and Technology Development, a new position highlighting the enhanced emphasis that we are placing on engineering excellence. This position will be responsible for deploying the Group technology strategy, further enhancing Weir's already well established relationships with a network of academic institutions, advancing our technical capability, leading the Engineering Excellence Committee and further embedding innovation into the Group's DNA.

Design and innovation

The Group spent £21.5m (2012: £23.5m) on research and development during the financial year. Weir has more than doubled its spend on research and development since 2009 and views meaningful investment in research and development as an essential element in supporting innovation, one of our four key pillars. We expect this growth in investment to continue as we work towards fully meeting customer demands and developing products and technologies with an increasingly lower environmental impact. Weir is recognised as a world leader in the development and application of wear resistant materials technology.

The Weir Advanced Research Centre (WARC), a collaboration with the University of Strathclyde in Glasgow, Scotland, was created in 2011 as the platform for delivering world class fundamental and applied research. Seven projects were started in 2013 in a number of engineering disciplines with another ten planned for 2014. WARC is now delivering innovative results across our entire technology portfolio as well as helping us push the boundaries on new technologies.

One example of the outputs from this collaboration with academia is that the research centre has used the skills of world-renowned scientists and engineers with access to leading edge finite element analysis techniques to develop an innovative valve design, which has the potential to double the product service life.

Another notable success was the development of an advanced computational fluid dynamics (CFD) model for predicting erosive wear caused by dense slurry flows. Taking the current CFD capability to the next level has empowered our designers, allowing them to reduce wear even further through improved designs.

Innovation in material technology has also been undertaken to address the more hazardous environments that equipment is required to operate in. For example, in Alaska pumping equipment working on produced water injection applications only lasted three months before having to be taken out of service for overhaul. Weir Oil & Gas Aberdeen, in collaboration with Conoco Phillips Alaska, has now developed equipment designs which incorporate more exotic materials. The average time between overhauls has been significantly extended and now exceeds two years.

Many of the Group's products and services are used in low carbon applications such as nuclear and renewables power generation. For example, Weir Minerals Lewis Pumps produce pump equipment used in solar power plants. A portion of the heat produced is stored in molten salt during the day when the sun is shining and after the sun goes down, the pumps reverse the process to allow the heat stored in the salt to be used to power the generators during the nighttime hours. As this new technology enables power production from solar sources during the hours of darkness, and as solar power is a cleaner source of energy than fossil fuels, the process produces proportionately less carbon per unit of energy.

In the US, carbon emissions have fallen to their lowest level since 1994, driven in part by a move from coal to natural gas generated electricity sources. In 2012, carbon emissions were reduced by 6.5% and, as one of the leading providers of pumps and flow equipment to the production of natural shale gas, the Weir Group has contributed to this trend. Through technological innovation which has improved the efficiency of the shale gas industry, Weir has assisted in making shale gas a more economical feedstock for power generation than more carbon intense alternatives. Weir also manufactures its shale products within North America reducing potential transportation emissions.

Product stewardship

Weir has introduced formal product stewardship processes during the course of 2013. A dedicated team of engineers was assigned in the first quarter of 2013 to develop policy and protocols for ensuring that adequate safeguards will be put in place to mitigate the risk inherent in the installation, utilisation and disposal of highly technical and sophisticated equipment. Effective product stewardship ensures that every aspect of our products and services is incorporated in the design process. This includes environmental, health and safety and social considerations, from the drawing board to decommissioning. Design processes are subjected to rigorous quality assurance methods and procedures are in place to ensure that the risk information associated with a product is passed on to the relevant parties.

SUSTAINABILITY REVIEW CONTINUED

Pauline Lafferty
Director of Human Resources

Employees

Motivated, skilled and effective people are imperative to our business. We are committed to attracting and retaining the best people, and developing them to ensure they achieve their full potential. In doing so, we seek to:

- ensure no form of prejudice stands in the way of recruitment, development or promotion opportunities;
- encourage, invest in and support our employees to achieve their full potential;
- identify the training and development needs of employees and find ways to fulfil those requirements;
- use the Weir Group Personal Development Plan (PDP) to address how we can support the development of our employees;
- employ and retain people who share our values and behaviours and actively discourage those who do not;
- work to maintain a business environment where individuals feel valued and respected; and
- provide development opportunities to internationally mobile employees by encouraging overseas appointments.

Our values

'The Weir Way' is the phrase we use to describe how we operate. It can be summarised by saying 'we conduct our business ethically, safely and responsibly or not at all'. The Weir Way is guided by our seven core values, currently expressed as: customer focus, engineering excellence, integrity, self-determination, valuing people, working together and leadership.

Our values were established over 12 years ago when Weir was a much smaller organisation. With a larger geographical footprint and a much broader and more diverse workforce, we believe now is the time to consider our values and ensure they remain the guiding principles that our employees live by.

In 2013, we undertook an exercise to redefine our values in consultation with our employees across the Group. We have mirrored our geographical and cultural diversity and conducted workshops across five geographical territories. These workshops featured a mix of employees participating in the Weir Leadership Programme, our Graduate Development Programme and our Business Management Programme, as well as a cross section of all other employees. The results of this consultation indicate that our core values remain the same, but that it is appropriate now to re-express these values in language more fitting with our business today. The launch of our re-expressed values will take place across our global organisation in 2014.

Weir Leadership Programme

The Weir Leadership Programme develops high performing leaders within our business, equipping them with the skills necessary to lead Weir into the future. The programme is specifically designed to prepare and develop people to think and act strategically and enable them to deliver a sustainable step change in our leadership capability. Participants are drawn mainly from the Senior Management Group, a group of around 300 senior employees with frontline responsibility for the development and delivery of the Group's strategy. In 2013, around 50 senior managers took part in the programme, with a total of around 200 managers taking part since the programme was launched in 2011.

Weir Business Management Programme

In conjunction with the University of Strathclyde, we have facilitated a bespoke business management programme for our leaders of the future. The programme puts in place a contextualised education programme that provides our leaders with the required management skills and knowledge to succeed within the Group. In 2013, around 40 managers took part in the programme, with a total of around 60 managers taking part since the programme was launched in 2012. Completion of the programme leads to a post-graduate Certificate in Management. Beyond this, participants could have the opportunity to obtain a Diploma in Management qualification and then onto a full Masters in Business Administration (MBA). One group will start working towards the diploma qualification in 2014. As well as the academic benefits, the programme promotes greater networking and collaboration by bringing together a team of people from a mix of divisions, regions and functional backgrounds who complete the programme together.

Weir University

The Weir University is an online learning resource which provides all employees with access to continuous professional development materials such as e-learning courses, presentations and reading material. This online resource continues to evolve, providing more modules on topics such as health and safety, procurement, marketing, lean production practices and vibration analysis. Access to the Weir University is available to employees across the Group and user numbers continue to increase. Since its launch in 2011, over 5,000 hours of training have been delivered.

As we look to further enhance our engineering expertise across the Group, we plan to develop and launch a bespoke Weir MSc programme in 2014 and, following a successful pilot in 2013, roll out a dual career ladder for engineers.

Developing our graduates

Our graduate development programme was established in 2011 and is designed to provide people joining Weir as a graduate with greater leadership understanding and experience. It prepares our graduates to take on more demanding roles as their career within the Group develops. In 2013, we recruited a total of around 50 graduates from a variety of professional disciplines and a further 40 graduates from across the world attended the well established induction course in Scotland. Taking this to the next stage, we will run an alumni event in 2014, for graduates who were recruited in 2011 and 2012.

Supporting society and developing our people

We undertake various initiatives across the organisation in support of the needs of local people within the regions in which we operate. One example can be found in Sweden where we recruit people from community programmes who are without any training or education. This programme helps them adapt to society, lifting their confidence, competency and capability through a combination of academic learning and working with experienced Weir professionals who mentor them in their new roles. The programme helps reduce local unemployment while providing a solid grounding for people who would otherwise find it difficult to enter the labour market.

Diversity and inclusion

We seek to recruit and develop people regardless of background or personal circumstance. All of our businesses operate in compliance with the inclusion and diversity laws and regulations in their respective countries. The majority of our operating companies also have an active diversity and inclusion policy in place.

On 3 January 2014, we employed 15,220 people across the Group, an increase of 869 since last year. Of our 15,220 employees, approximately 13,350 are male and 1,870 are female. There are nine Directors of The Weir Group PLC, consisting of seven males and two females. The Senior Management Group is made up of 306 people, 273 of which are male and 33 are female. In addition, there are 89 individuals who are Directors of subsidiary companies of The Weir Group PLC, who are not part of our Senior Management Group. Of these, 84 are male and five are female.

A joint business and HR working group is in place to drive best practice in embracing diversity and inclusion across the organisation and our Finance Director, Jon Stanton, is the Executive sponsor for diversity and inclusion initiatives.

Succession planning

Over 140 years of knowledge and expertise has built Weir into the global engineering solutions provider that it is today. We recognise the absolute importance of strong succession planning to identify our engineers and leaders of the future. As such, we have developed a robust management and leadership development framework which supports the succession planning process across each of our businesses.

We recognise the importance of developing talent from within the Group as well as bringing in external expertise in order to successfully compete in the competitive markets of the future. In 2013, 65% of new or replacement Senior Management Group positions were internal appointments, recognising the increasing success of our internal personal development programmes.

Initiatives at a local level seek to ensure knowledge is retained within the business. In France, for example, Weir's Power & Industrial team recruit people new to the world of work and pair them with mentors who are nearing retirement. This programme actively supports succession planning and knowledge transition from our highly skilled workforce.

In recognition of the increasing development of existing employees, in 2014 we will seek to further develop our first line managers to equip them with and enhance their people management and leadership skills.

Employee engagement

We engage employees across our business through our key communication channels: the Weir Bulletin, our online magazine which provides employees with news features and information from across the Group every two months; and the Weir Global Intranet, which provides news, blogs, videos and a forum for employees to interact with each other on business-related matters on a regular basis, as well as policies, procedures and documentation.

In 2014, we will investigate ways to develop innovative communication channels to reach employees around the world who do not typically have regular access to Weir computer systems.

SUSTAINABILITY REVIEW CONTINUED

At a number of our offices, factories, workshops and service centres our employees take part in regular Town Hall meetings. These sessions are designed to educate, inform and share knowledge and understanding of best practices. Topics regularly featured include safety, conduct and operational performance.

During 2013, the Group held three regional conferences for members of the Senior Management Group in Fort Worth, Glasgow and Sydney. These events are opportunities for senior managers to discuss the strategic direction of the Group with members of the Group Executive, sharing best practice and aiding our commitment to collaboration. The meetings focussed on Group-wide strategy, our ongoing commitment to safety culture, and value chain excellence. A non-executive member of the Board of Directors gave a presentation at each meeting.

We began undertaking employee engagement surveys across most companies in the Group in 2013 using an employee Net Promoter® scoring (NPS) system. The system assesses and evaluates employee satisfaction and was used where other engagement survey tools are not already in place. A similar NPS system is used by Weir externally to help us understand customer satisfaction and the use of the same system internally allows us to build a consistent picture of a company's customer service and employee engagement performance.

In 2013, a number of our leaders undertook specialist leadership development programmes. One such programme was run by CSCLeaders, a global leadership conference run by Common Purpose which "assembles exceptional senior people from across the Commonwealth to tackle challenges that businesses, governments and society face today" with the aim of building global relationships for them to use in the future.

Other initiatives undertaken during the year included the CBI Leadership Programme, an intensive course designed to assist with the Group's succession planning in preparing very senior leaders who do not hold board positions at company level within the Group for the next step in their careers.

ADVANCED NUCLEAR APPRENTICESHIP PROGRAMME

To complement Weir's ongoing commitment to developing apprentices and working in collaboration with our customers, Weir Power & Industrial's service business teamed up with EDF Energy to participate in their Advanced Nuclear Apprenticeship Programme last year, as one of the collaborative partners.

Two apprentices were nominated by Weir to be trained through the EDF Advanced Nuclear Apprentice Programme which began in September and, on completion, will work as Weir employees supporting our ongoing business with EDF.

The programme is a bespoke blend of academic and vocational training coupled with the development of personal and social skills for future business needs. The first two years are residential; academic and technical training takes place at HMS Sultan in Gosport in the UK, while residence, recreation and life skills are provided at HMS Collingwood in Fareham.

HMS Sultan is the home of the UK's Royal Naval School of Marine Engineering and the Royal Naval Air Engineering and Survival School whose primary function is to supply the fleet with high quality engineers. It is also the largest dedicated engineering training facility in Europe with 2,500 Royal Navy trainees and up to 400 commercial apprentices.

The programme represents a further strengthening of the excellent relationship between Weir and EDF, allowing both companies to work collaboratively to continue developing engineering talent for the future.

Communities

The Weir Group is fortunate to be a part of many communities around the world. We value the contributions these communities make to our businesses and strive to make a positive impact in return. Wherever we operate we aim to:

- be responsible employers and neighbours;
- respect the communities we operate in;
- strive to make a positive impact through the responsible running of our operations; and
- invest in the communities for the long term mutual benefit of the community and Weir.

We believe the best people to look after the interests of communities are those who live and work there. That is why we devolve responsibility for community relations to the people who know them best – our local businesses. Like any good neighbour, we build close relationships by regularly having open conversations so that local people are well informed about any of our projects that might affect them. Where issues do arise we listen carefully and do our best to help find a solution.

We support our local communities through charitable contributions and by being a source of employment, education and training. In addition, we support our employees in their community initiatives and fundraising activities.

The interaction of our businesses is far reaching but is governed by our desire to support and improve the communities in which we work. Key priorities are the improvement of health and education of both our employees and the local community. It is our view that contributing to these two areas can have an enduring effect on the well-being of the individuals and the community as a whole. As a 143 year old engineering company we are particularly keen to develop engineering excellence. Weir was the first company in Scotland to set up an apprentice school and our commitment to training is as strong in the 21st century as it was in the 19th.

Charitable giving

In 2013, the total amount of charitable donations made by Weir Group companies was £457,000 (2012: £503,000).

We do not make any political donations. This includes cash and non-cash items such as services, materials, employee time and use of corporate facilities.

Education

Our businesses provide experience and training to develop the next generation of engineers. Whilst our focus may be on engineering, we also provide work placements and internships across all sectors. Our placement projects allow school children and young people from around the world to see the opportunities available to them by working for a global business.

With the aim of promoting opportunities for education and careers in engineering, the Weir Group holds an Engineering in Schools competition. For the second consecutive year, secondary school pupils across Scotland were asked to produce a report and present on the topic "The importance of engineering in Scotland". This year's winner came from Wick Academy, competing against 16 others to impress the panel with insights into renewable energy and winning £4,000 for the school.

2013 also saw the pilot of the Primary Engineer initiative which the Weir Group supports as part of the Institution of Mechanical Engineers community. Primary Engineer is a not-for-profit organisation established in 2005 with the aim of encouraging girls and boys from a very early age to become the engineers of the future. This year, a volunteer engineer from Weir Services Europe supported Murray Primary School in East Kilbride, Scotland by sharing his knowledge, skills and experience towards delivering engineering focussed lessons. This is a long term relationship between our engineer and the school and Weir aims to facilitate more of these in the coming year.

SUSTAINABILITY REVIEW CONTINUED

At Weir Minerals Lewis Pumps in St Louis, Missouri, the business works in partnership with Granite City High School offering opportunities for students interested in entering vocational training. Mentoring is provided and several students have graduated from high school into the new CNC Machinist Apprenticeship Program.

Weir Minerals Floway in Fresno, California, encourages schools and engineering students from the local university to tour the factory. The operations team also routinely participates in community outreach programmes to highlight the importance of manufacturing skills such as welding and machining.

At Weir American Hydro in York, Pennsylvania, the business works with York County School of Technology to provide local individuals with practical, hands-on work experience and education to develop the next generation of machinist and welders. It also runs an Engineering Department Co-op Program with York College, to provide work experience and education for young people. This has resulted in permanent engineering positions being offered to several participants.

Weir China is engaged in social practice sessions with senior student classes at Cheng Jia Special Education School in Shanghai and in 2013 received the award of 'Golden Heart Organisation'. Once a month, Weir employees from different parts of the business participate in the programme. The school is an art and mental health education model school. The aim is to develop pupils' skills to make them more independent in the future. It is estimated that almost 100 employee hours have been spent volunteering on this project in 2013.

Weir Mathena in El Reno, Oklahoma, works in partnership with the University of Oklahoma to enhance the undergraduate learning experience through mentoring, experiential learning, research and technological innovations. A design programme with Mechanical Engineering students is undertaken each year. In addition, the company is also a member of the University of Oklahoma School of Aerospace and Mechanical Engineering Advisory Board. Members of staff attend meetings each semester to advise and collaborate on strategic initiatives related to the school and its graduates.

CHARITABLE ALLIANCE

The Weir Group has formed an alliance with AMAR International Charitable Foundation (AMAR). AMAR is a British not-for-profit organisation which has been working since 1991 to create and sustain professional services in medicine, public health, education and basic need provision within refugee and other communities living under stress in war zones or in areas of civil disorder and disruption. Particular communities of focus are in Iraq, Lebanon and other key areas of the Middle East and South Asia.

With the partnership agreement entered into in August 2013, the Weir Group has committed to supporting AMAR financially over the next three years to improve health, education and training in Basra, Iraq. Basra is the base for Weir's operations in Iraq. The current project will refurbish the female sanitation facilities at seven schools in Iraq which were officially confirmed as high priority establishments by the Basra Directorate of Education.

With the majority of school facilities lacking access to running water or a waste water disposal system, not only are the current conditions inadequate, they are such that female pupils often feel prevented from attending school as they reach adolescence, which acts as a barrier to social mobility and future employment opportunities. The proposed work will directly benefit approximately 6,250 pupils and dozens of teachers every day. Substantial work on four of the schools has already begun.

Environmental awareness

As outlined in the environment section of this report, we are conscious of the potential impacts our businesses can have on the environment and that the environment can have on our operations. Our community relations often reflect this and aim to increase awareness about issues that are core to how we operate. In 2013, Weir Minerals Brasil ran an environmental awareness programme educating local students to understand and preserve the environment in which they live. The programme was developed in partnership with the local environmental institute.

Weir Minerals France took part in the Industry Cup in 2013. The aim of the programme is to enable young people at middle school, aged approximately 15 years old, to gain an understanding of industrial businesses and related jobs and products. Pupils focussed on how our products integrate on the sites of our customers and the environmental impact they might have. The programme involved a site visit and a visit to a granite quarry to see Weir pumps in operation. The pupils then presented their findings and were awarded the Industrial Environment Trophy.

Weir Oil & Gas Aberdeen worked in partnership with students from Robert Gordon's College who were taking part in an Engineering Education Scheme. The students undertook a review of the business' current facilities and its electricity and water usage in order to provide recommendations on how wastage of electrical energy and water could be reduced.

Employee activities

The Weir Group is very proud of the charitable work that its employees undertake. Our businesses operate their own policies for supporting these, whether by matching donations, providing support or equipment or by allowing employees to participate in charitable activities during working hours.

A small selection of the numerous projects undertaken by our employees in 2013 is highlighted below:

- Twice a year all employees and their families at Weir Minerals Mexico give up a Saturday to help paint local schools.
- Weir SPM employees in Texas, USA, remodelled a bathroom at a local nursing home and have started an 'Adopt a Grandparent' monthly event.
- At Weir Minerals Australia, employees can take up to five days paid leave if they are undertaking emergency or disaster relief work in the community.
- At Weir Marine Engineering (NETE) in Montreal, Canada, employees raised C\$115,000 for Make-a-Wish Foundation and C\$400,000 for Peddle for Kids at the Montreal Children's Hospital.
- Employees at Weir Services Europe in Alloa, Scotland, carried out maintenance tasks at a hospice for children during working hours.

Keith Ruddock General Counsel and Company Secretary

Ethics

The Code of Conduct provides a clear framework for decision-making, highlighting the values and behaviours we expect our people to demonstrate whilst making those decisions. It provides details of how we expect our people to conduct themselves on a day-to-day basis and guidance on where to go for help.

The Code of Conduct (the 'Code') covers a wide range of topics including anti-bribery and corruption, competition (antitrust) law, developing our people, health and safety, use of company property and resources, and conflicts of interest. It is available in a wide range of languages and has practical examples to assist interpretation.

A major review of the Code was undertaken during 2013 with input from various sectors of the Company. The revised Code received Board approval in January 2014 and is due to be rolled out during 2014. This reflects developments in a number of areas, both externally and within the Group, since it was first introduced in January 2011. In particular these changes address developments in the areas of anti-bribery and corruption and in relation to competition (antitrust) law.

A hard copy of the updated Code will be provided individually to all employees and can also be accessed by our employees on our intranet, as well as being available to download from our website.

Regular training is provided on the Code to all our employees. A mandatory e-learning programme is aimed at those employees who are deemed to have a higher risk of exposure to bribery and corruption as a consequence

SUSTAINABILITY REVIEW CONTINUED

of their decision-making responsibilities in regard to third parties including customers, suppliers, and sales agents. Employees receiving this training include:

- The Senior Management Group;
- Sales and Marketing employees;
- Purchasing employees; and
- Finance employees.

The same group of employees are also required to complete a regular online certification process to confirm that they are in compliance with the Code of Conduct. In 2013, over 2,500 employees completed the e-learning programme. The completion of the e-learning programme and online certification is monitored by the Company Secretary.

The Code of Conduct is also reinforced through various means of communications with our employees, such as induction training, Town Hall meetings, conferences, training courses and our 100 day integration plan for new acquisitions.

The Code applies to everyone who is employed by the Weir Group and compliance is of the utmost importance. Anyone found in breach of the Code may be liable to disciplinary action up to and including termination of employment or cancellation of contract.

Human rights

As part of its human rights policy, the Group has adopted a series of human rights principles across all of its businesses. The principles relate to: anti-discriminatory attitudes and respect for ethical values; employee rights, which include health and safety, living wages, working hours, and freedom of association and the right to collective bargaining; and prohibition of child labour.

By promoting sound ethical values and human rights principles, Weir aims to be an aspiring business with which people are proud to be involved. The Weir Group Human Rights Policy expresses the organisation's commitment to promoting and upholding the "common standard of achievement for all people and all nations" as endorsed by the Universal Declaration of Human Rights. Other guiding principles include those of the Conventions of the International Labour Organisation and the United Nations Convention on the Rights of the Child. These manifest themselves in Weir's anti-discriminatory attitudes and respect for ethical values, providing our people with a safe and healthy working environment and fairness in employment terms. For example, national living wage is applied and working hours determined in accordance with applicable laws as well as the recognition and non-discrimination of rights of association in collective bargaining. In addition, Weir has a zero tolerance of the employment of children in any of its businesses.

The Weir Group has been a member of the FTSE4Good Index since September 2013. The Company is also a member of Transparency International UK's Business Integrity Forum, having joined in September 2011.

To be included in the FTSE4Good Index, a company's risk and performance for material environmental, social, and governance (ESG) issues are examined. The six ESG criteria themes cover: environmental management, climate change, human and labour rights, supply chain labour standards, countering bribery, and corporate governance. Companies with higher ESG risks must achieve more to obtain a high score. The ratings indicate a company's success at managing its company specific ESG risks.

FTSE Group confirms that The Weir Group PLC has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.

Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice. The Weir Group PLC is very proud to be included in the FTSE4Good Index.

Transparency International UK (TI-UK) is the country's leading anti-corruption organisation and part of the global Transparency International (TI)

movement. With colleagues working in more than 100 countries, TI has unparalleled global understanding and expertise in this area.

The Business Integrity Forum (BIF) is the UK's leading anti-corruption forum for businesses in all sectors, comprising companies and professional firms of all sizes. Through their membership, companies are demonstrating their support for Transparency International's work, helping TI in its mission to reduce corruption in both the public and the private sector throughout the world. All members' sign up to a set of principles and are dedicated to ensuring their operations and business dealings are corruption free. Through the Forum, companies have the opportunity to have well informed discussions with peers and experts, increasing their knowledge in relation to risks, mitigations and emerging trends, as well as making a positive contribution to TI-UK's thought leadership and to the wider international debate on corruption.

Peter van Veen, Director of the Business Integrity Programme said: "We value The Weir Group PLC as a member of the Business Integrity Forum. By their continuing membership they have made clear their commitment to ensure their operations and business dealings are free of corruption in the UK and abroad."

We will not exploit anyone, wherever in the world we are working. We will respect the human rights of all those working for or with us, and of the people in the communities where we operate. We will not do business with companies, organisations or individuals that we believe are not working to acceptable human rights standards.

We expect employees to maintain the highest standards of conformity with these principles and their adoption and adherence is contained within Weir's Code of Conduct. To ensure this policy is upheld in practice, in addition to Group-wide assurance activity, all operating companies complete a compliance scorecard self-assessment twice per annum which assesses compliance with Group policies and procedures.

Suppliers and third parties

We source raw materials, components and services across the globe. Our suppliers play a critical role in our business and our relationships with them are based on achieving best performance, product, delivery, service and total cost in an ethical and sustainable manner. Embracing a closer relationship with our key suppliers is fundamental to our Value Chain Excellence initiative, launched in 2013 as Weir's fourth strategic pillar.

The Group recognises that its responsibilities extend to our supply chain. We have a Supply Chain Policy which sets out the minimum standards we expect our suppliers to abide by in connection with:

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

During 2013, the Group has been working on increasing the level of contractual agreements in place with our supply base. These now equate to almost 50% of our total spend.

In addition, the Code of Conduct is issued to our key suppliers. Assessments are undertaken with regard to compliance with Group standards as part of the vetting process for new suppliers. We also audit our key suppliers annually to assess ongoing compliance with the Supply Chain Policy and other relevant Group standards. Wherever possible, we work with our suppliers to support them to address weaknesses identified. The Weir Group is committed to working only with third parties, including customers, sub-contractors, suppliers and joint venture and strategic alliance partners, whose business ethics and behaviours are consistent with our own Code of Conduct.

External sales agents

The Group engages a number of external sales agents across the globe to act on its behalf in locations where it does not have a permanent sales presence, or in regard to specific projects. The Group has a sales agents' manual which sets out the Group requirements with regard to appointing and reappointing agents, as well as the ongoing monitoring requirements. Due diligence is performed prior to all appointments and reappointments and overseen by the legal department. The standard Weir contract must be used unless the legal department have agreed modifications, but the terms of the agreements always include stipulation that agents must comply with the Code of Conduct. The agents are required to confirm in writing their compliance with the Code of Conduct.

Gifts and hospitality

We recognise that gifts and hospitality have the potential to create a conflict of interest, or the perception of a conflict of interest. As a result, there are Group policies with regard to receiving and giving gifts and hospitality from, and to, third parties. In no circumstances should gifts or hospitality be solicited, and they should not place the recipient under any obligation.

All gifts and hospitality above the minimum threshold must be pre-approved using an online gifts and hospitality register. Our Internal Audit team assess compliance with the Group's gifts and hospitality policies during audit visits and undertake monthly reviews of the register, which are shared with senior management.

Reporting issues

The Group encourages our people to discuss any ethical concerns they may have with local management or the legal department. In addition, the Weir Ethics Hotline, an independent and confidential telephone helpline and an online reporting system is available for our employees, partners and third parties to call or email with any concerns that they have concerning unethical behaviour. Calls to the helpline are free and lines are open 24 hours a day, seven days a week. Reports can be made in a wide range of languages reflecting our global footprint.

All reports are investigated. During 2013, 21 reports were submitted via the Weir Ethics Hotline and each report was fully investigated. No action was required in seven cases, and the remaining cases were appropriately addressed through further training, policy review and communication improvements. Confidentiality is maintained wherever possible. Complainants can receive updates and the details of the outcome of the investigation via the Ethics helpline when it is possible to provide this in adherence with privacy or local legal restrictions.

The Strategic Report, covering pages 1 to 63 of the Annual Report and Financial Statements 2013, has been approved by the Board of Directors in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

On behalf of the Board of Directors

Keith Ruddock
Company Secretary
26 February 2014

BOARD OF DIRECTORS

Charles Berry
Chairman (61)

**Keith
Cochrane**
Chief Executive (49)

Alan Ferguson
Non-Executive
Director (56)

Melanie Gee
Non-Executive
Director (52)

Mary Jo Jacobi
Non-Executive
Director (62)

Nationality

British

British

British

British

Dual American and
British citizenship

Date of appointment

Non-Executive Director since
March 2013 and Chairman
since January 2014.

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

December 2011.

May 2011.

January 2014.

Committee membership

Chairman of the Nomination
Committee. Member of
the Audit & Remuneration
Committees during 2013.

Member of the Nomination
Committee.

Chairman of the Audit
Committee.

Chairman of the
Remuneration Committee.
Member of the Audit Committee.

Member of the Remuneration
Committee.

Expertise

Charles was an Executive
Director of Scottish Power plc
from 1999 to 2005 and Chief
Executive of their UK division
between 2000 and 2005.
Prior to joining Scottish Power,
he was Group Development
Director of Norwest Holst,
a subsidiary of Compagnie
Générale des Eaux and held
management positions within
subsidiaries of Pilkington plc.

He is a former Non-Executive
Director and Chairman of
Eaga plc and Thus Group plc,
and a former Non-Executive
Director of Impax Environmental
Markets PLC and Securities
Trust of Scotland plc.

Following a number of years
with Arthur Andersen, Keith
joined Stagecoach Group plc
in 1993. He was appointed
Finance Director in 1996 and
Group Chief Executive in 2000.
He joined ScottishPower plc
in 2003 where he became
Director of Group Finance.

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

Alan was Chief Financial Officer
and a Director of Lonmin plc,
one of the world's largest
producers of platinum group
metals, from 2007 until 2010.
Prior to his role with Lonmin,
he held the position of Group
Finance Director with the
BOC Group plc. Before this
he spent 22 years working
for Inchcape plc in a variety
of roles, including six years
as Group Finance Director.

Alan is a member of the Institute
of Chartered Accountants
of Scotland and sits on their
Business Policy Committee.

Melanie is a Senior Adviser for
Lazard & Co. Limited, having
worked for them since 2008.
Formerly, she spent a number
of years with S.G. Warburg
(now part of UBS) and was
appointed a Managing Director
of UBS in 1999. Between 2006
and 2008 she was a Senior
Relationship Director of UBS.

She was an alternate member
of The Takeover Panel – LIBA
(CFC) between 2006 and 2013.

Melanie was reappointed
to the Council of Fauna &
Flora International in 2013,
having previously served
from 2007 until 2010.

Mary Jo is currently the
Managing Director of her own
consultancy practice and a
board mentor with Critical
Eye. She is a member of The
Leadership Council and holds
several advisory and consultancy
roles in the not-for-profit sector.

She was formerly a Senior
Executive of Royal Dutch Shell
plc, BP America Inc., Lehman
Brothers Inc., HSBC Holdings
plc and Drexel Burnham
Lambert Inc. She was a Non-
Executive Director of Tate & Lyle
plc between 1999 and 2004.

She previously served in the
administrations of Presidents
Reagan and George H.W.
Bush. She currently serves on
the UK Advisory Committee
on Business Appointments
and is a visiting Fellow
at Oxford University.

Key external appointments

Non-Executive Chairman
of Drax Group plc.

Non-Executive Chairman
of Senior plc.

Non-Executive Director
of Royal Scottish National
Orchestra Society Ltd.

Non-Executive Director and
Audit Committee Chairman
of Johnson Matthey plc.

Non-Executive Director and
Audit Committee Chairman
of Creda International plc.

Non-Executive Director and
Audit Committee Chairman
of London Mining plc.

Non-Executive Director
of Drax Group plc.

Non-Executive Director
of Mulvaney Capital
Management Limited.

Richard (Rick) Menell
 Non-Executive Director (58)

John Mogford
 Non-Executive Director (60)

Lord Robertson of Port Ellen
 Non-Executive Director (67)

Jon Stanton
 Finance Director (46)

Lord Smith of Kelvin
 Former Chairman (69)

South African

British

British

British

British

April 2009.

June 2008.

February 2004.

April 2010.

Non-Executive Director from February 2002 and Chairman from July 2002. Retired in December 2013.

Member of the Audit, Nomination & Remuneration Committees.

Member of the Audit & Nomination Committees.

Member of the Nomination & Remuneration Committees.

None.

Chairman of the Nomination Committee during 2013.

Rick worked as an investment banker before joining Anglovaal Group in 1992. He was appointed Chief Executive of Anglovaal Mining in 1996 then Executive Chairman in 2002. In 2005, he left to become President and Chief Executive of TEAL Exploration & Mining Inc. He was formerly Chairman of Avgold Ltd (1996-2004) and Bateman Engineering BV (2005-2009) and Director of Mutual & Federal Insurance Company Ltd (1996-2010) and Standard Bank Group Ltd (1997-2011).

Rick is a Senior Advisor to Credit Suisse and Chairman of Credit Suisse Securities (Johannesburg) (Pty) Limited. He serves as a Director on a number of unlisted companies and not-for-profit organisations.

He is a fellow of the Geological Society (London), and both the Australasian and South African Institutes of Mining and Metallurgy.

John is currently a Managing Director for First Reserve, a large global energy focussed private equity firm. As part of this role he sits on several boards.

He was formerly an Executive Vice President of BP plc having been with BP for over 30 years, initially in their exploration division and progressively rising to Executive Vice President (Chief Operating Officer US Downstream & Head of Refining). He held numerous positions in every area of operations from gas and renewables to upstream and downstream oil.

He was formerly Chairman of Amromco Energy LLC in Romania, White Rose Energy Ventures LLP in the UK and a Non-Executive Director of Deep Gulf Energy LP in America.

He is a fellow of the Institution of Mechanical Engineers.

Lord Robertson is an Adviser to Cable & Wireless Communications plc, Special Adviser to BP plc and a Senior Counsellor with The Cohen Group (USA). He was the Secretary of State for Defence from 1997 until 1999 before becoming Secretary General of NATO from 1999 until 2003. He was formerly a Director of Smiths Group plc (2004-2006) and Deputy Chairman of Cable & Wireless Communications Plc (2004-2006) and TNK-BP Ltd (2006-2013).

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

Jon was formerly a partner with Ernst & Young LLP having joined as a graduate trainee in their Birmingham office in 1988. He was appointed as a partner in their London office in 2001 with lead responsibility for the audit of a number of FTSE 100 multinational clients.

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

Lord Smith was formerly Chairman and Chief Executive of Morgan Grenfell Private Equity and was Chief Executive of Morgan Grenfell Asset Management between 2000 and 2002.

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

Non-Executive Director of Gold Fields Ltd and Sibanye Gold Limited, both South African companies listed on the Johannesburg Stock Exchange and the New York Stock Exchange.

Non-Executive Director of Rockwell Diamonds Inc., a South African company listed on both the Johannesburg Stock Exchange and the Toronto Stock Exchange.

Non-Executive Director of CHC Helicopters SA in Luxembourg.

Non-Executive Director of DOF Subsea AS in Norway and Midstates Petroleum Inc in America.

Non-Executive Director of Western Ferries (Clyde) Ltd.

None.

Chairman of SSE PLC (formerly Scottish and Southern Energy PLC); Chairman of the UK Green Investment Bank plc; Chairman of Glasgow 2014 Limited, the organising committee for the Commonwealth Games; Non-Executive Director of Standard Bank Group Ltd in South Africa and Chancellor of the University of Strathclyde.

GROUP EXECUTIVE

Name and title	Dean Jenkins Minerals Divisional Managing Director (42)	Steve Noon Oil & Gas Divisional Managing Director (49)	John Heasley Power & Industrial Divisional Managing Director (39)	Keith Ruddock General Counsel and Company Secretary (53)
Biography	Dean is based in Melbourne, Australia. He joined the Group in November 2010, becoming Power & Industrial Divisional Managing Director in January 2011. He was appointed to his current role in August 2012. Dean previously worked for Qantas Airlines and the Australian listed infrastructure services company UGL Ltd, most recently as Chief Executive of the latter's Rail Division.	Steve is based in Fort Worth, USA. He joined the Group in 2007. He has worked with several multinationals including Schefenacker Vision Systems, James Hardie Industries and The Toro Company. Before joining the Group in 2007, he held the position of president of Schefenacker Vision Systems, North America.	John joined the Group Executive in January 2014 as Divisional Managing Director for Weir Power and Industrial. He is based at the Divisional headquarters in East Kilbride, Scotland. A chartered accountant, he has held a number of senior financial, commercial and operational roles. John joined Weir in 2008 as Group Financial Controller before becoming Valves Managing Director in the Power & Industrial division.	Keith is based at the Group's Head Office in Glasgow. He joined the Group in April 2012 from Royal Dutch Shell PLC, where he was General Counsel for Upstream International, Shell's largest business unit, based in The Hague. He has extensive international commercial and legal experience, having worked in the Middle East, North America, Africa, Australasia and Europe and was a member of Shell's Upstream International leadership team.

Name and title	Pauline Lafferty Director of Human Resources (48)	Gavin Nicol Director of Operations Support and Development (52)	Andrew Neilson Director of Strategy and Corporate Affairs (38)
Biography	Pauline is based at the Group's Head Office in Glasgow. She joined the Group in 2011. Pauline was previously in executive search with Miles Partnership and Russell Reynolds Associates in the UK and Australia. Prior to this, she held business planning and operational roles for 11 years with Motorola and Digital Equipment Corporation (DEC) in Scotland, Australia and Hong Kong, ultimately becoming Asia Pacific Director of Supply for DEC.	Gavin is the Director of Operations Support & Development based at the Group's Head Office in Glasgow. He was previously President of Weir SPM for two years, based in Fort Worth, Texas. Gavin joined Weir in 2005 and was managing director of the Weir Pumps business prior to its sale in 2007. Before joining Weir, he worked for a number of multinationals including the Terex Corporation, PwC and Coats Viyella.	Andrew joined the Group Executive in January 2014 as Director of Strategy and Corporate Affairs. He is based at the Group's Head Office in Glasgow. Andrew holds a Masters degree in engineering from the University of Strathclyde and he is a member of the Institute of Chartered Accountants of Scotland. Before joining Weir in 2010, he held a variety of senior roles with banking, energy and professional services companies including HSBC, HBOS, Scottish Power and KPMG.

Keith Cochrane and Jon Stanton are also members of the Group Executive. Their biographical information can be found on pages 64 and 65.

CORPORATE GOVERNANCE REPORT

3 January 2014, and from that date to the date of approval of this Annual Report, with the exception of one part of a provision which is detailed on page 68.

Changes to the Board

Board Changes during 2013 and early 2014:

- I was appointed Non-Executive Director on 1 March 2013.
- I was subsequently appointed Deputy Chairman on 1 May 2013.
- Lord Smith retired from the Board and as Chairman on 31 December 2013. He also retired as Chairman of the Nomination Committee.
- I was appointed Chairman of the Board and Nomination Committee Chairman on 1 January 2014.
- Mary Jo Jacobi was appointed Non-Executive Director on 1 January 2014.

Induction and training

For a Board to function at its best, individual Directors must be equipped with the knowledge and skills needed to undertake their role effectively. I underwent a sustained period of induction, learning about the Company in advance of becoming Chairman. The knowledge gained by doing this was invaluable in order to allow me to take on this role with a confident understanding of the business and how it operates. I will be supporting a continued induction programme for all new Directors in addition to ongoing training. More details on this can be found on page 73.

Succession planning and diversity

To maintain an effective Board, it is essential to plan for the future and to ensure the right individuals are selected to the Board from a diverse pool of talent. The Board considers itself diverse in terms of the background and experience which each individual brings to the Board. All future appointments will continue to be based on merit, however, the Board aspires to maintain a significant level of female representation on the Board. More details on our diversity policy can be found in the Nomination Committee Report on page 78. Details of the proportion of women on the Board, in senior executive positions and within the whole organisation can be found on page 57 of the Sustainability Review.

Risk and sustainability

I am mindful that operating under good governance means a continued focus on two primary areas: risk and sustainability. Board decisions are not made without taking these in to consideration and I will ensure that they continue to receive the time and prominence in the Board room that they deserve. The relevant sections in the Annual Report can be found from pages 24 and 49.

I am approaching my first anniversary as a Director of the Weir Group having joined in March last year. In that time I have gained a clear understanding of the business and can assure you that good corporate governance is paramount to all that we do. I come from a strong background of governance work through my various executive and non-executive roles. Lord Smith has led this Board for the last 11 years with an exemplary record of openness, honesty and integrity and I look forward to maintaining that best practice in future years.

UK Corporate Governance Code

As Chairman, I am responsible for ensuring that under my leadership the Board of Directors of The Weir Group PLC operates effectively and in compliance with the UK Corporate Governance Code. In accordance with the Listing Rules, the Weir Group is reporting on how it has applied the main principles and whether we have complied with the relevant provisions of the Code. The Code was revised in September 2012 primarily with changes to the disclosures for auditors and the audit committee. Alan Ferguson, as the Chairman of the Audit Committee has been working with the Audit Committee and the Board to ensure full compliance with these changes. Details can be found in the Audit Committee Report from page 79. I am pleased to report that the Weir Group has complied fully with all the principles of the Code, for the 53 weeks to

Charles Berry
Chairman

26 February 2014

CORPORATE GOVERNANCE REPORT Continued

The UK Corporate Governance Code

The UK Corporate Governance Code (formerly the Combined Code) is published by the Financial Reporting Council and sets out standards of good practice in relation to issues such as Board composition and effectiveness, the role of Board committees, risk management, remuneration and relations with shareholders. Paper and downloadable versions can be obtained from the Financial Reporting Council via its website at www.frc.org.uk.

As a listed company, we must detail how we have complied with the Code and provide an explanation of instances where we have not. This report, in addition to the Nomination, Audit and Remuneration Committee Reports, details how the Company has applied the main principles of the Code. For the 53 weeks ended 3 January 2014, except in the instance of one part of a provision detailed below, the Board considers that the Company has complied fully with the UK Corporate Governance Code (the 'Code').

The Code Provision E.1.1 states that the Senior Independent Director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders. During 2013, Lord Robertson undertook engagement with various stakeholders but he did not attend meetings with a range of major shareholders. It is considered that the Company has a robust Investor Relations department which oversees such meetings and that there are sufficient processes in place for the issues and concerns of major shareholders to be communicated to all members of the Board that it is not necessary for the Senior Independent Director to attend these meetings. He is of course willing to attend such meetings if the need arises. The Board do not feel that this in any way impedes its good corporate governance and believe that the current practice is in compliance with the main and supporting principles under section E regarding dialogue with shareholders. Further details of the Company's relations with its shareholders can be found on page 76.

Leadership

The Board of Directors

Table of the Board of Directors

Name	Designation	Date of appointment	Date of most recent re-election
Charles Berry	Chairman	1 March 2013	1 May 2013
Keith Cochrane	Chief Executive	3 July 2006	1 May 2013
Alan Ferguson	Non-Executive Director	13 December 2011	1 May 2013
Melanie Gee	Non-Executive Director	4 May 2011	1 May 2013
Mary Jo Jacobi	Non-Executive Director	1 January 2014	-
Rick Menell	Non-Executive Director	1 April 2009	1 May 2013
John Mogford	Non-Executive Director	1 June 2008	1 May 2013
Lord Robertson	Non-Executive Director	1 February 2004	1 May 2013
Jon Stanton	Finance Director	19 April 2010	1 May 2013

The names of the current Directors of the Company can be found in the table above. Biographical information on the current Directors, including their relevant experience and significant appointments, can be found on pages 64 and 65. Their relevant skills and experiences are further detailed in the Board composition section below.

Charles Berry joined the Board as a Non-Executive Director on 1 March 2013. He was appointed Deputy Chairman at the Company's Annual General Meeting (AGM) on 1 May 2013 and became Chairman on 1 January 2014. He replaces Lord Smith who resigned as Chairman and a Non-Executive Director on 31 December 2013. Mary Jo Jacobi was appointed a Non-Executive Director on 1 January 2014.

The role and responsibilities of the Board

The Board of Directors has a collective duty to promote the long term success of the Company for its shareholders. The Board provides leadership of the Company and sets the Group's strategic aims. It ensures that the necessary resources are in place to achieve the agreed strategic priorities and provides guidance to senior management. In determining the long term strategy and objectives of the Group, the Board is mindful of its duties and responsibilities not just to shareholders but also to customers, employees and other stakeholders. The Board reviews management and financial performance and monitors the delivery of strategy and the achievement of business objectives. At all times it works within a robust framework of internal controls and risk management. The Board both develops and promotes the collective vision of the Group's purpose, culture, values and behaviours.

Board composition

During the period the Board has comprised two Executive Directors and the Chairman, and the number of Non-Executive Directors increased from five to six following the appointment of Charles Berry on 1 March 2013. Since 1 January 2014, when Charles Berry was appointed Chairman to replace Lord Smith following his resignation, and Mary Jo Jacobi was appointed as a Non-Executive Director, the number of Non-Executive Directors has remained at six. There is a Company Secretary to the Board. More information on their respective positions and the division of their responsibilities is outlined below.

Chairman and Chief Executive

During 2013, the Board was chaired by Lord Smith of Kelvin. He stepped down from this role at the end of the year and was replaced by Charles Berry with effect from 1 January 2014. The Chairman leads the Board and is responsible for ensuring conditions that allow for the effectiveness of individual Directors and the Board as a whole. Charles Berry has continued the approach of openness and accountability set by Lord Smith and encourages debate within the boardroom. His leadership demonstrates the values and behaviours at the core of the Weir Group.

The Chairman, in consultation with the Chief Executive and the Company Secretary, sets the agenda for the Board's meetings and ensures that there is sufficient time available for the discussion of all items whilst giving the appropriate weighting of time to their relative importance.

Keith Cochrane is the Chief Executive and is responsible for the day-to-day management of the Company. He provides leadership to the Group to successfully plan and execute the objectives and strategy agreed by the Board. The Chief Executive is supported in his role by the Group Executive and various management committees, known as 'Excellence Committees'.

The roles of the Chairman and Chief Executive are separate with each having clearly defined duties and responsibilities.

Non-Executive Directors

The Non-Executive Directors help the Executive Directors by contributing independent challenge and rigour to the Board's deliberations and assisting in the development of the Company's strategy. In addition, they are responsible for monitoring the performance of the Executive Directors against agreed goals and objectives. Their views are essential in overseeing the performance of the Company and ensuring the integrity of the financial information, controls and risk management processes. In order to carry out these functions appropriately the Non-Executive Directors meet regularly with senior management and make periodic site visits. Senior managers are also regularly invited to Board meetings to make business presentations to the Board.

Senior Independent Director

Lord Robertson is the Senior Independent Director of the Company. The Board considers Lord Robertson to be independent in character and judgement notwithstanding the length of time that he has served on the Board. The Senior Independent Director works alongside the Chairman and is available to serve as an intermediary for the other Directors if necessary. He is also available to shareholders if direct contact with the Chairman, Chief Executive or other Executive Directors has failed to resolve the concerns of shareholders or for which such contact is inappropriate. As Senior Independent Director he also leads the annual review of the performance of the Chairman.

Company Secretary

Keith Ruddock was appointed as Company Secretary in May 2012. He is secretary to the Board of Directors and to all of the Board Committees. He is Group General Counsel and a member of the Group Executive and his biography is set out on page 66.

The Company Secretary advises the Board on any changes in legislation, governance codes or regulatory requirements. He reports to the Chairman on corporate governance matters and oversees, in parallel with the Chairman, the governance procedures of the Board. The Company Secretary has a responsibility to ensure that these Board procedures are adhered to and periodically reviews them with regards to best practice.

Board meetings

The Board's scheduled meetings are held in person or by telepresence video-conferencing. During 2013, there were nine scheduled meetings held. No additional meetings were required. In September 2013, the Board meeting was held in Todmorden, England. This was part of a knowledge gathering trip to view both the facilities of Weir Minerals Europe at Todmorden and Weir Valves & Controls UK in Elland. More information on this can be found on page 74. In addition to the formal Board meetings, the Board maintains an open dialogue throughout the year and contact by telephone occurs whenever necessary. The Board also met at the Group conference in Perthshire, Scotland, in April 2013.

The table below details the attendance at board meetings of each of the Directors during their term of office for the 53 weeks to 3 January 2014.

Name	Attendance
Charles Berry ¹	7 of 7
Keith Cochrane	9 of 9
Alan Ferguson	9 of 9
Melanie Gee	9 of 9
Rick Menell	8 of 9
John Mogford	9 of 9
Lord Robertson	9 of 9
Lord Smith of Kelvin	9 of 9
Jon Stanton	9 of 9

Notes

1. Charles Berry was appointed to the Board on 1 March 2013.
2. There were no Board meetings held between the date of Mary Jo Jacobi's appointment to the Board on 1 January 2014 and 3 January 2014.

CORPORATE GOVERNANCE REPORT

Continued

Strategy

Setting strategy targets.
Reviewing potential acquisitions.
Products and technology.

Risk

Risk Appetite Statement.
Group's risk and internal control framework.
Crisis management.
Cyber security.

Governance

Legal updates and new disclosure requirements.
Internal Board review.
Succession planning.

Finance

Oversight of the preparation and management of the financial statements.
Dividend policy.
Pensions.

Stakeholder engagement

AGM and other shareholder feedback.
Investor calls, meetings and roadshows.
Oversight of remuneration consultation process.
Employee surveys.

Safety

EHS Standards and Management System.
EHS Audit System.

Board and Group Executive meeting locations for 2011-2013

During the year the Chairman, supported by the Chief Executive and Company Secretary, continued the practice of maintaining a rolling 12 month agenda for Board and committee meetings. At each meeting the Board receives reports from the Chief Executive and other members of the Group Executive including information on safety, strategy, human resources, finance and legal. The Board also receives periodic updates from the committee Chairmen, who in particular report to the Board on committee meetings. Other standing items include reviewing the risk register and internal controls, strategy and succession planning.

The Board's time during 2013 can be grouped in to six key areas as outlined below. A portion of their time is also spent on administrative matters.

Board and committee structure

CORPORATE GOVERNANCE REPORT

Continued

The Board receives presentations by members of the Weir Group senior management team and external advisors as required.

The annual timetable is discussed in May of the preceding year and circulated as soon as it is finalised which ensures that the Chairman can be comfortable that each Director is able to devote the time and resources required to act as a Director during that period. The system for establishing agenda items means both the Chairman and the Board have the confidence that all required items are included at the most appropriate time of the year and there is sufficient time allocated for discussion by the Board, allowing the Directors to discharge their duties effectively.

Matters reserved for the Board

The Board recognises that to ensure the long term success of the Company, certain specific matters should be reserved for the consideration and decision of the Board alone. Other matters may be delegated by the Board to its committees or executive management. Decisions specifically reserved for approval by the Board are formally recorded in a document Matters Reserved to the Board, and include:

- Annual and Interim Report and Financial Statements;
- dividend policy;
- Board appointments;
- Group strategy and the annual operating budget;
- changes relating to the Group's capital structure;
- changes to the Group's management and control structure;
- major capital expenditure, acquisitions and disposals;
- treasury policies;
- risk management strategy;
- Group corporate governance policy; and
- environmental, health and safety and sustainability policies.

The matters reserved for the Board are reviewed on an annual basis to ensure they remain appropriate and adhered to.

Board committees

The Board has established a number of committees to assist in the discharge of its responsibilities. The principal committees are the Nomination Committee, the Audit Committee and the Remuneration Committee. The responsibilities of these Board committees are set out in the individual Terms of Reference of each committee, which are available on the Company's website. The roles and responsibilities of the committees along with the activities undertaken during the period are outlined in each of their respective reports found on pages 77 to 112. The Company Secretary acts as secretary to the committees.

Only committee members are entitled to attend meetings, however, other Directors, professional advisors and members of the senior management team are able to attend when invited to do so.

When the need arises, separate ad hoc committees may be set up by the Board to consider specific issues.

General Administration Committee

The General Administration Committee is a sub-committee of the Board which comprises any two Directors of the Company, at least one of whom must be an Executive Director. The Committee is responsible to the Board as a whole and meets as required. The principal duties of the Committee include attending to administrative and procedural matters in relation to existing bank and finance facilities and the issue and allotment of shares under Group share plans. It also attends to other matters of a routine manner relating to the Company's share capital, including the administration of unclaimed dividends and the Company's Dividend Reinvestment Plan. The Committee has written Terms of Reference which are periodically reviewed to ensure their continuing appropriateness. These were last updated and approved by the Board in January 2013. Minutes of meetings of the General Administration Committee are made available to all Directors.

Group Executive

In 2013 the Group Executive comprised the Chief Executive, the Finance Director, the General Counsel and Company Secretary, the three Divisional Managing Directors, the Director of Operations Support and Development and the Director of Human Resources. In January 2014, Andrew Neilson joined the Group Executive as Director of Strategy and Corporate Affairs. Biographical details of the members of the Group Executive can be found on page 66. The Group Executive is chaired by the Chief Executive, Keith Cochrane.

In the 53 weeks ended 3 January 2014, the Group Executive met 12 times. The Group Executive is responsible for ensuring that each of the Group's businesses is managed effectively and that the key performance indicators of the Group, as approved by the Board, are achieved. The Group Executive's role includes the preparation of the Group budget for approval by the Board, management of business performance to achieve the Group budget, establishing and maintaining reporting systems which provide clear and consistent information on all aspects of business performance, managing and minimising corporate risk, and ensuring that the necessary mechanisms are in place to achieve effective inter-divisional coordination in areas such as purchasing, branding and career development planning. It also approves major items of capital expenditure within limits authorised by the Board.

Management committees

In addition to the committees above, there exist several management committees, known as Excellence Committees. These have been created to deal with specific areas and under their clearly defined remits they work across the Group promoting best practice and information sharing. In 2013, two new Excellence Committees were established: the Planning Excellence Committee and the Value Chain Excellence Committee. The Planning Excellence Committee is focussed on updating all aspects of planning across the value chain, including Sales and Operations Planning and Production Planning. The updated and fully integrated planning model is aimed at further improving our on-time delivery to customers and reducing the level of inventory held across the Group. The Planning Excellence Committee reports, along with the Purchasing and Manufacturing Excellence Committees, into the Value Chain Excellence Committee.

The Executive Directors and members of the Group Executive are able to delegate their responsibilities to these committees and utilise the areas of expertise contained within them. The Excellence Committees report to the Group Executive and to the Board as required.

The composition of the various committees along with their accompanying terms of reference, the matters reserved for the Board, and delegated authority matrices combine to create a clear authority matrix across the Group for timely and effective decision-making. This structure provides the Board with confidence that the appropriate decisions are being taken at the appropriate levels, and information flows both up and down

CORPORATE GOVERNANCE REPORT

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BOARD SITE VISIT

In September 2013, the Weir Group Board visited two Weir facilities in West Yorkshire, England.

In September 2013, the Weir Group Board visited the facilities of Weir Valves & Controls UK Ltd in Elland, West Yorkshire, UK. They learned about the production systems in place and had a chance to inspect the new Rapid Response manufacturing cell, which has been a recent key investment in order to aid customers with requirements for short lead time aftermarket requirements and timely support for key valve applications. The Board met with operatives and management from the plant and gained an insight into the advances made in the factory to keep pace with the increasing levels of output that the plant is delivering.

The following day, the Board visited the Todmorden site of Weir Minerals Europe Limited. During the morning session,

the Directors were given an overview of the recent successes achieved by the Europe, North Africa and Russia regions of the Minerals Division, before being given a tour of the foundry. The Todmorden foundry carries an exceptional global reputation and a significant investment was committed in 2012 to expand the manufacturing capacity of the site to meet global demand with the construction of a new fast loop extension, which was completed and formally opened in July 2013. Following the tour, guest speaker Magnus Ericsson, from IntierraRMG, presented an analyst view of the mining sector to 2020, and Dean Jenkins, Divisional Managing Director, outlined the strategic plan of the Minerals Division to 2018. The Board then held its meeting at Todmorden in the afternoon.

reporting lines.

Effectiveness

Board skills and attributes

	Independence	Executive	Skills and experience					
			Banking & finance	Governance	International	Leadership	Mining	Oil & gas
Charles Berry ¹	X	X		X	X	X		X
Keith Cochrane		X	X		X	X		
Alan Ferguson	X		X		X		X	
Melanie Gee	X		X		X			X
Mary Jo Jacobi	X	X		X	X	X		X
Rick Menell	X		X		X		X	
John Mogford	X				X			X
Lord Robertson	X			X	X	X		
Lord Smith			X	X	X	X		X
Jon Stanton		X	X		X			

Note

1. Charles Berry was considered independent during 2013 and on his appointment as Chairman.

The Board considers that it has the right combination of skills, experience, independence and knowledge to be useful and effective in meeting the needs of the business. More than half of the Board are independent Non-Executive Directors. All the Non-Executive Directors are considered by the Board to be independent in character and judgement. This includes Lord Robertson who despite having served on the Board for a period of more than nine years is considered independent primarily due to his long-standing history of distinguished public service at the very highest levels. He brings a wealth of experience to the Board's deliberations and is considered to be free from any business or other relationship that could materially interfere with his independent judgement.

This combination of individuals and skills ensures that the Board is sufficiently balanced such that no individual or group of individuals can dominate decision-making and allows for an effective division of responsibilities within the Board and its committees. The positions of Chairman and Chief Executive are held separately. Each Director devotes sufficient time and attention as is necessary in order to perform their duties.

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties and any further back-up papers and information are readily available to all Directors on request to the Company Secretary. The Chairman ensures that Non-Executive Directors are properly briefed on any issues arising at Board meetings and Non-Executive Directors have access to the Chairman at any time.

Appointment and tenure

Name	Length of tenure at 3 January 2014										Date of next election or re-election
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years	
Charles Berry											1 May 2014
Keith Cochrane											1 May 2014

Figure 1: Internal Control Framework

Alan Ferguson		1 May 2014
Melanie Gee		1 May 2014
Mary Jo Jacobi		1 May 2014
Rick Menell		1 May 2014
John Mogford		1 May 2014
Lord Robertson		1 May 2014
Jon Stanton		1 May 2014

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

Mary Jo Jacobi will resign and offer herself for election at the Company's AGM on 1 May 2014. All other Directors on the Board at 3 January 2014 will seek re-election at the Company's AGM in compliance with the Code.

Induction and ongoing training

When a new Director joins the Company he or she is provided with information on the Group's structure, operations, policies and other relevant documentation. New Directors are able to attend the Group's induction programme which provides an insight into the Group's key processes and controls. In addition, the Board meets once a year or more at one of the Group's operational sites, which includes presentations from key

CORPORATE GOVERNANCE REPORT

Continued

senior employees and the opportunity to meet employees across the global operations. Directors are informed of relevant material changes to laws and regulations affecting the Group's business and their duties as Directors. The Company Secretary advises the Board on governance matters and is available to all Directors for advice as required. During 2013, a Non-Executive Director also gave a presentation at each of the three regional conferences for senior managers held during the year.

Additional induction and training is also available to new committee members as required.

In advance of becoming Chairman in January 2014, Charles Berry undertook a detailed induction to the Company, its operations and its employees. Between June and December 2013, he visited 19 operational sites in America, Australia, India, The Netherlands, South Africa, the United Arab Emirates, the UK and the US. He held individual meetings with each head of department at the Weir Group Head Office in Glasgow and met with all members of the Group Executive. He has also met with all members of the Board on a one-to-one basis.

THE NOMINATION COMMITTEE

Charles Berry
Nomination Committee Chairman

Current members	Name	Attendance
Charles Berry (Chairman) ¹	Keith Cochrane	5 of 5
Keith Cochrane	Rick Menell	4 of 5
Rick Menell	Lord Robertson	5 of 5
John Mogford ²	Lord Smith ³	5 of 5
Lord Robertson		

Notes

1. Charles Berry was appointed Chairman of the Committee on 1 January 2014. There were no meetings held from the date of his appointment to 3 January 2014.
2. John Mogford was appointed to the Committee on 21 January 2014.
3. Lord Smith retired from the Committee and as Chairman of the Committee on 31 December 2013.

The Nomination Committee consists of the Chairman, the Chief Executive and in 2013 two of the Non-Executive Directors. John Mogford joined the Committee at the start of 2014. The Committee was chaired by Lord Smith until 31 December 2013. Charles Berry has succeeded him as Chairman of the Committee. A majority of the members of the Committee are independent Non-Executive Directors. Senior members of management and advisors are invited to attend meetings as appropriate.

There were five scheduled meetings held during the year. Details of the attendance of the members of the Committee for the 53 weeks to 3 January 2014 are contained in the table above.

The Chairman does not chair the meeting when the matters under consideration relate to him or his position. Similarly, should a matter under discussion relate to any of the other Committee members they would excuse themselves from the meeting. During the year, there were several agenda items on the replacement of Lord Smith as Chairman. Lord Smith was not party to these discussions, which were led by Lord Robertson in his absence.

Committee's role

The Committee has responsibility for considering the size, structure and composition of the Board of the Company, for reviewing senior management succession plans, retirements and appointments of additional and replacement Directors and making appropriate recommendations so as to maintain an appropriate balance of skills and experience on the Board. The Terms of Reference of the Committee are available on the Company's website.

The Committee was evaluated as part of the annual Board evaluation process and its performance was found to be satisfactory.

Independence

The Nomination Committee reviewed and confirmed the independence of all Non-Executive Directors and in particular Lord Robertson who, as of February 2014, has been a Non-Executive Director of the Company for a period of ten years. In accordance with the UK Corporate Governance Code a rigorous review was undertaken which examined his continued contribution to the Board and its Committees and his external interests and roles. It was concluded that the Board still considers all of its Non-Executive Directors, including Lord Robertson, to be independent in character and judgement. Lord Robertson's experience and objectivity was considered to still bring value to the Board and his fellow Directors.

NOMINATION COMMITTEE REPORT

Continued

Processes are in place to identify any business relationships held by Non-Executive Directors or additional directorships or significant links with other directors through involvement in other companies or bodies which may be of relevance in determining the independence of a Non-Executive Director. The Nomination Committee is satisfied that all Non-Executive Directors continue to be independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement.

Board appointments

The Committee has established a process for Board appointments that it considers to be formal, rigorous and transparent and involves the use of external executive recruitment agencies. This process includes drawing up a description of the role and capabilities required for the particular appointment together with a review of the skills, knowledge and experience of the existing Directors. The existing balance of the Board and the time commitment required are also taken into consideration when assessing candidates.

A significant amount of the Committee's time in 2013 was spent recruiting a successor to Lord Smith as Chairman and on the recruitment of an additional Non-Executive Director. External search consultancies were used in both instances. The Company engaged The Inzito Partnership for the appointment of Charles Berry and Odgers Berndtson in the appointment of Mary Jo Jacobi. Neither company has any other connection with the Weir Group.

Succession planning

The Committee has given increased focus to the talent pool for potential candidates and succession planning within the Group. During the year, the Director of Human Resources presented a review of senior executive succession planning, containing details of ongoing or proposed talent development, the methods for identifying and cultivating potential internal candidates, and the balance of internal and external recruiting for the most senior positions. The Committee also spends time on succession planning for the various Board level roles.

Boardroom diversity

The considerations to be taken into account in each appointment to the Board are stipulated in the terms of reference of the Nomination Committee which are available on the Company's website. Specifically, the Nomination Committee must 'consider candidates on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender' in identifying and recommending candidates. The Nomination Committee recommends appointments to the Board based on the existing balance of skills, knowledge and experience on the Board, on the merits and capabilities of the nominee and on the time they are able to devote to the role in order to promote the success of the Company.

The Board acknowledges the benefits a diverse pool of talent can bring to a boardroom. Among other things, a diverse board encompasses diversity of experience, social background, education and training, life skills and personal attributes, as well as differences in age, nationality, race and gender.

Having considered the question of diversity during the year, the Board approved a policy with respect to Board diversity at its meeting in January 2014. The Nomination Committee will operate under and report against this policy from this date.

The recent focus on Board diversity has centred on gender and the Board aspires to maintain a significant level of female representation on the Board. As of January 2014, two of the nine Board members of the Company are female (22%). The Board will continue to consider its policy with respect to Board diversity on future appointments but will not place a higher regard on one form of diversity over any other. The appropriate composition of the Board as a whole with regard to the size and activity of the Company will be taken into account at all times.

Charles Berry

On behalf of the Nomination Committee
26 February 2014

THE AUDIT COMMITTEE

Alan Ferguson
Audit Committee Chairman

Introduction

As Chairman of the Audit Committee I am pleased to present our first report to shareholders following our adoption of the revised UK Corporate Governance Code (the "Code"), which applies for the first time this year. It is my intention that through this report we will demonstrate our commitment, as an Audit Committee, to our responsibilities under the Code and how we have discharged them effectively during the year.

Key objective

Our key objective is to provide effective governance over the appropriateness of the Group's financial reporting including the adequacy of disclosures, the performance of both the internal audit function and the external auditor, and oversight of the Group's systems of internal control, framework of identification and management of business risks and related compliance activities. These activities include a detailed review of the process and related reporting underpinning the fair, balanced and understandable conclusion in relation to this Annual Report, a decision which is reserved for the full Board.

Membership

I chair the Committee and am joined by Melanie Gee, John Mogford and Rick Menell, three of my fellow Board members, all of whom are independent Non-Executive Directors. Charles Berry was appointed to the Committee on joining the Board on 1 March 2013 and subsequently left the Committee on his appointment to Chairman on 1 January 2014. Both Melanie and John have been members of the Committee for the full year and to the date of this report with Rick Menell being appointed to the Committee on 21 January 2014.

Each of the Committee members has, through their other business activities, significant experience in financial matters and has been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil our responsibilities. Summary biographies have been presented on pages 64 and 65.

Responsibilities

As a Committee, we are responsible for:

- reviewing the announcements of the Group's financial results, including the Interim Report and Annual Report and Financial Statements, and monitoring compliance with relevant statutory and Listing Rules requirements;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices including critical accounting policies and those judgements and estimates with the most significant effect on the amounts recognised in the financial statements;
- advising the Board on whether the Committee believes that the processes underlying the compilation of the Annual Report and Financial Statements are robust and support the assertion reached by the Board that the document, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- overseeing the relationship with the external auditor, covering their appointment, independence, fees and audit quality and effectiveness;
- reviewing and approving the remit of the Internal Audit function, ensuring its independence and that there are the necessary resources and access to information available in order for it to fulfil its mandate;
- reviewing the effectiveness of the Group's systems for financial control, financial reporting and risk management, incorporating a review of reports on any significant frauds, misappropriation of assets or unethical behaviour;
- oversight of the Anti-Bribery & Corruption (AB&C) programme and providing input to the Board on ethics compliance; and
- reviewing treasury policy including foreign exchange exposure.

The Terms of Reference can be found on the Group's website, weir.co.uk.

AUDIT COMMITTEE REPORT Continued

Meetings

We met four times during the period. This represents an additional meeting compared to prior years and was the result of a decision made by the members of the Committee following review of the annual agenda and the time allocated to each of its responsibilities. In the current period, the additional time was mainly used to discuss reports presented by the Divisional Finance Directors on internal control compliance. Each Committee meeting takes place prior to a Board meeting, during which I provide a report on our activities.

There is at least one meeting each year when we meet with each of the Head of Internal Audit and the external auditors separately, without any executive management present. This provides us with the opportunity for any issues of concern to be raised by, or with, the auditors.

We have the ability to call on Group employees to assist in our work and to obtain any information required from Executive Directors in order to carry out our roles and duties. We are also able to obtain outside legal or independent professional advice if required.

The table below details the Board members and members of senior management who were invited to attend meetings as appropriate during the calendar year. In addition, Ernst & Young LLP (EY) attended the meetings as auditors to the Group by invitation.

Audit Committee attendees

Lord Smith	Group Chairman (to 31/12/13)	Attends by invitation
Keith Cochrane	Chief Executive	Attends by invitation
Jon Stanton	Group Finance Director	Attends by invitation
Keith Ruddock	Group Counsel & Company Secretary	Attends as secretary to the Committee
Lindsay Dixon	Group Financial Controller	Attends by invitation
Sarah Caldwell	Head of Internal Audit	Attends by invitation

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

Current members	Name	Attendance
Alan Ferguson (Chairman)	Charles Berry ²	2 of 2
Melanie Gee	Alan Ferguson	4 of 4
Rick Menell ¹	Melanie Gee	4 of 4
John Mogford	John Mogford	4 of 4

Notes

1. Rick Menell joined the Committee on 21 January 2014.
2. Charles Berry attended all meetings in the period of his appointment to the Committee on 1 March 2013. He resigned from the Committee on 1 January 2014.

Between the end of the calendar year and the date of this report, there were two meetings of the Audit Committee. Following his appointment as Chairman, succeeding Lord Smith, Charles Berry attended the meetings by invitation. All other members of the Committee attended both those meetings.

Main activities during the period

Over the course of the period, our work was focussed in the following areas:

- (i) financial reporting;
- (ii) internal control and risk management;
- (iii) internal audit; and
- (iv) external audit.

The following sections provide more detail on our specific items of focus under each of these headings, explaining the work we, as a Committee, have undertaken and the results of that work.

(i) Financial reporting

Our principal responsibility in this area is the review and challenge, where necessary, of the actions and judgements of management in relation to the half year and annual financial statements before submission to the Board, paying particular attention to:

- critical accounting policies and practices, and any changes therein;
- decisions requiring judgements and estimates with the most significant effect or where there has been discussion with the external auditor;
- the existence of any adjustments resulting from the audit;
- the clarity of the disclosures and compliance with accounting standards and relevant financial and governance reporting requirements; and
- the processes surrounding the compilation of the annual report and financial statements with regard to fair, balanced and understandable.

We received formal reports from the Group Finance Director and the external auditor, summarising the main discussion points for both the half year and full year reporting and explored these in detail at our meetings in January, February and August.

The Audit Committee has reviewed the contents of this year's annual report and financial statements and the process that has been undergone in the preparation of the document. With regard to the latter, the Committee received a report from management summarising the detailed approach that had been taken which covered, but was not limited to, the following:

- involvement of a cross section of management across the organisation, including the Group Executive, Group Communications, Group Finance (including Group Tax) and Company Secretariat;
- input and advice from appropriate external advisers, including the Company's broker and PR agency;
- use of available disclosure checklists for both Corporate Governance and financial statement reporting;
- regular research to identify emerging practice and guidance from relevant regulatory bodies, for example the Financial Reporting Lab;
- regular weekly meetings of the Disclosure Committee, which comprises the key contributors to the document, during which specific consideration was given to the fair, balanced and understandable assertion; and
- use of two cold readers; one of these a member of the Senior Management Group of the Group and the other an external, independent proof reader.

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

Current period matters

(1) Accounting for the acquisition of Mathena Inc. ("Mathena")

The specific items we have discussed and reviewed with management and the external auditors, EY, in relation to the acquisition of Mathena were: (a) the Purchase Price Allocation (PPA) exercise to attribute values to separately identifiable intangible assets and related accounting for deferred tax; (b) the assessment of acquisition fair values of other assets and liabilities, specifically Property, Plant & Equipment and provisions; and (c) compliance of the disclosures in the financial statements with IFRS 3, 'Business Combinations'.

Management engaged with an independent external advisor to complete the PPA exercise and reported a summary of the underpinning assumptions and related results to us during the year. We reviewed that summary and also compared the assumptions used to those for other recent acquisitions where appropriate. The final fair values are disclosed in note 13. The accounting for deferred tax has included technical input from the Group Head of Tax. We examined the nature and extent of fair value adjustments to other assets and liabilities noting a rigorous process had been undertaken and property values were supported by third party valuations. Finally, we challenged management on the completeness of the related disclosures and satisfied ourselves that they were complete, accurate, understandable and compliant with IFRS 3.

(2) Exceptional items – reassessment of Mathena contingent consideration

An initial assessment of the contingent consideration payable under the terms of the Sale & Purchase Agreement (SPA) was undertaken at the date of acquisition. Based on conditions at that time, a liability was recorded, with an equivalent increase in goodwill, on the assumption that the EBITDA targets, relating to 2013 and 2014, would be achieved in full. Subsequent to this initial assessment and due to the continuation of the depressed natural gas price, certain customers reduced their gas drilling activity. This impacted the short term forecasts for the business such that the reassessment performed by management of the contingent consideration payable has reduced to nil with an exceptional credit being recorded in the Income Statement. We have held detailed discussions with management covering the key assumptions underpinning the revised assessment and also any potential resultant impact on impairment testing of the goodwill and customer relationships balances. The Committee is satisfied on the basis of this work that the credit to the Income Statement is appropriate, as is its presentation as an exceptional item on the face of that statement, and that there is no requirement for an impairment loss to be recognised.

(3) Valuation of inventory

The shift of North American drilling activity from gas to oil and liquids rich shale formations in Q1 2012 impacted customer activity levels such that there remains excess capacity in certain pressure pumping equipment sectors within the market. As a result, the Committee has given specific consideration to the work undertaken by management in assessing the valuation of our related inventory, including consideration of the proportion of gross inventory provided for at the balance sheet date of just over 8%, and concluded it is appropriate given current and expected market conditions.

(4) Reassessment of Cash Generating Units (CGUs)

We challenged management on the process undergone to reassess the appropriateness of the CGUs during the year and their allocation of recent acquisitions to existing or new CGUs. This included questioning of the evidence identified by management in support of the changes made. We agree that the requirements of IAS 36, including those in respect of the management of cash flows, supports the level at which the CGUs are identified and reported on and that the level of disclosure in the financial statements is appropriate.

Recurring agenda items

(1) Impairment testing of intangible assets

At least once every year, as required, management undertakes a detailed, formal impairment review of goodwill and other intangible assets, the book value of which is £1,615m (2012: £1,454m) at the balance sheet date. The most significant judgements are in setting the assumptions underpinning the calculation of the value in use of the CGUs, specifically the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process. Specific focus was given to long term growth rates, discount rates and any CGUs with lower levels of headroom. Business plans and budgets were Board approved and underpin the cash flow forecasts.

AUDIT COMMITTEE REPORT Continued

In the current year, we undertook a detailed review of the results of the testing, and underlying assumptions, of the impairment model, including those individual CGUs collectively presented as 'other' in note 14, with specific consideration given to the renewables businesses. We agree that there is no impairment charge required.

(2) Accounting for pensions

The detailed disclosure as required under IAS 19 (Revised) is included in note 24. We have examined these disclosures and the prior year adjustment required following adoption of the new standard and we are satisfied they are complete and accurate. In reaching this conclusion, we have challenged management on the key assumptions used underpinning the valuation, taking assurance from the fact that external advice is taken by them.

During the current period, we gave specific consideration to the accounting treatment applied following the announcement that agreement had been reached between the Company and the trustees of the UK's Main Plan that it would close to future accrual of benefits from 30 June 2015 and agreed with the presentation on the face of the Income Statement.

(3) Tax charge and provisioning

The Audit Committee receives a detailed report from the Group Finance Director every six months which covers the following key areas: (i) status of ongoing enquiries and tax audits with local tax authorities; (ii) the Group's effective tax rate for the current year; and (iii) the level of provisioning for known and potential liabilities, including significant movements on the prior period. In addition, the Committee takes comfort from the presentation to the main Board on tax strategy and risk, given by the Group Head of Tax, every year. Based on the work we have undertaken in the current year we are satisfied that the position presented in these financial statements is reasonable. This is supported by the reporting we have received from the Group's external advisor.

(4) Accounting for provisions

Total provisions on the Group Balance Sheet are £55m (2012: £70m) at the end of the period with the breakdown by category presented in note 22. In respect of the current year, we have examined the key movements between the opening and closing provision balances and challenged management on the commercial drivers which caused them. We have also examined, through discussion and updates provided by the Group General Counsel (where it is relevant to do so based on the nature of the provision), the appropriateness of the closing positions.

(ii) Internal control and risk management

During the year, we reviewed the process by which the Group evaluated its internal control environment. Our work in this area was supported by reporting from the Head of Internal Audit on the results of the programme of audit visits undertaken; the overall assessment of the internal control environment; and the incidence of any significant frauds or any fraud that involved management or employees with a significant role in internal controls.

The Committee also receives regular reporting on the Group's compliance related activities from the Group General Counsel and Company Secretary and Head of Internal Audit. In addition, reporting, either verbal or written, from senior management covering any investigations into known or suspected fraudulent activities is reviewed.

Since the last Annual Report and Financial Statements there have been presentations from the three Divisional Finance Directors (DFDs) on the results of the most recent Compliance Scorecards and their divisional priorities for the coming year.

The Compliance Scorecard is a control mechanism whereby each operating company undertakes a self-assessment every six months of their compliance with Group policies and procedures, including key internal controls across a range of categories including finance, Anti-Bribery & Corruption, tax, treasury, Trade & Customs, HR, IT and legal. As far as the elements relating to finance are concerned, these cover (but are not limited to) management accounts and financial reporting, balance sheet controls, employee costs and other financial policies.

Operating companies are required to gather evidence and undertake sample testing to validate their self-assessment responses. Internal Audit then has responsibility for confirming the self-assessment responses during planned visits. Any significant variances are reported to local, divisional and Group management. Any companies reporting lower levels of compliance are required to prepare improvement plans to demonstrate how they will improve over a reasonable period of time. The overall compliance scores (in percent) are tracked over time and reported to the Audit Committee twice a year with the Committee paying particular attention to the variances between self-assessed and Internal Audit assessed scores as well as trends and the performance of newly acquired companies.

Our role with regard to risk is to look at the process of formulating the risk matrix and the assurance provided over internal controls and other mitigating factors. The ultimate responsibility for reviewing and approving the principal risks included in the Annual Report and Financial Statements remains with the Board.

(iii) Internal audit

One of the main duties of the Committee is to review the annual internal audit programme and ensure that the internal audit function is adequately resourced, effective (including an assessment of the independence of the function) and has appropriate standing within the Company. As far as the scope of the Internal Audit programme is concerned, the aim is to carry out visits to each operating company in the Group on a periodic, rotational basis. A risk based approach is taken when planning any one years' audit plan with factors such as volatility of end markets, critical system or senior management changes in the period, results of the last Internal Audit visit and any other assurance reviews undertaken and whether the business is a recent acquisition being taken into consideration. In addition, the emergence of any common themes or trends in the findings of recent internal audit visits or compliance scorecard submissions (see previous section) are taken into consideration in formulating the internal audit plan. Finally, Anti-Bribery & Corruption reviews are undertaken, focussing on areas such as relationships with agents, accounting for employee expenses and corporate hospitality/gifts.

The Internal Audit Plan is reviewed and approved by the Committee each year. Twice annually the Head of Internal Audit reports on audit activities, progress against the plan, and the results of audit visits with particular focus on high priority findings and the action plans, including management responses, to address these areas. No trends or common themes have been identified during the current year that required or warranted a change to the internal audit plan for 2014.

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

The Head of Internal Audit has progressed to a Finance Director role within the business with effect from the end of January 2014 and a replacement, who I interviewed as part of my role in the recruitment process, has been appointed and commenced work at the start of February 2014.

(iv) External audit**Auditor effectiveness**

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. EY present their detailed audit plan to us each year identifying their assessment of these key risks. For the current period, the significant risks identified were acquisition accounting, the carrying value of goodwill and intangible assets, liability provisioning, including provisions for legal obligations and taxation, and the valuation of inventory due to the inherent management judgement required in all these areas. Our work in each of these areas has been covered in detail earlier in this report.

Our assessment of the effectiveness and quality of the audit process in addressing these matters is formed by amongst other things a review of the reporting from the auditors and also by seeking feedback from management on the effectiveness of the audit process. During the first half of the year, management issued a detailed questionnaire to every Finance Manager/Director and Divisional Finance Director to collect feedback on the 2012 audit process. This covered resource and expertise of the audit teams, quality of planning, execution and deliverables as well as an assessment of overall performance. Resultant themes and findings were discussed between ourselves, management and EY with both management and the auditors reporting to us on the actions being implemented in response. In addition, on a periodic basis, the Finance Director meets with the overseas external audit teams. The Committee also noted the Audit Quality Inspection report issued by the FRC in May 2013 which was positive in tone and direction for EY.

Overall management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk, although there are of course some areas where improvements can be made, and assessed the quality of the audit process to be good. Based on the input from management and discussions we have had with EY and key finance individuals, we also hold this view. This process was repeated in respect of the 2013 audit.

The Committee holds private meetings with the external auditor each year to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and how they have exercised professional scepticism. I also meet with the lead audit partner outside the formal committee process as necessary throughout the year.

Independence policy and non-audit services

The Audit Committee maintains a policy on the appointment and role of the auditors. This includes keeping under review the auditor's independence by providing guidelines on any non-audit services that are to be provided by them. In addition, a formal policy exists which ensures that the nature of the advice to be provided could not impair the objectivity of the auditor's opinion on the Group's financial statements. All non-audit services require the approval of management and, where the expected cost of the service is in excess of £75,000, the approval of the Audit Committee. No changes have been made to either policy in the current year. The auditors confirm their independence at least annually.

Fees payable to EY in respect of audit and assurance services for 2013 of £1.9m (2012: £1.7m) were approved by the Committee after a review of the level and nature of work to be performed, including the impact of acquisitions, and after being satisfied by EY that the fees were appropriate for the scope of the work required.

Non-audit fee work conducted by EY over the past year for assurance services amounted to £0.1m, which represented 5% of the total fees including audit fees, and were incurred primarily in relation to other assurance services. We are of the view that the level and nature of non-audit work does not compromise the independence of the external auditors.

AUDIT COMMITTEE REPORT Continued

Auditor choice, tenure and tendering

The Committee considers the reappointment of the external auditor, including rotation of the audit partner, each year. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and the current lead audit partner has been in place for two years, including 2013.

EY, or its predecessor firms, has been the Company's external auditor since prior to its stock market listing in 1946. As part of our annual review of the objectivity and effectiveness of the audit we conduct an in depth review of their performance as noted above. There were no matters arising from the review in the current year, which we felt required the service to be tendered immediately. We have considered the audit tendering provisions outlined in the Code, which we are supportive of. We have also reviewed the recent guidance provided by the European Commission and the Competition Commission. The European transitional provisions relating to Mandatory Firm Rotation are likely to require rotation of the external auditor of the Group within 6 years from July 2014, effectively the 2020 year end, which is also when it is likely that the Competition Commission would mandate a tender process. However after due consideration we expect to tender the audit, at the latest, coincident to the next rotation of the incumbent lead audit partner, which would be for the 2017 year end.

Having considered the relationship with the independent auditor, their qualifications, expertise, resources and effectiveness, in particular noting the rotation of lead audit partner in the prior year, the Committee concluded that the external auditors remain independent and effective and recommended to the Board that EY be re-appointed as the Company's external auditors for 2014. There are no contractual obligations restricting the Group's choice of external auditors and the Committee also keeps under review the value for money of the audit.

A resolution to re-appoint EY as the Company's auditors will be put to the forthcoming Annual General Meeting.

Alan Ferguson
On behalf of the Audit Committee
26 February 2014

DIRECTORS' REMUNERATION REPORT

Melanie Gee
Chairman of the
Remuneration Committee

Dear Shareholder

This Remuneration Report in respect of 2013 has been prepared in compliance with the new UK reporting requirements. In line with these regulations, the Report now comprises three sections with the Directors' Remuneration Policy and the Annual Report on Remuneration following this annual statement. Shareholders will be invited to approve the Directors' Remuneration Policy in a binding vote and the Annual Report on Remuneration in an advisory vote at the Company's Annual General Meeting (AGM) on 1 May 2014.

In my 2012 letter I indicated that senior management and the Remuneration Committee (the 'Committee') intended to take the opportunity in 2013 to conduct a detailed review of executive and senior management remuneration, in light of both changing legislation and the requirement for a new Long Term Incentive Plan (LTIP) in 2014.

As a leading global engineering solutions provider, our business is complex and our customers are exposed to a number of end markets. Our Group strategy targets delivery of sustainable profitable growth which is faster than our end markets and this is supported by our key pillars of Value Chain Excellence, Innovation, Collaboration and Global Capability. We have a clear understanding of our core values that underpin Group strategy and it was with these in mind that we approached our detailed review of the overall shape of our executive remuneration.

In addition to our extensive internal work, including a full market review with our consultants, we examined emerging best practice and feedback from our shareholders, including from our 2013 AGM. We undertook a specific consultation on these proposals with our major shareholders and their representative bodies towards the end of the year.

Our proposals represent a simplification of existing arrangements and continue to comprise three elements: base salary, plus benefits in kind; an annual bonus scheme, with cash and shares; and a long term incentive plan, with shares. Two of the three elements are performance related.

Overview of our revised remuneration plan

The Committee adopted a number of key principles against which to evaluate revised proposals, including the following:

- our remuneration structure should support the Group's strategy and business objectives, drive long term and sustainable value creation, and identify the interests of executives with those of our shareholders;
- overall value should remain broadly constant;
- the plan should provide a flexible framework to extend performance related remuneration further down the organisation and cascade to the top 300 executives in the Company; and
- the plan should be acceptable to our shareholders.

The Committee is mindful of the difficult economic conditions in much of the global economy and the broad range of views on remuneration. In finalising our proposals, the Committee had regard to both the external environment and the global and complex nature of the business.

The revised remuneration proposals reinforce Weir's overarching strategy of delivering sustainable growth ahead of our markets and becoming our customers' partner of choice. Specific elements also support our key pillars and our key output measures of delivering top quartile margins and increased return on capital.

REMUNERATION REPORT Continued

The revised remuneration proposals incorporate a number of significant changes which I have summarised below, with full details in the Directors' Remuneration Policy:

- removal of both the voluntary deferral option on annual bonus and matching awards under the existing LTIP, providing simplification;
- the addition of a return on capital employed (ROCE) measure to our LTIP targets, alongside total shareholder return (TSR) and earnings per share (EPS) in equal proportions, to enhance the alignment of our LTIP with business strategy. ROCE is a key internal measure for the Group;
- the introduction of a formalised and increased shareholding requirement for Executive Directors and the other members of the Group Executive;
- Executive Directors to hold vested shares for an additional period of two years, to strengthen alignment of senior management and shareholder interests;
- the overall plan to be cascaded down to the top 300 executives with flexibility below Executive Director level to respond to specific market requirements, providing global consistency with local flexibility; and
- adoption of changes to the terms and conditions of the proposed new LTIP, to reflect emerging best practice.

The Committee reviewed all other key elements of the current arrangements and agreed to retain these. The most important included the three year performance period for the LTIP. The Committee concluded that, given our exposure to a number of different end markets (some of which have long cycles) and the importance of both the original equipment and aftermarkets to our business, a three year performance period for the LTIP represented an appropriate long term time frame.

The overall impact of the simplification of the new proposals is to increase the potential level of award under the LTIP to compensate for the removal of the voluntary deferral option on annual bonus and matching awards under the existing LTIP.

Towards the end of the year, the Committee considered the appropriate targets for both the 2014 annual bonus scheme and our proposed new LTIP, including the targets for the new ROCE measure. While in the medium term the Group will benefit from structural growth trends, mixed end market conditions are expected to impact performance in 2014. Further details of the performance targets are included in the Directors' Remuneration Policy. The Committee was concerned to ensure that the targets not only support the Group's overarching strategy and high achievement expectations, but are both challenging and realistically achievable. The Committee is comfortable that the right balance has been struck for each of the targets.

Total compensation opportunity levels for our Chief Executive and Finance Director

Under our current arrangements, target total compensation for both our Chief Executive and Finance Director are well below market competitive levels.

The Committee spent some time analysing how this has emerged. In part it is a result of the Company making no specific pension provision for our Chief Executive and Finance Director. We are only one of two companies in the FTSE 51 to 100 where such provision is not made. This is normally taken as a non-bonusable 'cash in lieu of pension' payment of between 25% and 30% of salary per annum. In the current environment the Committee took the view that it was not appropriate to propose the introduction of such a cash payment. The proposed increased LTIP goes some way to address this gap. Unlike a cash payment, this is performance linked and the 2014 award will not vest for three years.

As part of the discussion around pension provision, the Committee also reviewed the Company's plans for auto-enrolment (applicable to all UK employees) below Board level which will come into full effect during 2014. The Committee decided that it would be appropriate to extend the same terms to the Executive Directors. Details are summarised in the policy table.

Our Finance Director, Jon Stanton, was appointed to his role in 2010 and it was his first public company appointment. As highlighted in previous reports, as his experience and contribution has increased, the Committee has increased his compensation towards market rates. The Committee believes that it is now appropriate, in addition to the increased LTIP award referred to above, to increase his maximum bonus percentage from 100% to 125% of salary, in line with peers.

The Committee also considered possible base pay increases for the Executive Directors for 2014 in line with our proposed new policy (broadly in line with salary increases applied to UK employees). We were comfortable that the relative performance of the business, the performance of the two individuals, and market data supported such an increase. However, the Committee concluded that there should be no increase in base pay for 2014 for the Chief Executive and Finance Director. This takes account of shareholder feedback following our consultation on the terms of our new remuneration proposals and recognises the increase in total compensation levels being proposed for both individuals, which has the full support of the Committee.

2013 performance and remuneration outcomes

During 2013 our key end markets in minerals and oil and gas continued to be challenging. The senior team provided strong leadership throughout, delivering significant cost and efficiency savings whilst also driving continued focus on talent management in line with strategy. Whilst the relative performance of the business was strong, the minimum profit target for payment of the profit related element of the annual bonus for 2013 was not achieved as we saw a more gradual recovery in key end markets than had been anticipated when the targets were set. The Committee reviewed the personal performance criteria for each of the Executive Directors, representing 20% of bonus entitlement. For 2013, half of the personal element for Executive Directors was linked to a stretching Group working capital target. Whilst good progress has been made in this area, the Group target was not achieved. All other personal objectives were achieved in full and the Executive Directors were awarded a bonus of 10 per cent of maximum bonus entitlement.

Our 2011 LTIP performance shares and matching shares will vest in March 2014, based on TSR and EPS performance conditions over the three year period to 31 December 2013. The overall level of vesting is 42.8 per cent of the awards. The Group achieved EPS growth during this period of slightly more than 13 per cent per annum, which will lead to vesting of 85.5 per cent of this element. TSR growth was below median performance relative to peers, resulting in no vesting of this element.

2013 has been a busy year for the Committee. We are grateful for the extensive work undertaken by the Company and our remuneration advisers and for the support we have received from our major shareholders and their representative bodies. We are confident that the revised remuneration proposals, together with our policy statement and the decisions taken in respect of 2014 salaries, bonus and LTIP targets increase the alignment of compensation for our senior executives with shareholders' interests, provide a sound base for the medium term and, importantly, also represent an overall fair outcome.

Melanie Gee
Chairman of the Remuneration Committee
26 February 2014

REMUNERATION REPORT Continued

Directors' Remuneration Policy

Directors' future policy table

The policy described in this section will apply from the date of the 2014 AGM, subject to a binding shareholder vote at that meeting, after which the policy section will be displayed in the Remuneration Committee section on the Company's website.

The remuneration policy has been determined through an extensive strategic remuneration review in 2013. This has involved significant consultation internally and externally with shareholders and shareholder bodies. The Remuneration Committee considers the remuneration policy for senior executives periodically to ensure that it remains aligned with business needs and is appropriately positioned relative to the market. In line with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'), there is no current intention to revise the policy more frequently than every three years.

The Group's overarching remuneration policy is designed to ensure that remuneration supports the Group's strategy and business objectives. The policy and practice have been developed to support the creation of value for shareholders, drive appropriate behaviours and incentivise outperformance, while being clearly linked to both individual and corporate performance. The Committee is mindful of a broad range of stakeholders in setting this policy and has considered best practice guidelines from shareholders and representative bodies. As part of this process, the Committee has adopted a set of principles which are used as the basis against which remuneration arrangements have been established.

The Group's remuneration principles are that reward should enable the Group to:

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

Future policy table

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Base salary			
The provision of a competitive base salary as part of an overall compensation package enables the Group to attract and retain talented leaders.	Reviewed annually with effect from 1 April. Set by reference to market practice for a similar role in a peer group of global companies of a similar size and complexity; personal performance; the wider employee context; and economic and labour market conditions.	It is expected that salary increases for Executive Directors will be made broadly in line with salary increases applied to UK employees or the relevant jurisdiction if an Executive Director is based outside the UK. Higher increases may apply if there is a change in role or responsibility, the individual is relatively new in role, or there is significant variance to the market. Any significant salary increases will be appropriately explained. The maximum salary level for each Executive Director is set by reference to a peer group of FTSE 51-100 companies and appropriate overseas comparators of similar size and complexity. The Remuneration Committee has the discretion to change the peer group during the life of this policy.	—

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Benefits and pension			
To provide a market aligned benefits package.	Benefits include, but are not limited to: Group health care; car allowance; travel allowance; and death in service insurance. The Company may also meet certain mobility costs and pay additional tax arising due to an international assignment, and may also provide for long term disability benefits. Additional benefits may be provided where required by legislation or to align the package with market practice where these are not significant in value. Directors and Officers Liability insurance will also be provided. The Group makes no specific provision for Executive Directors' pensions. However, the Board has considered the implications of the new UK government legislation on auto-enrolment for UK employees and has adopted a policy for all UK employees to be implemented when the auto-enrolment regulations come into force.	The value of relevant benefits will be determined by the cost of the provision of insured products. As the cost of providing such insurance benefits varies according to premium rates and the cost of other benefits is dependent on market rates and other factors, there is no formal maximum monetary value. Car allowance will normally be no greater than £20,000 per annum. As part of the Company's provision in respect of auto-enrolment, at senior levels individuals will be eligible for a contribution into the pension plan or a cash allowance of 12% of salary per annum.	The auto-enrolment provision for Executive Directors is expected to commence in August 2014.

REMUNERATION REPORT Continued

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Annual bonus (see also notes 1 and 3)			
To reward the achievement of stretching Group performance for the current year, supporting our strategy of delivering sustainable growth in our key markets.	The annual bonus (the Executive Bonus Scheme) is based on in-year performance against financial, personal and strategic goals. The annual bonus plan has two parts – a cash element (70%) and an element converted into shares where there is a restriction on sale for three years (30%). The size of both elements is determined by performance in the year. Until the end of 2013, an additional 25% of bonus could have been voluntarily deferred into shares for the Chief Executive and 20% for the Finance Director. Targets are set at the beginning of the performance year which runs from the start to the end of each financial period. Any changes to original targets, measures or payout levels will be fully explained in the relevant Annual Report on Remuneration. On change of control, the bonus payment will be pro-rated for time and an assessment of performance over the appropriate period, with the Committee having discretion to make adjustments to this figure if appropriate.	150% of salary for Chief Executive (2013: 150%). 125% of salary for other Executive Directors (2013: Finance Director 100%). The achievement of stretch targets results in maximum bonus pay out. 20% of bonus will pay out for performance at threshold, with payment on a straight line basis between threshold and stretch.	The measures, as well as the weightings within these measures, will depend on the strategic focus of the Company in any given year. The financial element of the annual bonus is based on the achievement of a Group Normalised Profits before Tax and Amortisation (NPBTA) target measured over the financial period. No more than 20% of the annual bonus will be based on personal performance targets. For 2014, this weighting is 20%. Payouts under the NPBTA element may be reduced to the extent that Group working capital targets are not achieved. The Committee has discretion in exceptional circumstances to alter the measures and/or targets during the performance period if it believes the original measures and/or targets are no longer appropriate. The Committee also has discretion in exceptional circumstances to alter the payout levels of an award at the end of the performance period if it believes this will better reflect the underlying performance of the Company but in no circumstances will exceed the maximum bonus potential.

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Bonus shares subject to restriction on sale			
Bonus converted into shares with restriction on sale (Bonus shares), which supplements the long term elements of pay and further aligns executives to the interests of shareholders.	30% of the annual bonus paid in respect of the performance year is converted into shares with a restriction on sale. Bonus shares are subject to malus and clawback which enables the Company not to release any bonus shares before the end of the restriction period, or to clawback the relevant value after the restriction period has ended for a period of up to three years. Malus and clawback may be applied in certain circumstances where there is found to be a material misstatement in the audited accounts of the Group or a Group company accounts, where the executive's action or conduct amounts to gross misconduct, or where there is a significant detrimental reputational impact on the Company for which the executive is responsible. Bonus shares subject to a restriction on sale may vest on a change of control and on certain other corporate events in accordance with the rules of the 2014 LTIP. Until the end of 2013, shares have been deferred under the rules of the Company's existing Long Term Incentive Plan approved by shareholders in 2004 (the 'Company's LTIP') and from 2014, shares would be subject to a restriction on sale under the rules of the Company's proposed new LTIP subject to shareholder approval of the plan at the 2014 AGM (the '2014 LTIP'). The ability to voluntarily defer additional shares which has been available under the Company's LTIP, is not included in the 2014 LTIP.	30% of any bonus payable is converted into shares.	The Bonus shares are subject to a restriction on sale for three years. No performance conditions apply.

REMUNERATION REPORT Continued

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable										
Performance shares (see also notes 2 and 3)													
To incentivise executives to achieve sustained growth through superior long term performance and create alignment with shareholders. The performance share awards reward executives for performance against key measures which are critical to delivering our strategy.	Allows for annual grants of performance shares. Awards vest after three years, subject to performance conditions. Vested shares for Executive Directors are then subject to a two year holding period. Participants are entitled to dividend equivalents between award and vesting, paid in additional shares at vesting in respect of awards that vest. Malus and clawback arrangements operate in respect of performance shares. These enable the Company to reduce unvested awards and to clawback the relevant value of the vested shares for a period of up to three years after the date of vesting. Malus and clawback may be applied in certain situations where there is found to be a material misstatement in the audited accounts of the Group or a Group company accounts, where the executive's action or conduct amounts to gross misconduct, or where there is a significant detrimental reputational impact on the Company for which the executive is responsible. Awards granted under the LTIP may vest on a change of control and certain other corporate events, assessed (unless the Committee in its discretion otherwise decides) against performance conditions and on a time pro-rated basis in accordance with the rules of the plan. Until the end of 2013, performance shares have been granted under the rules of the Company's LTIP and are subject to performance conditions and from 2014 would be granted under the rules of the Company's proposed 2014 LTIP.	Awards may be made to Executive Directors at the following levels: • Chief Executive: 250%. • Other Executive Directors: 200%. 300% of salary may be awarded in exceptional circumstances. In 2013, the award level for all Executive Directors was 100% of salary. Until the end of 2013, awards were also made of matching shares equalling two times the number of shares voluntarily and compulsorily deferred under the annual bonus. The shares were subject to performance conditions. Matching shares will not be granted under the Company's proposed 2014 LTIP.	Performance conditions measured over three financial years. Vested shares for Executive Directors are then subject to a two year holding period. Performance measures and relative weightings are: • Earnings per share (EPS) growth (1/3 weighting). • Relative total shareholder return (TSR) (1/3 weighting). – TSR relative to comparator group of global engineering companies. – Threshold vesting at median. Maximum vesting at upper quintile. • Improvement in average return on capital employed (ROCE) (1/3 weighting). For all three measures, 25% of the maximum award vests at threshold and 100% at maximum, with vesting calculated on a straight line basis. The two measures under which performance was assessed for performance and matching shares granted until 2013 were relative EPS and TSR growth. The following performance conditions apply to outstanding awards made prior to 2014: <table><tr><th></th><th>EPS growth p.a. (50% weighting)</th><th>TSR (50% weighting)</th></tr><tr><td>2011</td><td>7% – 15%</td><td rowspan="3">Median to upper quintile</td></tr><tr><td>2012</td><td>7% – 15%</td></tr><tr><td>2013</td><td>5% – 11%</td></tr></table> In exceptional circumstances, where the Committee believes that the original performance measures and targets are no longer appropriate, it has discretion to substitute or vary these measures and targets. The Committee will only take such a course of action where it considers it to be in the best interests of the shareholders. In these exceptional circumstances, the Committee will make full disclosure of the arrangements and their rationale in the following year's Annual Report on Remuneration.		EPS growth p.a. (50% weighting)	TSR (50% weighting)	2011	7% – 15%	Median to upper quintile	2012	7% – 15%	2013	5% – 11%
	EPS growth p.a. (50% weighting)	TSR (50% weighting)											
2011	7% – 15%	Median to upper quintile											
2012	7% – 15%												
2013	5% – 11%												

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Shareholding guidelines			
To ensure the interests of the Executive Directors remain aligned with those of shareholders.	Executive Directors are required to build up a shareholding in the Company over a five year period. Under the 2014 LTIP, 30% of the annual bonus is converted into shares with a restriction on sale. The Company requires Executive Directors to retain 50% of performance shares received, after the deduction of applicable taxes, from the 2014 LTIP and the bonus shares subject to restriction on sale until the requirements are met. All shares beneficially owned by an executive and shares subject to a restriction on sale count towards achieving these guidelines. The Committee reviews share ownership levels annually for this group. The Committee has flexibility in the application of this policy to take into account particular individual circumstances. Until 2013, Executive Directors were encouraged to build up a shareholding in the Company of 100% base salary over a five year period.	The minimum shareholding requirement is as follows: • Chief Executive: 200% of base salary. • Other Executive Directors: 150% of base salary. The restriction on sale and the shareholding requirement will take effect from the date of approval of the Directors' Remuneration Policy.	—

REMUNERATION REPORT Continued

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Non-Executive Directors' fees			
To attract and retain experienced and skilled Non-Executive Directors.	Fees will be reviewed annually by reference to companies of similar size and complexity, economic and labour market conditions as well as time commitment and responsibilities. For 2014, the following fees will apply: - Chairman's fee is £275,000 per annum for all of his responsibilities. - Non-Executive Directors' base fee is £55,000 per annum. - In the event that the Company appoints a Deputy Chairman, an additional fee of up to £10,000 per annum may be paid. - Additional fees of £10,000 per annum are paid to the Audit Committee Chairman and the Remuneration Committee Chairman to reflect their extra responsibilities. - As the Chairman also chairs the Nomination Committee, there are currently no additional fees paid for this role. However, additional fees may be paid in future years in line with the fees for the Chairs of the Audit and Remuneration Committees. - Additional fees of £10,000 per annum are paid to the Senior Independent Director. Additional allowances are made available to Non-Executive Directors, where appropriate, to reflect the additional time commitment in attending intercontinental Board meetings and operational visits.	Increases are effective in April and any planned increases in fees will take into account general increases across the Group along with market practice. The maximum fee level for each Non-Executive Director would be set within the range of fee levels in our peer group of companies of a similar size and complexity.	The fees paid to the Chairman and the Non-Executive Directors are not performance related.

Notes to the policy table

1. Annual bonus performance measures and targets

- The profit performance measure of Normalised Profit before Tax and Amortisation (NPBTA) was selected by the Company as profitability is central to the Company's overall strategy. The performance measure is adjusted to exclude items that are one off in nature, subject to Remuneration Committee approval.
- The performance targets are determined annually by the Committee. The performance targets for the NPBTA performance measure are set in the context of consensus forecasts and the internal budget.
- The performance required for maximum payout is typically set at a level that is above the level of the Company's forecasts. If performance is in line with the forecast then typically part of the annual bonus would pay out.
- The performance target of NPBTA is adjusted to match the actual foreign exchange rates during the financial period and is also increased or decreased to reflect the impact of any acquisitions or disposals made in the year that are of a size requiring Board approval. For acquisitions, the target is increased by the expected NPBTA from the acquired business. For disposals, the target is reduced by the budgeted NPBTA from the business which was disposed of.

- The Committee is of the view that the performance target for the financial element under the annual bonus is commercially sensitive and that it would be detrimental to the interests of the Company to disclose this before the end of the financial year. Disclosure of the performance target of the financial element in advance could lead the Company to be at a competitive disadvantage as many competitors are not listed in the UK and would not be subject to this requirement. The Company would be releasing potentially commercially sensitive information which many of the Company's direct competitors in its three end markets would not be required to disclose.
- The personal performance measures relate to achievement of personal and strategic goals.
- Personal performance measures and targets are set by the Chairman for the Chief Executive and by the Chief Executive for other Executive Directors. The Committee discusses and approves these targets for Executive Directors in consultation with the Director of Human Resources and they are linked to the Company's annual appraisal process.
- The Committee is of the view that the performance targets for the personal element are commercially sensitive as they relate to internal management projects and personal goals.
- The performance targets for the financial elements of the bonus and the main groupings of individual performance measures will be retrospectively disclosed after the end of the relevant financial period in the Annual Report on Remuneration.

2. LTIP performance measures and targets

- The Committee selected the performance conditions for the LTIP as these are central to the Company's overall strategy and are intended to link reward to long term sustainable growth.
- The performance measures are EPS, TSR and ROCE:
 - EPS is adjusted earnings per fully paid ordinary share in the capital of the Company calculated on such basis as the Committee may specify. In addition, the EPS figure used to calculate the award may be adjusted for changes in accounting standards to ensure a consistent measurement basis across the performance period.
 - TSR is the increase in the net return index (the index that reflects movements in share price over a period and dividend reinvested net of any associated tax credit in shares on the ex-dividend date) for a company as calculated by Datastream (or such other financial information provider as selected by the Committee) over the performance period.
 - ROCE is defined as earnings before interest and tax divided by capital employed. Earnings before interest and tax is taken as Group continuing operations after intangibles amortisation but before exceptional items for the relevant financial year. Capital employed is taken as the average of opening and closing Group net assets excluding net debt/cash and pension deficit (net of deferred tax asset) for the relevant financial year. To eliminate the impact of movements in foreign exchange rates over the period of the plan, the average foreign exchange rates for the base year are held constant throughout the plan period. With regard to acquisitions, those acquisitions made in the base year are included, based on a full year's ownership, for the purposes of target setting. Where acquisitions are made in subsequent years of the plan period, these are excluded from the assessment of performance relative to the target. Where there are disposals during the plan period, the base and target ROCE calculations will be restated to eliminate the contribution from the disposed business in the period of ownership.
- The performance targets are determined annually by the Committee. EPS, TSR and ROCE targets are set to ensure they are sufficiently stretching but also motivational and consistent with the Company's remuneration strategy. In setting targets the Committee considers the Company's operating environment, and internal and external growth forecasts.
- The performance required for maximum vesting is typically set at a level that is above the level of the Company's forecasts. If performance is in line with the forecast then typically part of the award would vest.
- EPS, TSR and ROCE targets are disclosed prospectively in the Annual Report on Remuneration for the relevant year.

3. Differences in remuneration policy for all employees

- The Company seeks to operate a locally driven approach to pay and benefits in all its locations.
- Employees in management roles are also eligible to participate in an annual bonus. The maximum opportunity available in the annual bonus scheme is based on the seniority and responsibility of the role.
- The LTIP seeks to encourage a shared focus on our corporate goals within the senior management and executive populations. Grants under the proposed 2014 LTIP may be made to around 300 of the most senior managers in the Group. The nature of the award depends on the individual's location and seniority. When used, the performance conditions will be the same throughout the Group.
- In markets other than the UK, LTIP awards may be made in the form of a combination of performance shares and/or either restricted shares or share appreciation rights with a corresponding reduction in award level. The restricted shares or share appreciation rights are subject to a service condition of continued employment within the Group.

Elements of old policy to continue to apply

Deferred bonus, matching shares and other LTIP shares from historical awards made prior to the adoption of this policy will continue to pay out in accordance with the respective rules and guidelines for each award.

Approach to recruitment remuneration

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director and the approach to be adopted by the Committee in respect of each component. On the appointment of a new Executive Director through an internal promotion, the Company will honour existing remuneration arrangements made prior to and not in contemplation of promotion, and these will continue to pay out in accordance with the respective rules and guidelines for each element of remuneration as originally set, notwithstanding that this may be inconsistent with the policy for existing Executive Directors.

REMUNERATION REPORT

Continued

Area	Policy and operation
Overall	- The Committee's approach when considering the overall remuneration arrangements in the recruitment of an Executive Director externally is to take account of the individual's remuneration package in their role prior to joining the Weir Group; the market positioning of the remuneration package against the local market; and not to pay more than necessary to facilitate the recruitment of the individual in question. - The maximum level of variable remuneration which may be granted to an Executive Director in order to facilitate their recruitment will be aligned with bonus and LTIP individual limits as a percentage of salary, as set out in the future policy table of the Remuneration Report. This excludes the value of any replacement awards.
Service contracts	To recruit the best executives, the Committee may in the future agree a contractual notice period with the Executive Director which initially exceeds the standard twelve months, particularly if it is necessary to attract executives who will be required to relocate their families. This will reduce to a 12 month rolling notice period once the individual is 12 months from the end of their initial notice period.
Base salary	- The salary level will be consistent with those in the Company's peer group, from similar positions, locations and experience consistent with the policy table. - Salary will be set so as not to pay more than necessary to facilitate the recruitment of the individual in question.
Benefits and pension	- The Executive Director shall be eligible for benefits in line with the Company's policy for current Executive Directors. - Pensions arrangements for future recruits will be in line with the market practice at that time.
Annual bonus	- The appointed Executive Director will be eligible to earn a discretionary annual bonus in accordance with the terms of the Company's Executive Bonus Scheme. 30% of any bonus earned will be converted into shares with a restriction on sale in line with the policy table for existing Executive Directors. - The maximum level of opportunity will be consistent with the opportunity levels for Executive Directors as set out in the policy table.
LTIP	- The Executive Director will be eligible for performance share awards in such amounts as the Committee may determine in its sole discretion, subject to the rules of the 2014 LTIP (and subject to the approval of that plan at the 2014 AGM). - The maximum level of opportunity will be consistent with the opportunity levels for Executive Directors as set out in the policy table.
Replacement awards	- The Committee will consider what replacement awards (if any) are reasonably necessary to facilitate the recruitment of an Executive Director. This includes an assessment of the awards and any other compensation and benefit items that would be forfeited on leaving their current employer. - The Committee will seek to structure any replacement awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. - In determining quantum and structure of these commitments, the Committee will seek to replicate the value, taking into account, as far as practicable, the timing and performance requirements of remuneration foregone and which the Committee will seek to deliver in Company shares. - The Committee will seek to ensure a meaningful proportion of the replacement awards which are not attributable to long term incentives foregone will be delivered in Company shares, released at a later date and subject to continued employment. - If the Executive Director's prior employer pays any portion of the remuneration that was deemed foregone, the replacement payments shall be reduced by an equivalent amount.
Other	- The Committee may agree that the Company will meet certain mobility or relocation costs, including but not limited to temporary living and transportation expenses, in line with the Company's prevailing mobility policy for senior executives. The Committee may also agree that the Company meets the cost of relevant professional fees. - The Company shall reimburse the Executive Director for all reasonable expenses incurred as part of their recruitment. - Directors and Officers liability insurance will also be provided in line with the policy for Executive Directors.

Service contracts and policy on payment for loss of office

The Board's policy on Directors' service contracts, letters of appointment and termination arrangements is set out below. This includes a description of any obligation on the Company contained or proposed to be in all Directors' service contracts or letters of appointment. The Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Executive Directors' service contracts

As an overriding principle, it is the Board's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations of both parties as well as share plan and pension scheme rules.

In the event that the Company terminates an Executive Director's service contract other than in accordance with its terms, the Committee, when determining what compensation, if any, should properly be paid by the Company to the departing Executive Director, will give full consideration to the obligation of that Executive Director to mitigate any loss which they may suffer as a result of the termination of their contract.

All the Executive Directors who served during the year have service contracts with the Company. The table below sets out the Company's policy and, except where noted, these terms also apply to existing service contracts.

Contract commencement date	Executive Director	Contract commencement date
	Keith Cochrane	2 November 2009
	Jon Stanton	19 April 2010
Unexpired term	The unexpired term of all Executive Directors' service contracts is 12 months. It is the Company's policy that Executive Directors have rolling service contracts.	
Notice period	- The Executive Directors who served during the year have service contracts with the Company that provide for a minimum period of notice of: 12 months by Keith Cochrane and six months by Jon Stanton. 12 months by the Company. - The Company's policy on the setting of contractual notice periods for Executive Directors is to set a notice period of 12 months for both parties, although the Committee may in the future agree contractual notice periods which initially exceed 12 months in the circumstances described above in the Company's approach to recruitment remuneration.	
Contractual payments	Policy for future service contracts - Executive Directors' contracts allow for termination with contractual notice from the Company or termination by way of payment in lieu of notice (PILON) at the Company's discretion. Neither notice nor a PILON will be given in the event of gross misconduct. - Employment contracts may include PILON clauses potentially including up to 12 months' base salary and the cash equivalent of 12 months' contractual benefits. There would be no contractual entitlement to receive annual bonus awards in respect of the notice period – any award would be at the Committee's absolute discretion, performance-related and capped at the contractual target level. - PILONs would be made where circumstances dictate that the Executive Directors' services are not required for the full 12 months of their notice period. Contracts would also allow for phased payments on termination, which allows for further reduction in payments if the individual finds alternative employment outside of the Group during the notice period. Policy for existing service contracts - The employment contracts for Keith Cochrane and Jon Stanton were agreed before 27 June 2012 and contain certain provisions which it is not proposed to include in the contracts of future Directors. The Committee reviewed the provisions in existing contracts and are comfortable that no amendments have been made to the contracts and therefore the grandfathering provisions for contracts in place prior to June 2012 apply. - The Company may make a PILON equal to 12 months' salary and the cost to the Company of providing all other benefits for that period, or a sum equivalent to 10% of the individual's annual salary in respect of other benefits. PILON will exclude pension, bonus and share related incentives. The Company may make the PILON in instalments, subject to reduction where the individual commences alternative employment. - In addition, the Company may pay a bonus of up to 12 months subject to performance, as determined by the Remuneration Committee. The amount payable would be consistent with any performance determination made for other employees of broadly similar status or seniority. If the departing Executive Director commences alternative employment, the Committee may reduce that payment to take account of any performance related bonus that the individual receives from the alternative employment for that period. - If the Group terminates an Executive Director's service contract other than in accordance with its terms, the Company shall make a payment calculated in the same way as if it had made a PILON. Additional policy for future and existing service contracts - In the event of a compromise or settlement agreement, the Committee may make payments it considers reasonable in settlement of potential legal claims, e.g. unfair dismissal or where agreed under a compromise or settlement agreement. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions. It may include in such payments reasonable reimbursement of legal fees in connection with such agreements.	

REMUNERATION REPORT Continued

Annual bonus plan

- An Executive Director will only be eligible to receive a bonus under the Group's Executive Bonus Scheme if he is an employee of the Group at the time that the Company authorises payment of the bonus although at the discretion of the Committee, a pro-rated payment may be made to an Executive Director who has retired subject to assessment of the bonus targets.
- As part of the Group's Executive Bonus Scheme, Executive Directors have been granted awards of shares in respect of the deferred element of the bonus and matching shares under the Company's LTIP, which is governed by the rules of that plan. The treatment of awards under that plan is described in the section below entitled LTIP.
- Additional shares which Executive Directors have voluntarily invested under the Company's LTIP (and in respect of which matching shares have been awarded under the Company's LTIP) are not subject to forfeiture.
- The Company is seeking shareholder approval for a 2014 LTIP under which bonuses converted into shares with a restriction on sale would be awarded. The treatment of awards under that plan is also described in the section below entitled LTIP.

LTIP

- Existing performance share awards and matching share awards have been granted under the Company's LTIP. It is proposed that future awards of performance shares would be granted under the 2014 LTIP to be put to shareholders for approval in 2014.
- The treatment of Executive Directors ceasing to be employees of the Group under both the Company's LTIP and the 2014 LTIP depends on whether they leave for a "good leaver" reason. Good leaver reasons include retirement, disability, ill-health, injury or disability, redundancy, on the sale of the individual's employing company or business or in other circumstances that the Committee determines.

In these circumstances, unvested performance shares and matching shares granted under the Company's LTIP normally vest on the normal vesting date assessed against any applicable performance conditions over the normal performance period and (with the exception of cessation for retirement) pro-rated for time, unless the Committee exercises its discretion to allow vesting following termination where performance is measured over a shortened period and time pro-rated, unless the Committee in its discretion decides otherwise.

In the case of performance shares granted under the 2014 LTIP, it is proposed that for awards to the Executive Directors there would be a three year vesting period followed by a two year holding period. Where an Executive Director ceases to be an employee for a "good leaver" reason before the end of the three year vesting period, shares would normally be delivered at the end of the holding period, assessed against any applicable performance conditions over the normal three year vesting period and pro-rated for time, unless the Committee in its discretion decides otherwise. Where an Executive Director ceases to be an employee for any reason after the three year vesting period but before the end of the holding period, the shares which vested at the end of the three year vesting period will be released to him at the end of the holding period. Performance shares are subject to the operation of malus or clawback. The Committee may instead exercise its discretion to release shares before the end of the holding period, and if it permits this to take place during the normal vesting period, performance is measured over a shortened period and time pro-rated, unless the Committee in its discretion decides otherwise.

Under both the Company's LTIP and the 2014 LTIP, where an Executive Director's employment is terminated for a reason other than a "good leaver" reason, his unvested performance shares and matching shares will lapse.

- Awards which are already vested as at the date of termination of employment are exercisable for three months following cessation.
- On death, the award vests at the date of death and can be exercised for a period of 12 months by the deceased's estate.
- Awards of compulsory investment shares made under the Company's LTIP which were made in connection with the Group's Executive Bonus Scheme may be exercised in full within three months following the relevant Executive Director's termination of employment or, if the Committee considers appropriate, in full during the period of three months of the third anniversary of the date the awards were granted. In the case of circumstances warranting dismissal for gross misconduct the award shall lapse.
- Bonuses converted into shares with a restriction on sale made under the proposed 2014 LTIP which are made in connection with the Group's Executive Bonus Scheme will have the restriction removed on the third anniversary of the date the awards were granted, or if the Committee considers appropriate, following the relevant Executive Director's termination of employment. Bonuses converted into shares with a restriction on sale will only lapse in the case of circumstances warranting dismissal for gross misconduct. Awards with a restriction on sale are subject to malus and clawback.

Change in control

- No Executive Director has provisions in his or her service contract that relate to a change of control of the Company.

Chairman and Non-Executive Directors

The Chairman and each of the Non-Executive Directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the Non-Executive Directors can be removed in accordance with the Company's Articles of Association.

The details, including notice periods, contained in the letters of appointment in relation to the Non-Executive Directors who served during the year are set out in the table below. Directors are required to retire at each Annual General Meeting and seek re-election by shareholders.

With the exception of the Chairman, the Company policy for notice periods for future Non-Executive Directors is for no notice period by the individual and a notice period of six months by the Company. This is in line with the details in the table for Non-Executive Directors appointed since 2011.

None of the Chairman or the Non-Executive Directors have provisions in their letters of appointment that relate to a change of control of the Company.

Non-Executive Director	Contract commencement date	Expiry of current term	Notice period by the individual	Notice period by the Company
Charles Berry	1 January 2014	May 2014	6 months	6 months
Alan Ferguson	13 December 2011	May 2014	–	6 months
Melanie Gee	4 May 2011	May 2014	–	6 months
Mary Jo Jacobi	1 January 2014	May 2014	–	6 months
Rick Menell	1 April 2009	May 2014	6 months	6 months
John Mogford	1 June 2008	May 2014	6 months	6 months
Lord Robertson	1 February 2004	May 2014	6 months	6 months
Lord Smith ¹	6 February 2002	–	–	–

Note

1. Lord Smith resigned as a Director on 31 December 2013.

External appointments

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

REMUNERATION REPORT Continued

Illustrations of application of remuneration policy

A key element of the Company's remuneration policy is to provide a significant part of potential reward through performance based incentive plans. Set out below is the reward mix for both Executive Directors at minimum performance, on-target performance and maximum performance as proposed under the future policy table. The package is broadly structured so that for maximum performance at least 75% of the overall package is delivered through variable pay. As such, the aggregate level of remuneration received by the Executive Directors demonstrates a clear relationship between reward and performance.

Chief Executive

Package make up

Package Value £'000

Finance Director

Package make up

Package Value £'000

Notes

1. The scenarios presented above demonstrate the amount of each remuneration element at minimum, on-target and maximum performance.
2. Salary is shown based on current salary.
3. Benefits are shown based on 2013 benefits received as a percentage of 2013 salary as set out in the single total figure table in the 2013 Annual Report on Remuneration.
4. Pension is shown based on the employer contribution or cash allowance of 12% of salary.
5. Bonus is shown based on opportunity levels as set out in the future policy table and includes both bonus paid in cash and bonus converted into shares with a restriction on sale. Minimum performance assumes no payout of the bonus. Target performance assumes 60% payout of the bonus. Maximum performance assumes 100% payout of the bonus.
6. LTIP is shown based on opportunity levels as set out in the future policy table. Minimum performance assumes no vesting under the LTIP. Target performance assumes 60% vesting under the LTIP. Maximum performance assumes 100% vesting under the LTIP.

The scenarios presented above demonstrate the proportion of maximum remuneration that is represented by each remuneration element at maximum, on-target, and minimum performance. On-target performance is defined as performance at which 60% of maximum on the short term and long term incentive would be paid.

The level of annual bonus and bonus converted into shares with a restriction on sale reflects performance achieved in the financial period. The level of 2014 LTIP reflects performance achieved over multiple financial periods.

Stakeholder considerations

Material factors taken into account when setting the remuneration policy

The Committee is mindful of a broad range of stakeholders in the business and is keen to engage where appropriate on key areas of policy setting and implementation. The Committee has considered the following in developing the policy for 2014.

Shareholder engagement

The Committee is committed to ongoing dialogue with the Company's shareholder base. This can take a variety of forms, such as:

- meetings with major shareholders to consider significant potential changes to policy or specific issues of interest to particular shareholder groups;
- other dialogue to update shareholders and take their feedback on planned refinements to arrangements; and
- the annual votes on the Directors' Remuneration Policy and the Annual Report on Remuneration.

During 2013, the Chair of the Committee met with and wrote to the Company's largest shareholders and their representative bodies, consulting them on the proposed policy and changes to the Executive Directors' remuneration to be implemented in 2014.

The Committee has also considered the feedback provided by shareholders, the Association of British Insurers (ABI) and the Institutional Shareholder Services (ISS) from the 2013 AGM and reflected this feedback in carrying out the strategic review of remuneration in 2013. The high level of support as seen by the results of the advisory vote at the 2013 AGM for the 2012 Directors' Remuneration Report (97% votes For) and the vote for the previous two years (2011: 96% For, 2010: 99% For) indicates strong shareholder support for the Directors' Remuneration Reports.

The wider employee context

The Committee is kept regularly updated on pay and conditions across the Group, although when setting the Directors' remuneration policy, the wider employee group is not consulted. In determining the adjustments to the Executive Directors and Group Executive salaries, the Committee considers the increases to pay levels across the broader employee population.

Annual Report on Remuneration

Implementation of Directors' remuneration policy in 2014

In 2014, the Executive Director and Non-Executive Director remuneration policies will be implemented as follows.

Implementation of Executive Directors' remuneration policy

Fixed elements – Base salary

The Committee made the following 2014 base salary decisions which are in line with the disclosed policy on page 88 of this report:

	2014 salary £	2013 salary £	Percentage change
Keith Cochrane	725,000	725,000	0%
Jon Stanton	440,000	440,000	0%

Salaries are effective from 1 April each year. The Committee has considered the broader employee context in determining salaries. In 2014, the increase in base salary for UK employees was an average of 3%.

Fixed elements – Retirement and other benefits

The implementation of policy in relation to pension and benefits is in line with the disclosed policy on page 89 of this report. The auto-enrolment provision for Executive Directors is expected to commence in August 2014.

Short term incentives – Annual bonus

The implementation of policy in relation to annual bonus is in line with the disclosed policy on page 90 of this report.

The annual bonus is based on in-year performance against targets. The performance measures are: 80% Group Normalised Profits before Tax and Amortisation (NPBTA) measured over the financial period and 20% personal performance targets. Payouts under the NPBTA element may be reduced to the extent that Group working capital targets are not achieved.

Targets are approved by the Remuneration Committee prior to the beginning of the performance year. As set out in the Directors' Remuneration Policy, the Company will be disclosing NPBTA targets and the main groupings of individual performance measures retrospectively in the Annual Report on Remuneration. Performance targets will not be disclosed prospectively for commercial reasons.

30% of bonus payable will be converted into shares with a restriction on sale under the 2014 LTIP. There are no performance conditions on the bonus shares.

Long term incentives – performance shares

The Committee has determined that the following awards be made for 2014 in line with the disclosed policy on page 92 of this report, subject to shareholder approval at the 2014 AGM of the 2014 LTIP rules. Grants will be made within 42 days from the date of shareholder approval of the plan.

Awards vest after three years subject to performance conditions. Awards for Executive Directors are then subject to a two year holding period.

	Award type	Basis on which award made	Face value of award at threshold vesting (% of 2014 salary)	Face value of award at maximum vesting (% of 2014 salary)	Performance Period ¹
Keith Cochrane	Performance shares	A grant of shares will be made based on policy opportunity levels, the salary of the individual, and the share price on the three days prior to grant.	62.5%	250%	1 Jan 2014 – 31 Dec 2016
Jon Stanton	Performance shares		50%	200%	1 Jan 2014 – 31 Dec 2016

Note

1. The performance period for each LTIP award is based on calendar years. The TSR performance measure is calculated over calendar years. The EPS and ROCE measures are calculated over the relevant financial periods.

In all cases, awards will only vest subject to the achievement of the performance conditions and if the Committee determines that the underlying performance of the Company is sufficient to justify the vesting of the awards.

REMUNERATION REPORT Continued

The three performance measures for the 2014 award apply in equal weighting and their performance targets are:

TSR		EPS		ROCE	
Relative TSR growth against comparator group	Percentage of TSR proportion vesting	EPS growth per annum	Percentage of EPS proportion vesting	Improvement in average ROCE per annum	Percentage of ROCE proportion vesting
Upper quintile	100%	11%	100%	4%	100%
Median	25%	5%	25%	0.5%	25%
Below median	0%	Less than 5%	0%	Less than 0.5%	0%

The TSR comparator group for the 2014 LTIP grant is:

Amec PLC, Atlas Copco AB, Cameron International Corporation, Crane Company, Dover Corporation, Dresser-Rand Group Inc., Fenner PLC, FLSmidth & Co. A/S, Flowserve Corporation, FMC Corporation, IMI PLC, ITT Corporation, Joy Global Inc., Melrose Industries PLC, Metso Corporation, Outotec Oyj, Rotork PLC, Sandvik AB, Smiths Group PLC, Spirax-Sarco Engineering Plc, SPX Corporation, Sulzer Ltd, Vesuvius Plc, and John Wood Group PLC.

Implementation of Non-Executive Directors' remuneration policy

Annual fees for 2014

The implementation of the Non-Executive Director policy is in line with the disclosed policy on page 94 of this report. The fees per annum for Non-Executive Directors are set out in the table below.

	2014 fees £	2013 fees £	Percentage change
Chairman	275,000	275,000	0%
Non-Executive Directors' base fee	55,000	55,000	0%
Additional fee for Senior Independent Director	10,000	10,000	0%
Additional fee for Audit Committee Chairman	10,000	10,000	0%
Additional fee for Remuneration Committee Chairman	10,000	10,000	0%
Additional fee for Deputy Chairman	–	10,000	–

Fees are effective from 1 April each year. Additional allowances are made available to Non-Executive Directors, where appropriate, to reflect the additional time commitment in attending intercontinental Board meetings and operational visits.

Single total figure of remuneration for Non-Executive Directors and the Chairman

Details of the remuneration for the 53 weeks ended 3 January 2014 and the 52 weeks ended 28 December 2012 received by the Non-Executive Directors and the Chairman who served on the Board during the 2013 financial period are set out in the table below. The table and accompanying notes are subject to audit.

	Base Fee		Other fees		Total Fees		Benefits ¹		Total	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Charles Berry ²	45,416	–	6,667	–	52,083	–	–	–	52,083	–
Alan Ferguson	53,750	50,000	10,000	10,000	63,750	60,000	–	–	63,750	60,000
Melanie Gee ³	53,750	50,000	10,000	6,452	63,750	56,452	–	–	63,750	56,452
Rick Menell	53,750	50,000	–	–	53,750	50,000	–	–	53,750	50,000
John Mogford	53,750	50,000	–	–	53,750	50,000	–	–	53,750	50,000
Lord Robertson ⁴	53,750	50,000	8,750	3,238	62,500	53,238	–	–	62,500	53,238
Lord Smith	268,750	250,000	–	–	268,750	250,000	498	498	269,248	250,498

Notes

- Benefits to Lord Smith include Group healthcare for 2012 and 2013.
- Charles Berry joined the Board as a Director on 1 March 2013. He was appointed Deputy Chairman from 1 May 2013.
- Melanie Gee became Remuneration Committee Chairman on 9 May 2012.
- Lord Robertson became Senior Independent Director on 9 May 2012.
- Mary Jo Jacobi joined the Board as a Director on 1 January 2014 and did not receive any remuneration during 2013.

Single total figure of remuneration for Executive Directors

Details of the remuneration for the 53 weeks ended 3 January 2014 and the 52 weeks ended 28 December 2012 received by the Executive Directors who served on the Board during the 2013 financial period are set out in the table below. The summary table comprises a number of key components which are set out in further detail in the relevant sections that follow. The table and accompanying notes are subject to audit.

	Fixed elements		Short term incentives		Long term incentives		Pension		Total	
	Base salary (i)		Benefits (ii)		Annual bonus (iii)		LTIP – performance shares and matching shares (iv)		Retirement Benefits (v)	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Keith Cochrane	718,750	687,500	21,656	23,001	108,750	568,584	820,417	2,084,470	–	–
Jon Stanton	435,000	415,000	18,334	14,466	44,000	227,433	351,267	659,655	–	–
									1,669,573	3,363,555
									848,601	1,316,554

Notes to the single figure of remuneration for Executive Directors table

There were no other payments made during 2012 and 2013 and no Executive Director received remuneration for external appointments during 2013.

i) Base salary

Corresponds to the amounts received during the 2013 financial year

Salary is paid monthly to Executive Directors. Salaries were last increased in April 2013 when Keith Cochrane's salary was increased from £700,000 to £725,000 and Jon Stanton's salary was increased from £420,000 to £440,000.

ii) Benefits

Corresponds to the taxable value of all benefits paid in respect of the 2013 financial year.

	Keith Cochrane 2013 £	Jon Stanton 2013 £
Life insurance cover	4,143	3,866
Car allowance	17,015	13,970
Group healthcare	498	498
	21,656	18,334

REMUNERATION REPORT Continued

iii) Short term incentives

Corresponds to the total bonus earned under the annual bonus in respect of 2013 performance and includes both the cash element (70%) and the bonus to be converted into shares with a restriction on sale (30%).

The 2013 annual bonus was based on achievement of Group Normalised Profits before Tax and Amortisation (NPBTA) (80%) and personal performance targets (20%). Executive Directors' 2013 performance was assessed relative to both the financial targets and other performance considerations further outlined below.

2013 performance measures for Executive Directors

Financial KPI – NPBTA		2013 performance required £m	Actual performance £m	Maximum payout achievable as percentage of total bonus opportunity	Payout as a percentage of maximum
Based on the achievement of NPBTA targets measured over the financial period ¹ .	Threshold	425	418	80%	0%
	Target	463			
	Stretch	503			

Individual performance		Maximum payout achievable as percentage of total bonus opportunity	Actual payout as a percentage of total bonus opportunity
Individual performance objectives are robustly set and are customised for each individual. All objectives are measurable and are objectively determined. Individual objectives for 2013 were built around the Company's key performance indicators. Objectives covered areas such as strategic growth of the Company, innovation, working capital, stakeholder engagement and organisational capability.		20%	Keith Cochrane: 10%
			Jon Stanton: 10%

Note

- The performance measure is Normalised Profit before Tax and Amortisation (NPBTA) as disclosed in the Group's financial reporting for the relevant financial year. The targets are set before the start of the period and are subsequently adjusted at the end of the period to ensure comparability. The adjustments are approved by the Remuneration Committee and include restating targets on a constant currency basis and updating the targets to reflect the expected performance of acquisitions and disposals of a size requiring Board approval made in the year.

2013 short term incentive awards

Based on the outcome of 2013 performance as outlined above, the Committee approved the following annual bonus awards under the Executive Bonus Scheme to Executive Directors:

Executive Director	Award ¹ £	Percentage of salary ²	Percentage of maximum opportunity
Keith Cochrane	108,750	15%	10%
Jon Stanton	44,000	10%	10%

Notes

- Includes 30% conversion into shares with restriction on sale over three years.
- Bonus percentage is based on salary as at 31 December in the relevant financial year.
- Bonus to be paid in March 2014.

iv) Long term incentives

The value represents an estimate of the market value of the 2011 performance and matching share awards at year end.

In accordance with the Regulations, the single total remuneration figure for 2013 includes the value of the performance and matching shares made under the 2011 LTIP Award, with a performance period from 1 January 2011 to 31 December 2013. These awards are due to vest in March 2014. The 2013 values will be restated next year once the share price at date of vesting is known. Prior year calculations are based on the share price at date of vesting.

The Committee reserves the right to make adjustments to the performance conditions to reflect significant one-off items which occur during the performance period.

LTIP awards vesting in 2014

The 2011 performance share and matching share awards for Keith Cochrane and Jon Stanton will vest on 17 March 2014. The table below sets out a summary of the performance conditions, performance against these conditions as well as the resulting gross vesting value using the share price over Q4 of 2013 in accordance with the Regulations. No discretion was exercised in respect of the awards.

2011 performance share awards	Performance conditions and targets set	Maximum potential value	Maximum number of shares granted	Performance metrics, weighting and period and method of determining performance	Resulting vesting £
Keith Cochrane	Performance conditions set out on page 107.	Shares with value of 100% of salary on the date of grant.	41,481	Overall level of vesting 42.8%.	409,227
Jon Stanton	Performance period of three years ended on 31 December 2013 with vesting on 17 March 2014.		25,526	50% of award is based on EPS growth. Actual EPS growth was 13.45% p.a. resulting in 85.5% vesting ¹ .	251,824
2011 matching share awards				50% of award is based on TSR growth. Actual TSR growth was 38%, corresponding to below median performance relative to peers between January 2011 and December 2013, resulting in 0% vesting.	Resulting vesting £
Keith Cochrane	Performance conditions set out on page 107.	Shares with value of 200% of compulsory and voluntary deferred annual bonus on the date of grant, subject to continued employment and retention of compulsory investment shares and voluntary investment shares where applicable.	41,680		411,190
Jon Stanton	Performance period of three years ended on 31 December 2013 with vesting on 17 March 2014.		10,080	Dividend equivalents are paid on vested shares based on dividend payments over the performance period. Dividend equivalents will be delivered in shares.	99,443

Note

1. The EPS outcome has been adjusted to remove the impact of IAS19R on the 2013 result to ensure a consistent measurement basis across the performance period.

Share price at vesting was estimated as the average of the Company's share price over the last financial quarter of 2013, giving the price £21.97. The vesting total includes dividend equivalents of 100.8p per share, being the dividends paid between the date of award and the date of vesting. Of the total vesting value, the value of dividend equivalents for Keith Cochrane's awards is £38,440 and for Jon Stanton's awards is £16,459.

Note that compulsory and voluntary investment shares will also be released in 2014 to individuals alongside the matching awards. The number of shares expected to be released in 2014 is 16,847 for Keith Cochrane and 5,040 for Jon Stanton. The compulsory investment shares also have the right to receive dividend equivalents in the form of shares to the value of 100.8p per share at the date of vesting. The value of these shares does not form part of the Single Total Figure Table as they have not been subject to performance measures since they were granted.

v) Retirement benefits

Represents the cash value of the total Company contributions towards retirement benefit provision. The Group made no specific provision for Executive Director pensions in 2012 and 2013.

REMUNERATION REPORT

Continued

Scheme interests awarded during 2013

The following table sets out the interests of the Executive Directors in the Company's share schemes, comprising awards of performance and matching shares and compulsory investment shares under the LTIP, which were awarded during the 53 weeks ended 3 January 2014. The closing market price of the Company's ordinary shares at 3 January 2014 was £21.09 and the range during the year was £18.33 to £24.90. The table and accompanying notes are subject to audit.

2013 LTIP awards	Award type	Type of interest awarded	Date of award	Share price on date of award pence	Basis of award	Number of shares awarded	Face value of award at threshold vesting £	Face value of award at maximum vesting £	Date of vesting	Performance period
Keith Cochrane	Performance and matching	Nil cost options	11 Mar 13	2,474	100% salary plus 200% of compulsory investment shares	44,313	274,076	1,096,304	11 Mar 16	1 Jan 13 – 31 Dec 15
	Compulsory investment	Nil cost options	11 Mar 13	2,474	30% of bonus	7,090	175,407	175,407	11 Mar 16	–
Jon Stanton	Performance and matching	Nil cost options	11 Mar 13	2,474	100% salary plus 200% of compulsory investment shares	23,960	148,193	592,770	11 Mar 16	1 Jan 13 – 31 Dec 15
	Compulsory investment	Nil cost options	11 Mar 13	2,474	30% of bonus	2,836	70,163	70,163	11 Mar 16	–

Notes

- The figures shown for performance and matching share awards are maximum entitlements and the actual number of shares (if any) which vest will depend on the performance conditions being achieved as set out on page 107. Threshold vesting equals 25% vesting. Maximum vesting equals 100% vesting. No performance and matching shares will vest for below-threshold performance.
- The performance period for each LTIP award is based on calendar years. The TSR performance measure is calculated over calendar years. The EPS measure is calculated over financial periods.
- The face value of the award is based on the share price. The exercise price for performance and matching shares and for compulsory investment shares is zero.
- Keith Cochrane and Jon Stanton did not elect to voluntarily defer any additional portion of their bonus in respect of 2012.
- No additional shares were granted other than at the date of award set out above.

Performance conditions for the LTIP

	2011		2012		2013	
TSR						
Weighting	50%		50%		50%	
Target structure	Relative TSR Growth against comparator group	Percentage of the TSR portion of the award that vests	Relative TSR Growth against comparator group	Percentage of the TSR portion of the award that vests	Relative TSR Growth against comparator group	Percentage of the TSR portion of the award that vests
Maximum performance	Upper quintile	100%	Upper quintile	100%	Upper quintile	100%
Threshold performance	Median	25%	Median	25%	Median	25%
Below threshold performance	Below median	0%	Below median	0%	Below median	0%
Comparator group	AMEC ² , Cameron, Crane, Dover, Dresser Rand, FL Smidth, Flowserve, FMC, Halma, IMI, Joy Global, Meggitt, Melrose, Metso, Outotec, Rotork, Smiths Group, Spirax Sarco, SPX, Sulzer, Vesuvius ³ , Wood Group		AMEC ² , Cameron, Crane, Dover, Dresser Rand, FL Smidth, Flowserve, FMC, Halma, IMI, Joy Global, Meggitt, Melrose, Metso, Outotec, Rotork, Smiths Group, Spirax Sarco, SPX, Sulzer, Vesuvius ³ , Wood Group		AMEC ² , Cameron, Crane, Dover, Dresser Rand, Fenner, FL Smidth, Flowserve, FMC, Forum Energy ⁴ , Halma, IMI, Joy Global, Meggitt, Melrose, Metso, Outotec, Rotork, Smiths Group, Spirax Sarco, SPX, Sulzer, Vesuvius ³ , Wood Group	
Growth in EPS ¹						
Weighting	50%		50%		50%	
Target structure	EPS growth per annum	Percentage of EPS portion of the award that vests	EPS growth per annum	Percentage of EPS portion of the award that vests	EPS growth per annum	Percentage of EPS portion of the award that vests
Maximum performance	15%	100%	15%	100%	11%	100%
Threshold performance	7%	25%	7%	25%	5%	25%
Below threshold performance	Less than 7%	0%	Less than 7%	0%	Less than 5%	0%
Performance periods	Single three year performance period for both elements		Single three year performance period for both elements		Single three year performance period for both elements	

Notes

- Adjusted to exclude intangibles, amortisation and exceptional items.
- Charter plc was acquired during 2011 and has been replaced by AMEC in the comparator group.
- Cookson Group demerged on 1 November 2012, with the new company Alent Plc being separated from the rest of the business, which has been renamed Vesuvius Plc. Vesuvius Plc will succeed Cookson Group in the comparator group.
- Gardner Denver was acquired and delisted in 2013. It has been removed from the 2011 and 2012 comparator groups and replaced by Forum Energy Technologies in the 2013 comparator group.
- Lufkin was acquired during 2013 and has been removed from the 2011, 2012 and 2013 comparator groups.

REMUNERATION REPORT Continued

Directors' shareholding and share interests

The Committee believes that employee share ownership is an important means to support long term commitment to the Company and the alignment of employee interests with those of shareholders.

The interests of the Executive Directors and other senior executives are closely aligned with those of shareholders in this regard through the operation of the Company's LTIP and the conversion into shares with restriction on sale of 30% of the annual bonus award for a period of three years. These remuneration elements constitute a significant proportion of individual remuneration packages.

Subject to shareholder approval at the 2014 AGM, the shareholding guidelines will apply as outlined in the policy table on page 93. Until then, the current practice of encouraging Executive Directors to build up a shareholding in the Company of 100% of base salary over a five year period will continue to apply. All shares beneficially owned by an Executive Director count towards achieving these guidelines. There is no shareholding requirement for Non-Executive Directors.

Current shareholding levels for Directors are set out in the table below.

Summary of awards

Summary of total number of interests in shares in the Company and scheme interests as at 3 January 2014

The table and accompanying notes are subject to audit.

	Security type	Interests in shares in the Company as at 3 January 2014		Scheme interests as at 3 January 2014		Scheme interests vested and exercised in 2013 (2010 grant) ¹		Total shares contributing to shareholding guidelines (% of 2013 salary)	Proposed shareholding guidelines (% of 2014 salary)
		Total shares	Total shares (% of 2013 salary)	Total performance shares and matching shares (options with performance conditions) ⁷	Total compulsory investment shares (options without performance conditions)	Total performance shares and matching shares (options with performance conditions)	Total compulsory investment shares (options without performance conditions)		
Keith Cochrane	Shares	257,788	750%	211,000	35,275	84,838	10,181	750%	200%
Jon Stanton	Shares	18,975	91%	93,465	14,039	30,204	–	91%	150%
Charles Berry	Shares	2,000	–	–	–	–	–	–	–
Alan Ferguson	Shares	2,730	–	–	–	–	–	–	–
Melanie Gee	Shares	2,500	–	–	–	–	–	–	–
Mary Jo Jacobi	Shares	–	–	–	–	–	–	–	–
Rick Menell	Shares	1,000	–	–	–	–	–	–	–
John Mogford	Shares	11,481	–	–	–	–	–	–	–
Lord Robertson	Shares	10,650	–	–	–	–	–	–	–
Lord Smith	Shares	163,400	–	–	–	–	–	–	–

Notes

- On 15 March 2013, the 2010 Award under the LTIP for Keith Cochrane vested in full and on 9 August 2013, the 2010 Award under the LTIP for Jon Stanton vested in full. As a result they exercised their awards as set out above, selling 44,914 shares and 14,229 shares respectively to pay the relevant tax and national insurance and retaining the balance. The market price at date of vesting was 2.457p and 2.184p respectively. Options exercised in 2013 had zero exercise price.
- Awards under the LTIP take the form of nil cost options and have no performance retesting facility.
- The share awards granted in 2011 onwards have a right to receive dividend equivalents in the form of shares payable at vesting.
- No Director had, during or at the end of the year, any material interest in any contract of any significance in relation to the Group's business, in any debenture stocks of the Company, or in the share capital or debenture or loan stocks of any subsidiary.
- No shares lapsed or did not vest during the year.
- There are no unexercised vested options held by Executive Directors.
- All scheme interests outstanding or vesting in the year were share options rather than shares.
- Total shares as a percentage of salary is based on salary as of 31 December in the relevant financial year and on the market price of the Company's ordinary shares at the financial period end. For 2013, the closing market price at 3 January 2014 was £21.09.
- There have been no changes to Directors' interests between 3 January 2014 and 26 February 2014.

Performance graph and table

The graph below shows the total shareholder return (TSR) for The Weir Group PLC, the FTSE 100 Index and the 2013 LTIP Comparator Group over the five year period ending 31 December 2013. This is compared with the total vested and received remuneration for the Chief Executive over the same period.

The Company considers that these are the most relevant indices for a comparison of total shareholder return.

Remuneration history for Chief Executive between 2009 and 2013

	Mark Selway	Keith Cochrane				
	2009 ¹	2009 ²	2010	2011	2012	2013
Fixed elements	£662,077	£95,384	£572,146	£646,645	£710,501	£740,406
Bonus (percentage of maximum)	83.7%	83.7%	100.0%	100.0%	54.0%	10.0%
Performance shares and matching shares (percentage of maximum)	100.0%	100.0%	100.0%	100.0%	100.0%	42.8%
Total remuneration	£2,237,201	£217,746	£2,913,022	£4,728,338	£3,363,555	£1,669,573

Notes

1. 2009 remuneration relates to the ten months Mark Selway was Chief Executive until his resignation in November 2009.
2. 2009 remuneration relates to the two months Keith Cochrane was Chief Executive from November 2009.

Total remuneration is calculated on the same basis as the 2013 remuneration summary in the Single total figure of remuneration for Executive Directors table on page 103. In particular, this includes the value of performance shares and matching shares that vest following the end of each financial year, including dividends equivalents where appropriate. For 2013, the value of the share awards is estimated based on the average share price in the last financial quarter. This will be restated next year once the share price at date of vesting is known. Prior year calculations are based on the share price at date of vesting.

Percentage change in Chief Executive remuneration

Excluding long term incentives, the percentage change in remuneration for the Chief Executive between the 52 weeks ended 28 December 2012 and the 53 weeks ended 3 January 2014 is detailed below. The change in remuneration for UK employees for the same period is also provided.

	Chief Executive percentage change	UK Employees percentage change
Salary & fees	4.5%	4.0%
Taxable benefits	-5.8%	-5.7%
Bonus	-80.9%	-79.0%

REMUNERATION REPORT Continued

For the purposes of this section, remuneration has been calculated in accordance with the Regulations which includes salary, fees, taxable benefits (including emoluments) and certain performance-related pay for the relevant financial year (primarily bonuses but excluding long term incentives). Pension and retirement benefits are not included. To help minimise distortions in the data, the UK employee remuneration figures have been prepared on the basis of full-time, permanent employees who were employed by Weir companies whose principal reporting currency was pounds Sterling during 2012 and 2013. Following the sale of Weir LGE in December 2012, the remuneration of these employees has been removed for 2012 for comparative purposes. The Chief Executive's change in base salary reflects planned increases agreed with shareholders as part of a three-year plan.

The UK employee population has been selected as it reflects a broad sample of employees which includes Head Office employees and other individuals located in the same country as the Executive Directors.

Relative importance of spend on pay

The table below shows the expenditure of the Company on employee remuneration costs in the 2013 financial year and 2012 financial year. In addition, it details the disbursements from profit made by way of dividend payments during the same periods.

	2013 £m	2012 £m	Percentage change
Profit distributed by way of dividend	82.6	71.7	15.2%
Overall spend on pay for employees	602.0	568.4	5.9%

Details of the overall spend on pay for employees can be found in note 4 to the Financial Statements on page 135. Employees include Executive Directors but not Non-Executive Directors. The Company considers employee remuneration costs in the context of the general financial performance and position of the Company, including when determining the salary increase budget, annual bonus funding, long term incentive grant budget, and pension levels.

Total pension entitlement*

The Group made no specific provision for Executive Director pensions in 2013.

Payments to past directors*

The following payments were made to Alan Mitchelson in 2013 in relation to his outstanding 2010 LTIP Award set out in the Company's 2012 Remuneration Report:

- 49,581 Performance and Matching Shares from the 2010 LTIP Award, giving a taxable gain on exercise of £1,210,272.21, based on the closing market share price on 14 March 2013 of £24.41. Options exercised in 2013 had zero exercise price. The award vested on 15 March 2013 with a closing market share price of £24.57.
- 5,731 Compulsory Investment Shares from the 2010 LTIP Award, giving a taxable gain on exercise of £139,893.71, based on the closing market share price on 14 March 2013 of £24.41. Options exercised in 2013 had zero exercise price. The award vested on 15 March 2013 with a closing market share price of £24.57.

Further payments are due in 2014 in relation to the 2011 LTIP. These will be disclosed in the 2014 Annual Report on Remuneration.

Details of Alan Mitchelson's outstanding share awards at the date of his ceasing employment and the 2012 bonus paid in 2013 were disclosed in the Remuneration Report of the 2012 Annual Report.

Lord Smith received a gift from the Company on retirement to the value of £7,058, on which tax and national insurance contributions were also paid.

Payments for loss of office*

No payments were made for loss of office during the year.

Audited.

Consideration by the Directors of matters relating to Directors' remuneration

Terms of reference

To ensure reward arrangements support the Company's philosophy, strategy and culture, the Committee reviews compensation and benefit plans for the Executive Directors, senior leadership, and the broader employee population. In December 2013, the Committee reviewed its terms of reference. The annual performance of the Remuneration Committee was evaluated as part of the Board evaluation in December 2013 and it was concluded that the Board and all its Committees were functioning strongly in accordance with good corporate governance.

More details of the Board evaluation can be found on pages 74 and 75. The Terms of Reference of the Committee are available on the Company's website.

Remuneration Committee membership and attendance

Current members		Name	Attendance
Melanie Gee (Chairman)		Charles Berry ²	5 of 5
Mary Jo Jacobi ¹		Melanie Gee	7 of 7
Rick Menell		Rick Menell	6 of 7
Lord Robertson		Lord Robertson	7 of 7
Remuneration Committee attendees			
Lord Smith	Group Chairman during 2013	Attends by invitation	
Keith Cochrane	Chief Executive	Attends by invitation	
Keith Ruddock	Group Counsel & Company Secretary	Attends as secretary to the Committee	
Pauline Lafferty	Director of Human Resources	Attends by invitation	
Pricewaterhouse Coopers LLP		Attends as adviser to the Committee	

Notes

1. Mary Jo Jacobi was appointed to the Committee on 21 January 2014.
2. Charles Berry was appointed to the Committee on 1 March 2013 and resigned from the Committee on 31 December 2013.

There were seven meetings held during the 53 weeks to 3 January 2014, and the attendance of the individual members of the Committee during that period is detailed in the table above. All members of the Committee are considered to be independent Non-Executive Directors and no Director plays a part in the determination of their own remuneration. Executive Directors and senior management attend committee meetings at the invitation of the Committee Chairman. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters decided by the Committee.

Remuneration Committee activities in 2013

In 2013, the Committee discussed the key agenda items set out in the following table:

Date	Agenda items
January	Approval of Group Executive bonus payments; noting of remuneration of the Group Executive; approval of bonus measures and targets for year; approval of changes to LTIP comparator group; and review of final draft of the 2012 Directors' Remuneration Report.
February	Noting of bonus payments to be paid to senior executives; approval of LTIP vesting in respect of 2010; approval of participants and performance conditions of the 2013 LTIP award; and finalisation of the 2012 Director's Remuneration Report.
June	Consideration of update on the strategic review of remuneration.
July	Approval of LTIP grants for new joiners; approval of changes to the LTIP comparator groups; and consideration of the strategic remuneration review proposals for 2014.
September	Consideration of updated proposals under the strategic remuneration review and discussion on Remuneration Committee advisor performance.
October	Approval of final proposals for 2014 remuneration structure; consideration of interim updates of bonus and LTIP performance; review of internal operating guidelines for incentives; and review of pension proposals under auto-enrolment.
December	Consideration of shareholder feedback to strategic remuneration review; approval of proposed 2014 LTIP performance targets and proposed measures and targets for the 2014 annual bonus plan; review of salaries for Executive Directors for 2014 and initial proposals for the wider Group; review of the Remuneration Committee Terms of Reference and review of the 2014 calendar for the Remuneration Committee.

REMUNERATION REPORT Continued

Advisors

In discharging its responsibilities in 2013, the Committee was materially assisted by the Director of Human Resources and the Company Secretary.

PricewaterhouseCoopers LLP (PwC) was appointed following a review of providers by the Committee in 2011 and continued to serve as independent external advisor to the Committee. Fees paid to PwC in relation to remuneration services provided to the Committee in 2013 totalled £108,000. This included advice on remuneration policy and practice as well as guidance to the Committee on corporate governance trends and best practice. PwC is a signatory to the Remuneration Consultants' Group Voluntary Code of Conduct.

The Committee recognises the need to obtain independent advice and given that PwC provides additional services to the Group, the Remuneration Chairman has discussed this with PwC and management. The Committee is confident that any potential conflicts are managed appropriately by the Company and PwC. For information, the additional services provided by PwC include advice on pension schemes, taxation, company secretariat services and global mobility services. PwC also provided internal audit services, advice in relation to working capital management, and provided due diligence and corporate finance advice in relation to acquisitions.

Statement on voting

The Company is committed to maintaining an open shareholder dialogue and takes an active interest in voting outcomes. In the event of a substantial vote against the Directors' Remuneration Report, the Company would seek to understand the reasons for any such vote and would set out in the following Annual Report actions implemented in response.

At the Company's last Annual General Meeting on 1 May 2013, the resolution to approve the Directors' Remuneration Report as contained in the Annual Report and Financial Statements 2012 was supported as follows:

Voting outcome

	Votes for	Percentage	Votes against	Percentage	Votes total	Votes withheld
2012 Directors' Remuneration Report	133,236,019	96.81%	4,389,417	3.19%	137,625,436	1,645,175

On behalf of the Board of Directors

Melanie Gee
Chairman of the Remuneration Committee
26 February 2014

OTHER STATUTORY INFORMATION

2014 Annual General Meeting

The Annual General Meeting will be held at 2.30pm on Thursday 1 May 2014 at the Radisson Blu Hotel, Argyle Street, Glasgow. The Notice of Meeting along with an explanation of the proposed resolutions are set out in a separate circular to shareholders which accompanies this Annual Report and can be downloaded from the Company's website.

Notice of the AGM is sent to shareholders at least 20 working days before the meeting. The Company conducts the vote at the AGM by electronic poll and the result of the votes, including proxies, is published on the Company's website after the meeting.

Dividend

The Directors have recommended a final dividend of 33.2p per share for the 53 weeks ended 3 January 2014. Payment of this dividend is subject to shareholder approval at the 2014 AGM.

Substantial shareholders

At 3 January 2014, the Company had been notified in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules that the following held, or were beneficially interested in, 3% or more of the Company's issued share capital.

Shareholder	Number of shares	Percentage of issued share capital
Aberdeen Asset Managers Ltd	10,797,589	5.07%
AXA	10,637,959	4.99%
Legal & General	9,978,391	4.70%
Norges Bank	8,503,919	3.99%

No changes have been disclosed to the Company between 3 January 2014 and 26 February 2014. Since this date, the interest of any shareholder listed above may have increased or decreased. No requirement to notify the Company of any increase or decrease would have arisen unless the holding moved up or down through a whole number percentage level. The percentage level may increase (if the Company cancelled shares pursuant to the power to purchase its own shares) or decrease (on the issue of new shares under the LTIP).

Material contracts

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

Employment policy and involvement

The average number of employees in the Group during the period is given in note 4 to the Group financial statements on page 135.

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

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

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

Further details of the Group's employment policies and involvement are detailed in the Sustainability Review on pages 56 to 57.

Greenhouse gas emissions

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Company is responsible, including the combustion of fuel and the operation of any facility. The Group's global greenhouse gas (GHG) emissions for 2013 and related disclosures required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 are contained in the Sustainability Review on pages 50 to 53 and form part of the Directors' Report disclosures.

Financial instruments

The information required in respect of financial instruments as required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 is given in note 30 to the Group financial statements on page 165 to 173.

OTHER STATUTORY INFORMATION

Continued

Share capital and rights attaching to the Company's shares

Details of the issued share capital of the Company, which comprises a single class of shares, ordinary shares of 12.5p each, are set out in note 25 to the Group financial statements on page 159. The rights attaching to the shares are set out in the Company's Articles of Association. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Weir Group has two employee benefit trusts: one with the trustees Kleinwort Benson (Guernsey) Trustees Limited (the 'Kleinwort EBT') and one with the trustees Appleby Trust (Jersey) Limited (the 'Appleby EBT').

During the period, the 2010 LTIP award vested and the trustees of the Kleinwort EBT transferred 24,528 ordinary shares to employees to satisfy the LTIP awards using ordinary shares purchased by the Kleinwort EBT in the market. A further 382,450 ordinary shares were transferred out of treasury to satisfy awards under the LTIP. In addition, a total of 259,159 ordinary shares, with an aggregate value of £32,394.88, were allotted during the period in connection with the Company's LTIP.

Both EBTs have agreed to waive any right to all dividend payments on shares held by them, with the exception of shares held in respect of awards which have a dividend entitlement. Details of the shares held by the EBTs are set out in note 25 to the Group financial statements on page 159. The Kleinwort EBT holds, through its account nominee K.B. (CI) Nominees Limited, 0.04% of the issued share capital of the Company, as at 3 January 2014, in trust for the benefit of certain Executive Directors and senior executives of the Group. The Appleby EBT holds, through account nominee Forest Nominees Limited, 0.12% of the issued share capital of the Company as at 3 January 2014. 0.04% of this is held in trust for the benefit of certain senior executives of the Group, and 0.08% is held in trust on behalf of the Company for satisfaction of any future vesting of the Weir Group Deferred Bonus Plan. With the exception of the shares held for the benefit of certain senior executives, the voting rights in relation to these shares are exercised by the trustees. The EBTs may vote or abstain from voting with the shares or accept or reject any offer relating to shares, in any way they see fit, without incurring any liability and without being required to give reasons for their decision.

Repurchase of shares

At the 2013 Annual General Meeting, shareholders renewed the Company's authority to make market purchases of up to 21.12m ordinary shares (representing approximately 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the 53 weeks ended 3 January 2014 and at the forthcoming Annual General Meeting, the Board will again seek shareholder approval to renew the annual authority for the Company to make market purchases.

Voting rights

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

The Articles of Association may only be amended by a special resolution passed at a general meeting of shareholders.

Transfer of shares

There are no restrictions on the transfer of ordinary shares in the Company, other than as contained in the Articles of Association:

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

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

Appointment and replacement of Directors

The provisions about the appointment and re-election of Directors of the Company are contained in the Articles of Association.

Powers of Directors

The business of the Company is managed by the Directors who may exercise all the powers of the Company, subject to the provisions of the Company's Articles of Association, any special resolution of the Company and any relevant legislation.

Directors' indemnities

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

Change of control – significant agreements

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

The Group has in place a five year US\$800m multi-currency revolving credit facility with a syndicate of 12 banks due to mature in July 2018. Under the terms of this agreement, if there is a change of control of the Company any lender may request, by not less than 30 days' notice to the Company, that its commitment be cancelled and all outstanding amounts be repaid to that lender at the expiry of such notice period.

The Company has in issue fixed rate private placement notes with a range of maturities: US\$90m at an interest rate of 4.2% due on 11 January 2015, £12m at an interest rate of 4.58% due on 11 January 2015, US\$70m at an interest rate of 5.03% due on 11 January 2018, £43m at an interest rate of 5.36% due on 11 January 2018, US\$210m at an interest rate of 3.69% due on 16 February 2019, US\$590m at an interest rate of 4.27% due on 16 February 2022 and US\$200m at an interest rate of 4.34% due on 16 February 2023. Under the terms of the applicable note purchase agreements, if there is a change of control of the Company, the notes must be offered for prepayment by the Company within seven days of the change of control. The prepayment date would be no later than 60 days after the offer of prepayment by the Company.

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

Management report

The Strategic Report and the Directors' Report constitute the management report as required under the Disclosure and Transparency Rule 4.1.5R.

Directors' Report disclosures contained in the Strategic Report

The Company has chosen to disclose the following information in the Strategic Report on pages 1 to 63:

- Particulars of any important events, if any, affecting the Company which have occurred since the end of the financial year.
- An indication of likely future developments in the business of the Company.
- An indication of the activities of the Company in the field of research and development.

Confirmations

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

Each of the Directors has taken all of the steps that he or she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the Directors have reviewed the Group's budgets, plans and cash flow forecasts, including market downturn sensitivities. In addition, the Directors have considered the potential impact of credit risk and liquidity risk detailed in note 30 to the Group financial statements on pages 165 to 173. Each of these items has been considered in relation to the Group's banking facilities described in note 20 on pages 150 and 151.

The Directors' Report, covering pages 64 to 116 of the Annual Report and Financial Statements 2013 has been approved by the Board of Directors in accordance with the Companies Act 2006.

On behalf of the Board of Directors

Keith Ruddock
Company Secretary
26 February 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

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

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

Each of the Directors, as at the date of this report, confirms to the best of their knowledge that:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Strategic Report and the Director's Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board of Directors

Charles Berry
Chairman
26 February 2014

Keith Cochrane
Chief Executive
26 February 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE WEIR GROUP PLC

We have audited the Group financial statements of The Weir Group PLC for the 53 weeks ended 3 January 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 116, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

- give a true and fair view of the state of the Group's affairs as at 3 January 2014 and of its profit for the 53 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- acquisition accounting, focussing on the fair value adjustments made on the 2013 acquisition of Mathena Inc;
- the assessment of the valuation applied to contingent consideration, focussing on the consideration related to the 2013 acquisition of Mathena Inc;
- valuation of inventory, focussing on the excess and obsolescence risk associated with the North American Oil and Gas pressure pumping businesses;
- the carrying value of goodwill and intangible assets, focussing on the reassessment and disclosure of the change in CGUs applied during the year and the carrying values of intangibles related to the renewables businesses;
- adequacy of the Group's liability provisioning, including those relating to legal or regulatory obligations;
- the Group's exposure to significant tax risks and the level of provisions recognised, given the estimation uncertainty in respect of settlements with tax authorities around the world; and
- the risk of fraud and management override of internal controls, specifically in relation to revenue and profit recognition on significant construction contracts across the Group.

Our application of materiality

We set certain thresholds for materiality. These provide a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

Based on our professional judgement, we determined materiality for the Group to be £20m (2012: £20m), which is below 5% of forecast profit before tax from continuing operations.

We agreed with the Audit Committee that we would report to the Committee all individual unadjusted audit differences and significant judgemental items which either affect the Income Statement in excess of £0.5m (2012: £0.5m), or the Balance Sheet in excess of £2m (2012: £2m), as well as differences below that threshold that, in our professional judgement, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Following our assessment of the risk of material misstatement to the Group financial statements, we selected twenty one (2012: nineteen) locations which represent the principal business units within the Group's three reportable segments and account for 69% (2012: 70%) of the revenue, 73% (2012: 77%) of the profit before tax from continuing operations and 75% (2012: 72%) of the net assets. Three (2012: two) of these were subject to a full audit, whilst the remaining eighteen (2012: seventeen) were subject to a partial audit where the extent of audit work was based on our assessment of the risks of material misstatement and of the materiality of the Group's business operations at those locations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE WEIR GROUP PLC Continued

The audit work at the twenty one locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

In addition, certain central reporting entities and Group functions including those covering treasury, taxation, pensions and the Parent Company were subject to a full scope audit. For the remaining locations, we performed other procedures to confirm there were no significant risks of material misstatement in the Group financial statements.

The Group audit team continued to follow a programme of planned visits and video-conferencing that has been designed to ensure that the Senior Statutory Auditor or his designate visits those locations with greatest exposure to the risks of material misstatements noted above.

Our response to the risks of material misstatement identified above included the following procedures:

Acquisition accounting

- For the acquisition of Mathena Inc in the year, we reviewed the purchase contracts to understand key terms and conditions, reviewed due diligence accounting checklists prepared by management or their independent advisors and the disclosures proposed for the financial statements.
- We challenged management's assumptions in their assessment of the acquisition fair values of other assets and liabilities, focussing on the adjustments to provisions, properties and taxation.
- We engaged valuation specialists to challenge the key judgements and models applied in the recognition and measurement of separately identifiable intangible assets.

The fair valuation assessment of contingent consideration

- We obtained and reviewed the purchase contracts for the Mathena Inc acquisition, along with current and forecasted operating results for that entity.
- We challenged management's current fair valuation assessment of the contingent consideration balance, and considered any impact on the carrying value of related goodwill or intangible balances.
- We reviewed the presentation and disclosure within the financial statements of the contingent consideration balance and the adjustments made during the year.

Valuation of inventory

- Focussing on the North American Oil and Gas pressure pumping business, we performed an aged analysis of the inventory, comparing specific inventory lines against market activity as well as current and forecast sales to identify excess or obsolete inventory exposures.
- We also considered the application of the inventory provisioning accounting policy, including challenging the appropriateness of assumptions made by management, through comparison of the provisioning made at a local and Group level against our analysis of excess or obsolete inventory.

The carrying value of goodwill and intangible assets

- We challenged management's impairment testing of intangible assets including projected cash flows and perpetuity rates and sensitivities performed, and engaged our valuations specialists to review the discount rate assumptions. We considered potential indicators of impairment for each Group entity with associated intangible assets, focussing on the specific renewables businesses noted as having indicators of impairment. We considered a reasonable change in impairment assumptions to determine whether an impairment charge was required.
- We challenged management's process for reassessing the appropriateness of the CGUs during the year, and their disclosure of the basis for this change in the year.

Adequacy of the Group's liability provisioning

- We have reviewed the assumptions and methodologies applied behind specific provision calculations, and compared against our expectations. Where applicable, we have agreed projected costs against historical cost experience or supporting external evidence.
- We have discussed the status of current litigation or regulatory issues with in house legal and external lawyers throughout our audit process, reviewing correspondence with third parties and related contractual agreements.

The Group's exposure to significant tax risks

- We have utilised internal national and appropriate international taxation specialists to assist the Group team in the evaluation of the assumptions and estimates in relation to the level of provisions recognised for significant tax risks. We have considered the movements in these provisions during the period, and the closing balances against our expectations.

The risk of fraud and management override of internal controls, specifically in relation to revenue and profit recognition on significant construction contracts across the Group

- In relation to the specific risk of management override noted, we tested controls around accounting for significant construction contracts at specific locations, performed reviews of those contracts at those locations with operational management, and challenged the appropriateness of assumptions made by management following the outcome of similar assumptions made at the prior year end.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the Group's financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 115, in relation to going concern; and
- the part of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Other matter

We have reported separately on the Company financial statements of The Weir Group PLC for the 53 weeks ended 3 January 2014 and on the information in the Remuneration Report that is described as being audited.

James Nisbet (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

26 February 2014

CONSOLIDATED INCOME STATEMENT for the 53 weeks ended 3 January 2014

		53 weeks ended 3 January 2014			52 weeks ended 28 December 2012 Restated (note 2)		
		Before exceptional items & intangibles amortisation	Exceptional items & intangibles amortisation (note 5)	Total	Before exceptional items & intangibles amortisation	Exceptional items & intangibles amortisation (note 5)	Total
	Notes	£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	3	2,429.8	–	2,429.8	2,538.3	–	2,538.3
Continuing operations							
Operating profit before share of results of joint ventures		458.1	23.8	481.9	478.7	(16.5)	462.2
Share of results of joint ventures	15	8.4	–	8.4	6.4	–	6.4
Operating profit		466.5	23.8	490.3	485.1	(16.5)	468.6
Finance costs	6	(47.9)	(10.7)	(58.6)	(46.5)	(2.6)	(49.1)
Finance income	6	3.0	–	3.0	5.2	–	5.2
Other finance costs – retirement benefits	24	(3.5)	–	(3.5)	(4.0)	–	(4.0)
Profit before tax from continuing operations		418.1	13.1	431.2	439.8	(19.1)	420.7
Tax expense	7	(107.5)	12.0	(95.5)	(123.3)	12.6	(110.7)
Profit for the period from continuing operations		310.6	25.1	335.7	316.5	(6.5)	310.0
Profit for the period from discontinued operations	8	–	–	–	–	3.3	3.3
Profit for the period		310.6	25.1	335.7	316.5	(3.2)	313.3
Attributable to:							
Equity holders of the Company		309.8	25.1	334.9	316.2	(3.2)	313.0
Non-controlling interests		0.8	–	0.8	0.3	–	0.3
		310.6	25.1	335.7	316.5	(3.2)	313.3
Earnings per share							
	9						
Basic – total operations				157.2p			147.5p
Basic – continuing operations		145.4p		157.2p	149.0p		145.9p
Diluted – total operations				156.6p			146.6p
Diluted – continuing operations		144.9p		156.6p	148.1p		145.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 53 weeks ended 3 January 2014

	Notes	53 weeks ended 3 January 2014 £m	52 weeks ended 28 December 2012 Restated (note 2) £m
Profit for the period		335.7	313.3
Other comprehensive income			
Gains taken to equity on cash flow hedges		0.1	1.4
Exchange losses on translation of foreign operations		(111.3)	(84.9)
Exchange gains on net investment hedges		16.5	38.6
Reclassification adjustments on cash flow hedges		0.2	0.8
Tax relating to other comprehensive (expense) income to be reclassified in subsequent periods	7	0.3	(0.4)
Items that are or may be reclassified to profit or loss in subsequent periods		(94.2)	(44.5)
Remeasurements on defined benefit plans	24	8.0	(10.8)
Tax relating to other comprehensive income (expense) that will not be reclassified in subsequent periods	7	(2.2)	2.5
Items that will not be reclassified to profit or loss in subsequent periods		5.8	(8.3)
Net other comprehensive expense		(88.4)	(52.8)
Total net comprehensive income for the period		247.3	260.5
Attributable to:			
Equity holders of the Company		247.3	260.5
Non-controlling interests		-	-
		247.3	260.5

CONSOLIDATED BALANCE SHEET at 3 January 2014

	Notes	3 January 2014 £m	28 December 2012 £m
ASSETS			
Non-current assets			
Property, plant & equipment	11	398.7	374.0
Intangible assets	12	1,614.5	1,454.1
Investments in joint ventures	15	27.1	12.0
Deferred tax assets	23	17.2	30.4
Derivative financial instruments	30	1.1	0.8
Total non-current assets		2,058.6	1,871.3
Current assets			
Inventories	16	485.0	512.7
Trade & other receivables	17	497.1	478.2
Construction contracts	18	28.3	21.7
Derivative financial instruments	30	11.1	3.6
Income tax receivable		2.3	4.1
Cash & short-term deposits	19	79.1	391.1
Total current assets		1,102.9	1,411.4
Total assets		3,161.5	3,282.7
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	20	26.5	65.4
Trade & other payables	21	476.8	485.8
Construction contracts	18	12.1	13.7
Derivative financial instruments	30	9.6	14.7
Income tax payable		36.7	28.6
Provisions	22	28.9	36.4
Total current liabilities		590.6	644.6
Non-current liabilities			
Interest-bearing loans & borrowings	20	799.6	1,014.6
Other payables	21	22.4	26.3
Derivative financial instruments	30	0.6	0.8
Provisions	22	25.7	33.2
Deferred tax liabilities	23	165.5	162.5
Retirement benefit plan deficits	24	70.4	90.4
Total non-current liabilities		1,084.2	1,327.8
Total liabilities		1,674.8	1,972.4
NET ASSETS		1,486.7	1,310.3
CAPITAL & RESERVES			
Share capital	25	26.7	26.7
Share premium		38.0	38.0
Treasury shares		(5.8)	(5.6)
Capital redemption reserve		0.5	0.5
Foreign currency translation reserve		(57.3)	37.5
Hedge accounting reserve		0.8	0.2
Retained earnings		1,479.3	1,209.8
Shareholders equity		1,482.2	1,307.1
Non-controlling interests		4.5	3.2
TOTAL EQUITY		1,486.7	1,310.3

Approved by the Board of Directors on 26 February 2014

Keith Cochrane
Director

Jon Stanton
Director

CONSOLIDATED CASH FLOW STATEMENT for the 53 weeks ended 3 January 2014

	Notes	53 weeks ended 3 January 2014 £m	52 weeks ended 28 December 2012 £m
Continuing operations			
Cash flows from operating activities	26		
Cash generated from operations		473.9	398.6
Additional pension contributions paid		(12.1)	(7.5)
Income tax paid		(71.9)	(104.9)
Net cash generated from operating activities		389.9	286.2
Continuing operations			
Cash flows from investing activities			
Acquisitions of subsidiaries	26	(201.2)	(123.3)
Disposals of subsidiaries	26	(0.3)	22.9
Investment in joint ventures		(14.0)	–
Purchases of property, plant & equipment & intangible assets		(108.4)	(123.6)
Other proceeds from sale of property, plant & equipment & intangible assets		11.1	7.3
Interest received		2.8	5.1
Dividends received from joint ventures		6.1	5.4
Net cash used in investing activities		(303.9)	(206.2)
Continuing operations			
Cash flows from financing activities			
Purchase of shares for equity settled share-based incentives		(2.2)	(3.0)
Proceeds from borrowings		312.5	786.9
Repayments of borrowings		(572.0)	(462.5)
Settlement of external debt of subsidiary on acquisition	26	(1.3)	(1.9)
Settlement of derivative financial instruments		(5.0)	(11.0)
Interest paid		(43.3)	(33.4)
Proceeds from increase in non-controlling interests		0.6	1.0
Dividends paid to equity holders of the Company	10	(82.6)	(71.7)
Net cash (used in) generated from financing activities		(393.3)	204.4
Net (decrease) increase in cash & cash equivalents from continuing operations		(307.3)	284.4
Cash & cash equivalents at the beginning of the period		384.2	108.6
Foreign currency translation differences		(8.3)	(8.8)
Cash & cash equivalents at the end of the period	19	68.6	384.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the 53 weeks ended 3 January 2014

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Attributable to equity holders of the Company £m	Non-controlling interests £m	Total equity £m
At 30 December 2011	26.6	38.0	(5.6)	0.5	83.5	(1.6)	974.0	1,115.4	2.1	1,117.5
Profit for the period (restated note 2)	-	-	-	-	-	-	313.0	313.0	0.3	313.3
Gains taken to equity on cash flow hedges	-	-	-	-	-	1.4	-	1.4	-	1.4
Exchange losses on translation of foreign operations	-	-	-	-	(84.6)	-	-	(84.6)	(0.3)	(84.9)
Exchange gains on net investment hedges	-	-	-	-	38.6	-	-	38.6	-	38.6
Remeasurements on defined benefit plans (restated note 2)	-	-	-	-	-	-	(10.8)	(10.8)	-	(10.8)
Reclassification adjustments on cash flow hedges	-	-	-	-	-	0.8	-	0.8	-	0.8
Tax relating to other comprehensive income (restated note 2)	-	-	-	-	-	(0.4)	2.5	2.1	-	2.1
Total net comprehensive income for the period (restated note 2)	-	-	-	-	(46.0)	1.8	304.7	260.5	-	260.5
Proceeds from increase in non-controlling interests	-	-	-	-	-	-	-	-	1.1	1.1
Cost of share-based payments inclusive of tax charge	-	-	-	-	-	-	4.9	4.9	-	4.9
Dividends	-	-	-	-	-	-	(71.7)	(71.7)	-	(71.7)
Purchase of shares*	-	-	(2.0)	-	-	-	-	(2.0)	-	(2.0)
Exercise of LTIP awards	0.1	-	2.0	-	-	-	(2.1)	-	-	-
At 28 December 2012 (restated note 2)	26.7	38.0	(5.6)	0.5	37.5	0.2	1,209.8	1,307.1	3.2	1,310.3
Profit for the period	-	-	-	-	-	-	334.9	334.9	0.8	335.7
Gains taken to equity on cash flow hedges	-	-	-	-	-	0.1	-	0.1	-	0.1
Exchange losses on translation of foreign operations	-	-	-	-	(111.3)	-	-	(111.3)	-	(111.3)
Exchange gains on net investment hedges	-	-	-	-	16.5	-	-	16.5	-	16.5
Remeasurements on defined benefit plans	-	-	-	-	-	-	8.0	8.0	-	8.0
Reclassification adjustments on cash flow hedges	-	-	-	-	-	0.2	-	0.2	-	0.2
Tax relating to other comprehensive income	-	-	-	-	-	0.3	(2.2)	(1.9)	-	(1.9)
Total net comprehensive income for the period	-	-	-	-	(94.8)	0.6	340.7	246.5	0.8	247.3
Proceeds from increase in non-controlling interests	-	-	-	-	-	-	-	-	0.5	0.5
Cost of share-based payments inclusive of tax credit	-	-	-	-	-	-	12.6	12.6	-	12.6
Dividends	-	-	-	-	-	-	(82.6)	(82.6)	-	(82.6)
Purchase of shares*	-	-	(1.4)	-	-	-	-	(1.4)	-	(1.4)
Exercise of LTIP awards	-	-	1.2	-	-	-	(1.2)	-	-	-
At 3 January 2014	26.7	38.0	(5.8)	0.5	(57.3)	0.8	1,479.3	1,482.2	4.5	1,486.7

* These shares were purchased on the open market and are held by the Appleby EBT on behalf of the Group for satisfaction of any future vesting of the deferred bonus plan.

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance

The consolidated financial statements of The Weir Group PLC (the 'Company') and its subsidiaries (together, the 'Group') for the 53 weeks ended 3 January 2014 ('2013') were approved and authorised for issue in accordance with a resolution of the directors on 26 February 2014. The comparative information is presented for the 52 weeks ended 28 December 2012 ('2012'). For practical reasons, the Group prepares its financial statements to the week ending closest to the Company reference date of 31 December. The results on this basis are unlikely to be materially different from those that would be presented for a period of one year. The Weir Group PLC is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

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

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

2. Accounting policies

Basis of preparation

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

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

- i) profit before exceptional items and intangibles amortisation; and
- ii) the effect of exceptional items and intangibles amortisation.

Exceptional items are items of income and expense which, because of the nature, size and/or infrequency of the events giving rise to them, merit separate presentation to allow a better understanding of the elements of the Group's financial performance for the period and are presented on the face of the income statement to facilitate comparisons with prior periods and assessment of trends in financial performance. Exceptional items may include but are not restricted to: profits or losses arising on disposal or closure of businesses; the cost of significant business restructuring; significant impairments of intangible or tangible assets; adjustments to the fair value of acquisition related items such as contingent consideration and inventory; other items deemed exceptional due to their significance, size or nature; and the related exceptional taxation.

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

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

The accounting policies which follow are consistent with those of the previous periods except for the adoption of the following standards and interpretations which have not had a material impact on the Group's financial statements in the period of initial application.

IAS 19 (Revised), 'Employee benefits'

The Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and affected notes have been restated for the 52 weeks ended 28 December 2012, to reflect changes in the calculation of pension costs in accordance with IAS 19 (Revised) 'Employee Benefits'. The net charge to the Income Statement for the 52 weeks ended 28 December 2012 increased by £3.3m, on a pre tax basis, with a tax impact of £0.9m. Operating profit reduced by £0.5m due to the recognition of administrative costs, while other finance costs increased by £2.8m following the introduction of the concept of recognising net interest on the net defined benefit obligation in place of the interest on the defined benefit obligation and the expected return on plan assets recognised under the original standard. The restatements have been reflected in the Consolidated Statement of Comprehensive Income and there was no impact on the disclosed defined benefit obligation at 28 December 2012. The additional net charge to the income statement reduces basic earnings per share for total operations by 1.1p to 147.5p and diluted earnings per share for total operations by 1.1p to 146.6p. The impact on the current year is disclosed in note 24.

Amendment to IAS 1, 'Presentation of financial statements' – presentation of items of other comprehensive income

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

IFRS 13, 'Fair value measurement'

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The relevant disclosures are reflected in notes 13 and 30.

Several other amendments apply for the first time in 2013. However, they do not impact the Group financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS Continued

2. Accounting policies (continued)

Use of estimates & judgements

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

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

Details of the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the Financial Review on page 48 and in notes 14 and 24.

Basis of consolidation

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

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to direct activities that significantly influence returns. The results of a subsidiary acquired during the period are included in the Group's results from the effective date on which control is transferred to the Group. The results of a subsidiary sold during the period are included in the Group's results up to the effective date on which control is transferred out of the Group. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

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

Joint ventures

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

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

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

Foreign currency translation

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

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

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

In the event that a foreign operation is sold, the gain or loss on disposal recognised in the Consolidated Income Statement is determined after taking into account the cumulative currency translation differences that are attributable to the operation. As permitted by IFRS 1, the Group elected to deem cumulative currency translation differences to be £nil as at 27 December 2003. Accordingly, the gain or loss on disposal of a foreign operation does not include currency translation differences arising before 27 December 2003.

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

Revenue recognition

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

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

Property, plant & equipment

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

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

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

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

Goodwill

Business combinations are accounted for using the acquisition method.

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

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

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

Any contingent consideration 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 (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

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

Other intangible assets

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

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS Continued

2. Accounting policies (continued)

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

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

Research & development costs

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

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product and it is incurred after the technical feasibility and commercial viability of the product has been proven, the development costs can be measured reliably, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. Any such capitalised development expenditure 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, other direct costs and related production overheads. Raw material cost is generally determined on a first in, first out basis. Net realisable value is the estimated selling price less costs to complete and sell.

Financial assets & liabilities

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

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

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

Cash & cash equivalents

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

Trade payables

Trade payables are recognised and carried at original invoice amount.

Interest-bearing loans & borrowings

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

Provisions

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

Derivative financial instruments & hedge accounting

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

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates and counterparty and 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 or as a net investment hedge, to the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in other comprehensive income rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in other comprehensive income will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

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

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

Share-based payments

Equity settled share-based incentives are provided to employees under the Group's Long Term Incentive Plan (LTIP), the Executive Bonus Scheme (EBS) and as a consequence of occasional one-off conditional awards made to senior executives.

The fair value of the LTIP at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service or performance conditions.

The EBS is determined as a percentage of the annual bonus. This percentage is matched by the Group with a share award that will vest on the third anniversary of the grant date provided the individual continues to hold the original bonus shares awarded and continues to be employed by the company at the date of vesting. The EBS includes a strategic bonus shares element for a limited number of senior employees. The fair value of the matching and strategic elements of the EBS is determined at the date of grant of the bonus and the cost is recognised on a straight-line basis over the vesting period. The Group recognises a compensation cost in respect of this plan that is based on the fair value of the awards. The fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The changes to the LTIP which will take effect in 2014 are described in the Directors Remuneration Policy on page 88.

As permitted by IFRS 1, the Group has applied IFRS 2 'Share-based Payment' retrospectively only to equity settled awards that were granted on or after 7 November 2002 and had not vested as at 1 January 2005.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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2. Accounting policies (continued)

Treasury shares

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

Post-employment benefits

Post-employment benefits comprise pension benefits provided to certain current and former employees in the UK, US and Canada and post-retirement healthcare benefits provided to certain employees in the US.

For defined benefit pension and post-retirement healthcare plans, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on net pension liability is recognised in finance costs.

The finance cost recognised in the income statement in the period reflects the net interest on the net pension liability. This represents the change in the net pension liability resulting from the passage of time, and is determined by applying the discount rate to the opening net liability, taking into account employer contributions paid into the plan, and hence reducing the net liability, during the period.

Past service costs resulting from enhanced benefits are recognised immediately in the income statement. Actuarial gains and losses, which represent differences between interest on the plan assets, experience on the benefit obligation and the effect of changes in actuarial assumptions, are recognised in full in other comprehensive income in the period in which they occur.

The defined benefit liability or asset recognised in the balance sheet comprises the net total for each plan of the present value of the benefit obligation, using a discount rate based on yields at the balance sheet date on appropriate high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in the currency in which the benefits are expected to be paid, minus the fair value of the plan assets, if any, at the balance sheet date. The balance sheet amount recognised is limited to the present value of economic benefits which the Group expects to recover by way of refunds or a reduction in future contributions. In order to calculate the present value of economic benefits, consideration is also given to any minimum funding requirements.

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

Leases

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

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

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

Taxation

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

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

- 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.

New standards & interpretations

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

International Accounting Standards (IAS/IFRS)	Effective date for periods commencing
IFRS 10 'Consolidated Financial Statements'	1 January 2014
IFRS 11 'Joint Arrangements'	1 January 2014
IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2014
Amendments to IFRS 10, 11 and 12 on transition guidance	1 January 2014
IAS 27 (revised 2011) 'Separate financial statements'	1 January 2014
IAS 28 (revised 2011) 'Associates and joint ventures'	1 January 2014
Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities	1 January 2014
IAS 36 (amendment) 'Impairment of Assets', recoverable amount disclosures for non-financial assets	1 January 2014*
IAS 39 (amendment) 'Financial Instruments', novation of derivatives and continuation of hedge accounting	1 January 2014*
IFRIC 21 Levies	1 January 2014*
IAS 19 'Defined benefit plans', employee contributions	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

* Not yet adopted for use in the European Union.

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

3. Segment information

For management purposes, the Group is organised into three operating divisions: Minerals, Oil & Gas and Power & Industrial. These three divisions are organised and managed separately based on the key markets served and each is treated as an operating segment and a reportable segment under IFRS 8. The operating and reportable segments were determined based on the reports reviewed by the Chief Executive which are used to make operational decisions.

The Minerals segment is the global leader in the provision of slurry handling equipment and associated aftermarket support for abrasive high wear applications used in the mining and oil sands markets. The Oil & Gas segment provides products and service solutions to upstream, production, transportation, refining and related industries. The Power & Industrial segment designs and manufactures valves, pumps and turbines as well as providing specialist support services to the global power generation, industrial and oil and gas sectors. In prior periods, all other segments, disclosed as Group companies, included the results of LGE Process which supplied equipment to the liquefied petroleum gas marine and onshore markets. The business was sold on 28 December 2012 (note 5).

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

3. Segment information (continued)

The segment information for the reportable segments for the 53 weeks ended 3 January 2014 and the 52 weeks ended 28 December 2012 is disclosed below.

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Revenue								
Sales to external customers	1,304.3	1,333.6	795.9	843.6	329.6	323.4	2,429.8	2,500.6
Inter-segment sales	4.4	4.3	15.7	15.3	7.3	4.0	27.4	23.6
Segment revenue	1,308.7	1,337.9	811.6	858.9	336.9	327.4	2,457.2	2,524.2
Group companies sales to external customers							–	37.7
Eliminations							(27.4)	(23.6)
							2,429.8	2,538.3

Sales to external customers – 2012 at 2013 average exchange rates

Sales to external customers	1,304.3	1,307.1	795.9	856.6	329.6	325.6	2,429.8	2,489.3
Group companies sales to external customers							–	37.7
							2,429.8	2,527.0

Result (restated note 2)

Segment result before share of results of joint ventures	268.7	255.9	172.1	204.2	31.3	31.5	472.1	491.6
Share of results of joint ventures	–	–	8.4	6.4	–	–	8.4	6.4
Segment result	268.7	255.9	180.5	210.6	31.3	31.5	480.5	498.0
Group companies							–	2.5
Unallocated expenses							(14.0)	(15.4)
Operating profit before exceptional items & intangibles amortisation							466.5	485.1
Total exceptional items & intangibles amortisation							13.1	(19.1)
Net finance costs before exceptional items							(44.9)	(41.3)
Other finance costs – retirement benefits before exceptional items							(3.5)	(4.0)
Profit before tax from continuing operations							431.2	420.7

Segment result (restated note 2) – 2012 at 2013 average exchange rates

Segment result before share of results of joint ventures	268.7	253.0	172.1	207.3	31.3	31.9	472.1	492.2
Share of results of joint ventures	–	–	8.4	6.5	–	–	8.4	6.5
Segment result	268.7	253.0	180.5	213.8	31.3	31.9	480.5	498.7
Group companies							–	2.5
Unallocated expenses							(14.0)	(15.4)
Operating profit before exceptional items & intangibles amortisation							466.5	485.8

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

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Assets & liabilities								
Intangible assets	397.0	368.4	1,109.4	974.4	101.6	109.8	1,608.0	1,452.6
Property, plant & equipment	198.7	199.1	147.2	121.6	50.9	52.2	396.8	372.9
Working capital assets	449.6	485.9	390.9	365.8	176.2	167.0	1,016.7	1,018.7
	1,045.3	1,053.4	1,647.5	1,461.8	328.7	329.0	3,021.5	2,844.2
Investments in joint ventures	–	–	27.1	12.0	–	–	27.1	12.0
Segment assets	1,045.3	1,053.4	1,674.6	1,473.8	328.7	329.0	3,048.6	2,856.2
Unallocated assets							112.9	426.5
Total assets							3,161.5	3,282.7
Working capital liabilities	243.4	263.7	149.9	128.0	87.3	88.0	480.6	479.7
Group companies liabilities							–	3.4
Unallocated liabilities							1,194.2	1,489.3
Total liabilities							1,674.8	1,972.4
Other segment information								
Segment additions to non-current assets	56.6	50.4	37.6	52.3	11.1	18.6	105.3	121.3
Unallocated additions to non-current assets							6.3	2.3
Total additions to non-current assets							111.6	123.6
Segment depreciation & amortisation	35.3	31.5	54.9	42.9	14.2	10.9	104.4	85.3
Unallocated depreciation & amortisation							1.4	0.8
Total depreciation & amortisation							105.8	86.1

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

Geographical information

Geographical information in respect of revenue and non-current assets for the 53 weeks ended 3 January 2014 and the 52 weeks ended 28 December 2012 is disclosed below. Revenues are allocated based on the location to which the product is shipped. Assets are allocated based on the location of the assets and operations. Non-current assets consist of property, plant and equipment, intangible assets and investments in joint ventures.

	UK £m	USA £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
53 weeks ended 3 January 2014									
Revenue from continuing operations									
Sales to external customers	104.8	743.4	234.6	246.1	229.8	223.2	308.1	339.8	2,429.8
Non-current assets	102.8	1,251.5	58.1	141.7	180.3	157.5	50.2	98.2	2,040.3
52 weeks ended 28 December 2012									
Revenue from continuing operations									
Sales to external customers	87.7	787.1	262.5	215.4	287.9	236.0	316.3	345.4	2,538.3
Non-current assets	103.2	1,083.1	24.1	143.3	172.4	163.5	52.1	98.4	1,840.1

NOTES TO THE GROUP FINANCIAL STATEMENTS

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3. Segment information (continued)

The following disclosures are given in relation to continuing operations.

	2013 £m	2012 £m
An analysis of the Group's revenue is as follows		
Original equipment	818.8	1,039.3
Aftermarket parts	1,074.4	990.8
Sales of goods	1,893.2	2,030.1
Aftermarket services	461.4	415.7
Revenue from construction contracts	75.2	92.5
Revenue	2,429.8	2,538.3
Finance income	3.0	5.2
Total revenue	2,432.8	2,543.5

No revenue was derived from exchanges of goods or services (2012: £nil).

4. Revenues & expenses

The following disclosures are given in relation to continuing operations.

	2013 £m	2012 Restated (note 2) £m
A reconciliation of revenue to operating profit is as follows		
Revenue	2,429.8	2,538.3
Cost of sales	(1,557.2)	(1,652.2)
Gross profit	872.6	886.1
Other operating income*	70.8	35.2
Selling & distribution costs	(222.6)	(220.8)
Administrative expenses	(238.9)	(238.3)
Share of results of joint ventures	8.4	6.4
Operating profit	490.3	468.6

* Other operating income includes £67.8m exceptional gain on release of Mathena contingent consideration (note 5) in 2013. The prior year includes £30.5m in relation to the exceptional gain on sale of LGE Process.

	2013 £m	2012 £m
Operating profit is stated after charging		
Cost of inventories recognised as an expense	1,557.2	1,652.2
Depreciation of property, plant & equipment (note 11)	59.1	49.4
Amortisation of intangible assets (note 12)	46.7	36.7
Acquisition transaction costs	2.7	1.0
Other one-off costs*	5.3	8.3
Net foreign exchange losses	4.1	0.3
Net impairment of trade receivables (note 17)	5.5	3.3

* Other one-off costs include restructuring, integration and aborted acquisition costs.

The following disclosures are given in relation to total operations.

	2013 £m	2012 £m
Auditors remuneration		
The total fees payable by the Group to Ernst & Young LLP and their associates for work performed in respect of the audit and other services provided to the Company and its subsidiary companies during the period are disclosed below.		
Fees payable to the Company's auditor for the audit of the Company & Group financial statements	0.4	0.3
Fees payable to the Company's auditor and its associates for other services		
The audit of the Company's subsidiaries pursuant to legislation	1.4	1.3
Other assurance services	0.1	–
Corporate finance services	–	0.2
Taxation advisory services	–	0.1
Fees payable in respect of the Group's pension schemes		
Audit	0.1	0.1

Research & development costs

Research & development costs amount to £21.5m (2012: £23.5m) of which £17.6m (2012: £22.2m) were charged directly to cost of sales in the income statement and £3.9m (2012: £1.3m) were capitalised (note 12).

Operating leases

Minimum lease payments under operating leases recognised as an expense in the period were £42.1m (2012: £37.1m).

	2013 £m	2012 Restated (note 2) £m
Employee benefits expense		
Wages & salaries	523.0	491.1
Social security costs	52.7	50.9
Pension costs		
Defined benefit plans (note 24)	2.6	2.6
Defined benefit plans exceptional item (note 5)	(2.7)	–
Defined contribution plans	17.7	16.3
Share-based payments – equity settled transactions	8.7	7.5
	602.0	568.4
	2013 Number	2012 Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows		
Minerals	7,699	7,326
Oil & Gas	3,234	2,999
Power & Industrial	2,752	2,813
Group companies	65	107
	13,750	13,245

At 3 January 2014, the number of persons employed by the Group including those under temporary contracts was 15,220 (2012: 14,351).

NOTES TO THE GROUP FINANCIAL STATEMENTS

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5. Exceptional items & intangibles amortisation

	2013 £m	2012 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	(46.7)	(36.7)
Exceptional item – release of Mathena contingent consideration liability (note 13)	67.8	–
Exceptional item – pension curtailment gain (note 24)	2.7	–
Exceptional item – charging of fair value inventory uplift	–	(4.5)
Exceptional item – gain on sale of LGE Process	–	30.5
Exceptional item – uplift in respect of contingent consideration liability	–	(5.8)
	23.8	(16.5)
Recognised in finance costs		
Exceptional item – unwind in respect of contingent consideration liability	(10.7)	(2.6)
	(10.7)	(2.6)
Recognised in arriving at profit for the period from discontinued operations		
Exceptional items (note 8)	–	3.3

The exceptional items in 2012 related to:

- (i) The fair value uplift to inventory on acquisition of Seaboard and Novatech that was released to the income statement as an exceptional item after the inventory was sold in the year.
- (ii) The gain on sale of LGE Process, disclosed within other operating income (note 4).
- (iii) Uplift in the contingent consideration payable on acquisition of Weir International.

6. Finance (costs) income

Finance costs	2013 £m	2012 £m
Interest payable on bank loans, fixed rate notes & overdrafts	(39.1)	(35.7)
Losses on financial assets & liabilities at fair value through profit & loss	(2.9)	(5.0)
Finance charges related to committed loan facilities	(5.9)	(5.8)
	(47.9)	(46.5)
Unwind of discount in respect of contingent consideration – exceptional item (note 5)	(10.7)	(2.6)
	(58.6)	(49.1)
Finance income		
	2013 £m	2012 £m
Interest receivable on financial assets	1.3	0.7
Gains on financial assets & liabilities at fair value through profit & loss	1.7	4.5
	3.0	5.2

7. Tax expense**Income tax expense**

	2013 £m	2012 Restated (note 2) £m
Consolidated Income Statement		
Current income tax		
UK corporation tax – continuing operations	(12.1)	0.5
Adjustments in respect of previous years	4.2	(2.6)
UK corporation tax	(7.9)	(2.1)
Foreign tax – continuing operations	(81.2)	(110.2)
Adjustments in respect of previous years	1.0	3.1
Total current income tax	(88.1)	(109.2)
Deferred income tax		
Origination & reversal of temporary differences – continuing operations	(1.9)	(0.2)
Adjustment to estimated recoverable deferred tax assets	(1.2)	(1.6)
Effect of changes in tax rates	(1.3)	(1.1)
Adjustments in respect of previous years	(3.0)	1.4
Total deferred tax*	(7.4)	(1.5)
Total income tax expense in the Consolidated Income Statement	(95.5)	(110.7)

* Includes £3.2m of deferred tax debit relating to foreign tax (2012: £1.3m credit).

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

	2013 £m	2012 Restated (note 2) £m
Tax expense – continuing operations before exceptional items & intangibles amortisation	(107.5)	(123.3)
– exceptional items	(0.5)	1.5
– intangibles amortisation	12.5	11.1
Total income tax expense in the Consolidated Income Statement	(95.5)	(110.7)

Current tax for 2013 has been reduced by £nil (2012: £nil) due to the utilisation of deferred tax assets previously not recognised.

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

Tax relating to items charged or credited to equity

	2013 £m	2012 £m
Consolidated Statement of Comprehensive Income		
Current tax on pension contributions	3.9	1.8
Deferred tax – origination & reversal of temporary differences	(6.1)	0.7
Tax (charge) credit on actuarial losses on retirement benefits	(2.2)	2.5
Deferred tax credit (charge) on hedge losses	0.3	(0.4)
Tax credit (charge) in the Consolidated Statement of Comprehensive Income	(1.9)	2.1
Consolidated Statement of Changes in Equity		
Deferred tax on share-based payments	0.8	(2.6)
Current tax on share-based payments	3.1	–
Tax credit (charge) in the Consolidated Statement of Changes in Equity	3.9	(2.6)

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

7. Tax expense (continued)

Reconciliation of the total tax charge

The tax expense in the Consolidated Income Statement for the period is less than the weighted average of standard rates of corporation tax across the Group of 29.7% (2012: 30.2%). The differences are reconciled below.

	2013 £m	2012 Restated (note 2) £m
Profit before tax from continuing operations	431.2	420.7
Profit before tax from discontinued operations	–	3.3
Accounting profit before tax	431.2	424.0
At the weighted average of standard rates of corporation tax across the Group of 29.7% (2012: 30.2%)	128.2	128.2
Adjustments in respect of previous years – current tax	(5.2)	(0.5)
– deferred tax	3.0	(1.4)
Joint ventures	(1.2)	(1.2)
Unrecognised deferred tax assets	1.2	1.6
Overseas tax on unremitted earnings	5.6	4.6
Permanent differences	(16.9)	(15.4)
Effect of changes in tax rates	1.1	1.1
Exceptional items ineligible for tax	(20.3)	1.1
Gains exempt from tax	–	(7.4)
At effective tax rate of 22.1% (2012: 26.1%)	95.5	110.7

8. Discontinued operations

There were no disposals of core businesses during the 53 weeks ended 3 January 2014 or the 52 weeks ended 28 December 2012. The profit arising from discontinued operations of £3.3m in 2012 was as a result of the release of unutilised provisions relating to prior year disposals on expiration of the tax warranty periods.

Earnings per share from discontinued operations were as follows.

	2013 pence	2012 pence
Basic	n/a	1.6
Diluted	n/a	1.5

These earnings per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations of £3.3m by the weighted average number of ordinary shares for both basic and diluted amounts shown in note 9.

9. Earnings per share

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

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

	2013	2012 Restated (note 2)
Profit attributable to equity holders of the Company		
Total operations* (£m)	334.9	313.0
Continuing operations* (£m)	334.9	309.7
Continuing operations before exceptional items & intangibles amortisation* (£m)	309.8	316.2
Weighted average share capital		
Basic earnings per share (number of shares, million)	213.0	212.2
Diluted earnings per share (number of shares, million)	213.8	213.5

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

	2013 Shares Million	2012 Shares Million
Weighted average number of ordinary shares for basic earnings per share	213.0	212.2
Effect of dilution: LTIP and deferred bonus awards	0.8	1.3
Adjusted weighted average number of ordinary shares for diluted earnings per share	213.8	213.5

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

	2013 £m	2012 Restated (note 2) £m
Net profit attributable to equity holders from continuing operations*	334.9	309.7
Exceptional items & intangibles amortisation net of tax	(25.1)	6.5
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation*	309.8	316.2

	2013 pence	2012 Restated (note 2) pence
Basic earnings per share:		
Total operations*	157.2	147.5
Continuing operations*	157.2	145.9
Continuing operations before exceptional items & intangibles amortisation*	145.4	149.0
Diluted earnings per share:		
Total operations*	156.6	146.6
Continuing operations*	156.6	145.1
Continuing operations before exceptional items & intangibles amortisation*	144.9	148.1

* Adjusted for £0.6m (2012: £0.3m) in respect of non-controlling interests.

There have been no share options (2012: nil) exercised between the reporting date and the date of signing of these financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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10. Dividends paid & proposed

	2013 £m	2012 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2012: 30.0p (2011: 25.8p)	63.8	54.8
Interim dividend for 2013: 8.8p (2012: 8.0p)	18.8	16.9
	82.6	71.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2013: 33.2p (2012: 30.0p)	70.8	63.8

The proposed dividend is based on the number of shares in issue, excluding treasury shares held, at the date the financial statements were approved and authorised for issue.

The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of the report and financial statements and the record date for the final dividend.

11. Property, plant & equipment

	Land & buildings £m	Plant & equipment £m	Total property, plant & equipment £m
Cost			
At 30 December 2011	125.9	382.9	508.8
Additions	27.9	87.4	115.3
Acquisitions	1.2	6.6	7.8
Disposals	(5.5)	(18.4)	(23.9)
Reclassifications to intangible assets (note 12)	–	(0.2)	(0.2)
Reclassifications	(0.2)	0.2	–
Exchange adjustment	(4.0)	(13.6)	(17.6)
At 28 December 2012	145.3	444.9	590.2
Additions	17.4	73.0	90.4
Acquisitions	6.9	19.5	26.4
Disposals	(3.3)	(20.6)	(23.9)
Reclassifications from intangible assets (note 12)	–	1.0	1.0
Reclassifications	4.1	(4.1)	–
Exchange adjustment	(10.8)	(33.6)	(44.4)
At 3 January 2014	159.6	480.1	639.7
Accumulated depreciation & impairment			
At 30 December 2011	32.8	157.1	189.9
Depreciation charge for the period	4.7	44.7	49.4
Disposals	(2.4)	(15.1)	(17.5)
Exchange adjustment	(0.9)	(4.7)	(5.6)
At 28 December 2012	34.2	182.0	216.2
Depreciation charge for the period	6.1	53.0	59.1
Disposals	(1.0)	(15.9)	(16.9)
Reclassifications from intangible assets (note 12)	–	0.4	0.4
Reclassifications	0.7	(0.7)	–
Exchange adjustment	(2.1)	(15.7)	(17.8)
At 3 January 2014	37.9	203.1	241.0
Net book value at 30 December 2011	93.1	225.8	318.9
Net book value at 28 December 2012	111.1	262.9	374.0
Net book value at 3 January 2014	121.7	277.0	398.7

The carrying value of buildings held under finance leases is £1.3m (2012: £1.7m). The carrying value of plant and equipment held under finance leases is £0.4m (2012: £0.5m). Leased assets are pledged as security for the related finance lease liabilities.

The carrying amount of assets under construction included in plant and equipment is £29.2m (2012: £52.9m).

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12. Intangible assets

	Goodwill £m	Brand names £m	Customer relationships £m	Purchased software £m	Intellectual property & trade marks £m	Development costs £m	Other £m	Total £m
Cost								
At 30 December 2011	884.1	172.3	345.7	30.5	55.6	3.3	16.5	1,508.0
Additions	–	–	–	6.0	–	1.3	1.0	8.3
Acquisitions	57.0	4.5	53.4	–	4.7	–	1.8	121.4
Disposals	–	–	–	(2.5)	–	–	(0.7)	(3.2)
Reclassifications to property, plant & equipment (note 11)	–	–	–	0.2	–	–	–	0.2
Exchange adjustment	(32.2)	(7.1)	(14.6)	(1.0)	(2.3)	(0.1)	(0.9)	(58.2)
At 28 December 2012	908.9	169.7	384.5	33.2	58.0	4.5	17.7	1,576.5
Additions	–	–	–	6.6	10.4	3.9	0.3	21.2
Acquisitions	95.5	9.7	129.2	–	0.2	–	–	234.6
Disposals	–	–	–	(0.9)	–	–	–	(0.9)
Reclassifications to property, plant & equipment (note 11)	–	–	–	(1.0)	–	–	–	(1.0)
Reclassifications	–	–	–	(0.7)	–	0.7	–	–
Exchange adjustment	(32.6)	(4.2)	(11.6)	(1.8)	(1.7)	(0.7)	(1.0)	(53.6)
At 3 January 2014	971.8	175.2	502.1	35.4	66.9	8.4	17.0	1,776.8
Accumulated amortisation & impairment								
At 30 December 2011	–	–	45.6	18.3	15.0	0.2	13.8	92.9
Amortisation charge for the period	–	–	24.0	3.4	5.6	0.1	3.6	36.7
Disposals	–	–	–	(2.3)	–	–	(0.7)	(3.0)
Exchange adjustment	–	–	(2.2)	(0.6)	(0.7)	–	(0.7)	(4.2)
At 28 December 2012	–	–	67.4	18.8	19.9	0.3	16.0	122.4
Amortisation charge for the period	–	–	37.0	3.8	4.4	0.4	1.1	46.7
Disposals	–	–	–	(0.9)	–	–	–	(0.9)
Reclassifications to property, plant & equipment (note 11)	–	–	–	(0.4)	–	–	–	(0.4)
Reclassifications	–	–	1.0	0.4	–	–	(1.4)	–
Exchange adjustment	–	–	(3.0)	(1.1)	(0.7)	–	(0.7)	(5.5)
At 3 January 2014	–	–	102.4	20.6	23.6	0.7	15.0	162.3
Net book value at 30 December 2011	884.1	172.3	300.1	12.2	40.6	3.1	2.7	1,415.1
Net book value at 28 December 2012	908.9	169.7	317.1	14.4	38.1	4.2	1.7	1,454.1
Net book value at 3 January 2014	971.8	175.2	399.7	14.8	43.3	7.7	2.0	1,614.5

The increase to goodwill of £95.5m during 2013 is represented by the current year acquisitions of Mathena and R Wales (note 13).

Brand names have been assigned an indefinite useful life and as such are not amortised. The carrying value of £175.2m (2012: £169.7m) is tested annually for impairment (note 14). The brand name value comprises the brands of Weir Linatex, Weir BDK, Weir American Hydro, Weir Warman, Weir SPM, Weir Gabbioneta, Weir Multiflo, Weir Novatech, Weir Mathena and Weir Wales all of which are considered to be market leaders in their respective markets.

The allocation of significant brand names is as follows.

	Brand Names	
	2013 £m	2012 £m
Weir Gabbioneta	5.6	5.6
Weir Linatex	34.7	35.3
Weir Mathena	7.2	–
Weir Seaboard	29.8	30.3
Weir SPM	28.0	28.4
Weir Warman	50.5	51.4
Other	19.4	18.7
	175.2	169.7

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

	Remaining amortisation period		Customer relationships	
	2013 Years	2012 Years	2013 £m	2012 £m
Weir Seaboard	14	15	130.2	142.0
Weir Novatech	12	13	44.1	48.9
Weir SPM	18	19	76.6	82.4
Weir Mathena	12	–	99.1	–
Other	Up to 17	Up to 18	49.7	43.8
			399.7	317.1

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

	2013 £m	2012 £m
Cost of sales	2.0	2.8
Selling & distribution costs	0.6	0.4
Administrative expenses	44.1	33.5
Amortisation charge for the period	46.7	36.7

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13. Business combinations

On 31 December 2012, the Group completed the acquisition of 100% of the voting shares of Mathena, Inc ('Weir Mathena') for a cash consideration of \$247m (£153m) with a maximum future payment of \$145m payable over two years. Of this potential future payable, \$120m was contingent consideration and \$25m was an employee benefit expense which at the period end is no longer expected to fall due. The contingent consideration is discussed in further detail below. Based in El Reno, Oklahoma, Weir Mathena is a leading provider of pressure control rental equipment and services for onshore oil and gas drilling applications and provides a strong strategic fit with Weir Seaboard in the pressure control market and supports the expansion of Weir's flow back services. The fair values of Weir Mathena are disclosed in the table below. The fair values are final following the completion of the fair value exercise in respect of each class of asset. There are certain intangible assets included in the £64.5m of goodwill recognised that cannot be individually separated and reliably measured due to their nature. These items include anticipated business growth, intellectual property, synergies and an assembled workforce.

During the period the Group also acquired 100% of the voting shares of the R Wales group of companies ('Weir Wales'), 100% of the voting shares of Aspir Pty Limited in Australia, the business and assets of the Cheong foundry in Malaysia, and the assets of a heavy bay foundry in South Africa. The combined consideration for these acquisitions was £55.7m, with an expected contingent consideration of £1.6m. The fair values of these acquisitions are disclosed in the table below and are final following the completion of a fair value exercise in respect of each class of asset for each acquisition. There are certain intangible assets included in the £31.0m of goodwill recognised that cannot be individually separated and reliably measured due to their nature. These items include anticipated business growth, synergies and an assembled workforce.

	Mathena 2013 £m	Others 2013 £m	Total 2013 £m
Property, plant & equipment	19.7	6.7	26.4
Inventories	0.7	2.0	2.7
Intangible assets			
– customer relationships	108.6	20.6	129.2
– brand name	7.4	2.3	9.7
– intellectual property	–	0.2	0.2
Trade & other receivables	11.2	3.5	14.7
Cash & cash equivalents	3.3	3.2	6.5
Interest-bearing loans & borrowings	(1.3)	(0.2)	(1.5)
Trade & other payables	(1.9)	(5.9)	(7.8)
Provisions	(0.4)	(0.4)	(0.8)
Deferred tax	–	(5.7)	(5.7)
Fair value of net assets	147.3	26.3	173.6
Goodwill arising on acquisition	64.5	31.0	95.5
Total consideration	211.8	57.3	269.1
Cash consideration	153.0	55.7	208.7
Contingent consideration	60.1	1.6	61.7
Settlement of external debt of subsidiaries on acquisition	(1.3)	–	(1.3)
Total consideration	211.8	57.3	269.1
The total net cash outflow on current year acquisitions was as follows:			
– cash paid	(153.0)	(55.7)	(208.7)
– cash and cash equivalents acquired	3.3	3.2	6.5
Total cash outflow (note 26)	(149.7)	(52.5)	(202.2)

Together, Weir Mathena and the other acquisitions contributed £78.6m to revenue and £16.4m to operating profit (including exceptional items and intangibles amortisation) in the 53 weeks ended 3 January 2014. The contribution of the individual acquisitions to revenue and profit for the period from continuing operations after exceptional items and intangibles amortisation of the Group was not material and so has not been separately disclosed. If the acquisitions had occurred at the start of 2013 the combined revenue and profit for the period from acquired operations after exceptional items and intangibles amortisation, would not have been materially different from the results disclosed in the Consolidated Income Statement.

The fair values for Weir Novatech, Weir Seaboard and Weir International were finalised in the financial statements for the 52 weeks ended 28 December 2012. The 2012 cash flows in relation to these acquisitions are disclosed in note 26.

Contingent consideration

As part of the purchase agreement with the previous owner of Mathena Inc, a maximum amount of \$120m was agreed to be payable to the former owners contingent on the achievement of specific profit growth targets over 2013 and 2014. At the date of acquisition, the full liability of £60.1m was recognised on a discounted basis, and the unwind of the discount of £8.6m was recognised as an exceptional item during the period. The balance recorded was based on vendor forecasts of discounted cash flows at the date of acquisition and reflected management expectations of short term growth in the market. During the second half of the period, the continuation of the depressed natural gas price resulted in certain customers reducing their gas drilling activity and this impacted the short term forecasts for the business to the extent that the contingent consideration liability has reduced to nil. The adjustment to release the contingent consideration liability of £67.8m, after allowing for exchange movements in the period, is recorded as an exceptional item in the Income Statement.

The acquisition of Weir International in 2011 included an earn out based on EBITDA achieved in 2013 and 2014, with further EBITDA targets also stretching out to 2019. The estimated fair value of the contingent consideration at the date of acquisition was £13.9m based on an assessment of the probability of possible outcomes discounted to net present value. The range of possible outcomes on an undiscounted basis is between zero and £45m.

As at 29 December 2012, the key performance indicators of Weir International highlighted that it is highly probable that the expected EBITDA levels will be achieved and the contingent liability was uplifted accordingly as per note 5. There has been no change to this view during the 53 week period ended 3 January 2014, therefore, the contingent consideration continues to reflect this position, with only the unwind of the discount being recognised through the Income Statement in the period.

A significant increase (decrease) in the EBITDA of Mathena Inc or Weir International would result in higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability. The discount rates applied in the fair value calculations were 9.0% for Weir International and 8.7% for Weir Mathena.

A reconciliation of fair value measurement of the contingent consideration liability is provided below.

	£m
Opening balance as at 28 December 2012	24.5
Liability arising on business combinations	61.7
Fair value changes in profit or loss	(67.8)
Exchange movements in the period	(1.1)
Contingent consideration paid	(0.3)
Unwind of discount	10.7
Closing balance as at 3 January 2014	27.7

The contingent consideration in relation to other acquisitions is considered to be immaterial for further disclosure.

The contingent consideration liability for Mathena Inc is due for final measurement at the end of 2014, while the contingent consideration liability for Weir International is due for final measurement and payment to the former shareholders in 2019.

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

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

During the period, the Group completed a review of its cash generating units (CGUs) to reflect: (i) recent changes to the management of certain cash inflows as a result of increased collaboration across businesses, in part due to the realisation of revenue and cost synergies arising from the successful integration of acquisitions of recent periods; (ii) changes to the internal and external reporting structure of the Group's operations; and (iii) the allocation of recent acquisitions to CGUs on joining the Group.

The review resulted in four primary CGUs; Minerals, Pressure Pumping, Pressure Control and Gabbioneta, plus a further seven which are not significant for separate disclosure and are therefore grouped within 'Other'. This replaces the previous structure which comprised Warman, SPM, Seaboard and Gabbioneta, plus twelve individually immaterial CGUs within 'Other'.

The acquisitions during 2013, as described in note 13, have been allocated to these CGUs. Mathena has been included within the Pressure Control CGU, while R Wales, Cheong and Aspir have been added to the Minerals CGU.

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

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

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

	Goodwill 2013 £m	Intangibles* 2013 £m	Goodwill 2012 £m	Intangibles* 2012 £m
Weir Pressure Pumping	279.3	33.2	284.3	33.7
Weir Pressure Control	321.9	37.1	262.7	30.3
Weir Gabbioneta	59.7	5.6	58.9	5.6
Weir Minerals	239.6	90.7	230.5	90.6
Other	71.3	8.6	72.5	9.5
	971.8	175.2	908.9	169.7

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

	Goodwill 2012 £m	Intangibles* 2012 £m
Weir SPM	223.0	28.5
Weir Seaboard	262.7	30.3
Weir Gabbioneta	58.9	5.6
Warman companies	221.0	86.6
Other	143.3	18.7
	908.9	169.7

* Intangible assets with indefinite lives (brand names).

A description of each of the CGUs is provided below along with a summary of the key drivers of revenue growth and EBIT margin.

Weir Pressure Pumping

Weir Pressure Pumping includes the Weir SPM, Weir Novatech and Weir Mesa brands. Weir Pressure Pumping is a supplier of oil and gas well service pumps, associated flow control equipment and services to the oil and gas production industry. Demand for Weir Pressure Pumping products and services is closely related to the number of conventional and unconventional oil drilling rigs and gas well drilling rigs which is in turn dependent upon oil and natural gas prices and storage levels. Independent forecasts of North American oil and gas well drilling activity, which take into account forecast oil and natural gas prices and storage levels, have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2013.

Weir Pressure Control

Weir Pressure Control includes the Weir Seaboard and Weir Mathena brands. Weir Pressure Control is a supplier of oil and gas wellhead solutions, flowback services and associated rental equipment to the oil and gas production industry. A large proportion of the business' revenues are generated in North America with demand being closely related to the number of conventional oil drilling rigs and gas well drilling rigs in operation which is in turn dependent upon oil and natural gas prices and storage levels. Independent forecasts of North American oil and gas well drilling activity, which take into account forecast oil and natural gas prices and storage levels, have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2013.

Weir Minerals

Weir Minerals includes the Weir Warman, Weir Linatex, Weir Multiflo and Weir Wales brands. Weir Minerals companies supply pumps and associated equipment and services to all global markets. The key drivers for revenues are (i) levels of mining capital expenditure which drives demand for original equipment and (ii) levels of actual mining activity which drives demand for spare parts and service. Independent forecasts of mining capital expenditure and activity have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2013.

Weir Gabbioneta

Weir Gabbioneta is a supplier of heavy duty process applications to oil and gas refinery, petro-chemical and power generation industries. The key drivers for revenues are capital expenditure within oil refinery and petro-chemical industries. Independent forecasts of expenditure in these sectors have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2013.

Other

The amounts included in Other are not considered individually significant. The main movements in Other are the reallocation of Novatech, acquired in 2012, and Mesa, acquired in 2008, to the Weir Pressure Pumping CGU.

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

CGU	Basis of valuation	Period of forecast	Discount rate ¹	Real growth ²	Key assumptions	Source
Weir Pressure Pumping	Value in use	5 years	12.2% (2012:12.2%)	1.5% (2012:1.2%)	Revenue growth EBIT margins	External forecast Historic experience
Weir Pressure Control	Value in use	5 years	12.2% (2012:12.2%)	1.5% (2012:1.2%)	Revenue growth EBIT margins	External forecast Historic experience
Weir Gabbioneta	Value in use	5 years	13.6% (2012:14.2%)	1.5% (2012:1.2%)	Revenue growth EBIT margins	External forecast Historic experience
Weir Minerals	Value in use	5 years	14.7% (2012:13.9%)	1.5% (2012:1.7%)	Revenue growth EBIT margins	External forecast Historic experience

¹ Discount rate

The discount rates presented above reflect the pre-tax nominal weighted average cost of capital (WACC) in the most appropriate geographic region. The WACC is the weighted average of the pre-tax cost of debt financing and the pre-tax cost of equity finance. In the main the WACCs in mature economies have remained relatively stable compared to 2012 due to an increase in government bond yields being largely offset by the reduction in the cost of equity. The discount rates for emerging markets have broadly decreased, directly linked to movement in the yields on Government bonds. Government bond yields in Italy have decreased as local credit risks have reduced, the reduction visible in the Weir Gabbioneta WACC. A change in the cash flow profile in Weir Minerals towards a higher proportion from emerging markets with higher WACCs drives the small increase in the Weir Minerals WACC, with the real growth rate declining in line with lower growth rates in emerging markets.

² Real growth

Real growth beyond the five year forecast period of 1.5%, a 30 bps increase on 2012, driven by the majority of mature economies exiting the recession of the previous two years.

EBIT margins

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

Sensitivity analysis

Base case forecasts show significant headroom above carrying value for each of the CGUs. There were no indicators of impairment under the previous CGU structure either.

Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonable possible change in key assumptions. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

15. Investments in joint ventures

The significant investments in joint ventures are as follows.

	£m
At 30 December 2011	11.4
Share of results	6.4
Share of dividends	(5.4)
Exchange adjustment	(0.4)
At 28 December 2012	12.0
Additions	14.0
Share of results	8.4
Share of dividends	(6.1)
Exchange adjustment	(1.2)
At 3 January 2014	27.1

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15. Investments in joint ventures (continued)

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

	2013 £m	2012 £m
Share of joint ventures balance sheets		
Goodwill	11.8	3.2
Current assets	19.9	12.0
Non-current assets	3.3	2.7
Current liabilities	(6.2)	(4.3)
Non-current liabilities	(1.7)	(1.6)
Net assets	27.1	12.0
Share of joint ventures revenue & profits		
Revenue	36.8	23.5
Cost of sales	(22.9)	(13.5)
Selling & distribution costs	(2.6)	(0.9)
Administrative expenses	(1.5)	(1.6)
Income tax expense	(1.4)	(1.1)
Profit after tax	8.4	6.4

The Group's significant investments in joint ventures are listed on page 190.

16. Inventories

	2013 £m	2012 £m
Raw materials	150.8	162.3
Work in progress	112.8	94.7
Finished goods	221.4	255.7
	485.0	512.7

17. Trade & other receivables

	2013 £m	2012 £m
Trade receivables	437.9	424.0
Allowance for doubtful debts	(15.4)	(12.6)
	422.5	411.4
Other debtors	22.8	24.5
Sales tax receivable	11.4	12.0
Accrued income	21.8	13.1
Prepayments	18.6	17.2
	497.1	478.2

The average credit period on sales of goods is 63 days (2012: 59 days).

Analysis of trade receivables

	2013 £m	2012 £m
Neither impaired nor past due	286.6	309.9
Past due but not impaired	135.9	101.5
Impaired	15.4	12.6
	437.9	424.0

Ageing of past due but not impaired trade receivables

	2013 £m	2012 £m
Up to 3 months	100.8	74.2
Between 3 & 6 months	21.1	14.5
More than 6 months	14.0	12.8
	135.9	101.5

Movement in the allowance for doubtful debts

	2013 £m	2012 £m
Balance at the beginning of the period	(12.6)	(13.9)
Impairment losses recognised on receivables*	(7.1)	(4.2)
Amounts written off as uncollectable	1.5	2.6
Amounts recovered during the period	0.3	0.4
Impairment losses reversed	1.6	2.0
Exchange adjustment	0.9	0.5
Balance at the end of the period	(15.4)	(12.6)

* 2012 includes a fair value adjustment in relation to the Weir Seaboard acquisition of £1.1m adjusted against goodwill.

Ageing of impaired trade receivables

	2013 £m	2012 £m
Up to 3 months	3.2	1.4
Between 3 & 6 months	0.8	1.0
More than 6 months	11.4	10.2
	15.4	12.6

18. Construction contracts

	2013 £m	2012 £m
Gross amount due from customers for contract work (included in current assets)	28.3	21.7
Gross amount due to customers for contract work (included in current liabilities)	(12.1)	(13.7)
	16.2	8.0
Contract costs incurred plus recognised profits less recognised losses to date	94.4	114.7
Less: progress billings	(78.2)	(106.7)
	16.2	8.0

The amount of retentions held by customers for contract work amounted to £nil (2012: £nil) and the amount of advances received from customers for contract work amounted to £4.9m (2012: £2.5m).

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19. Cash & short-term deposits

	2013 £m	2012 £m
Cash at bank & in hand	70.9	228.0
Short-term deposits	8.2	163.1
	79.1	391.1

For the purposes of the Consolidated Cash Flow Statement, cash & cash equivalents comprise the following:

Cash & short-term deposits	79.1	391.1
Bank overdrafts & short-term borrowings (note 20)	(10.5)	(6.9)
	68.6	384.2

Cash at bank & in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

20. Interest-bearing loans & borrowings

	2013 £m	2012 £m
Current		
Bank overdrafts	8.1	3.9
Short-term borrowings	2.4	3.0
	10.5	6.9
Bank loans	15.8	58.3
Obligations under finance leases (note 27)	0.2	0.2
	26.5	65.4
Non-current		
Bank loans	40.3	242.7
Fixed rate notes	759.0	771.4
Obligations under finance leases (note 27)	0.3	0.5
	799.6	1,014.6

	Maturity	Interest basis	Weighted average interest rate		2013 £m	2012 £m
			2013 %	2012 %		
Bank loans						
Revolving credit facility						
United States dollar variable rate loans	2014	US\$ LIBOR	–	1.20	–	148.0
United States dollar variable rate loans	2018	US\$ LIBOR	0.97	–	39.9	–
Seaboard acquisition finance						
United States dollar variable rate amortising term loan	2014	US\$ LIBOR	–	2.08	–	152.9
Other						
Uncommitted facility loan	2014	£ LIBOR	0.82	–	15.8	–
United States dollar buyer credit facility	2015	US\$ LIBOR	2.24	–	0.4	–
Indian rupee term loan	2013	FIXED	–	13.75	–	0.1
					56.1	301.0
Less: current instalments due on bank loans						
United States dollar variable rate amortising term loan	2014	US\$ LIBOR			–	(58.2)
Uncommitted facility loan	2014	£ LIBOR			(15.8)	–
Indian rupee term loan	2013	FIXED			–	(0.1)
Non-current bank loans					40.3	242.7
	Maturity	Interest basis	Weighted average interest rate		2013 £m	2012 £m
			2013 %	2012 %		
Fixed rate notes						
Private placement						
Sterling fixed rate notes	2015	FIXED	4.58	4.58	12.0	12.0
United States dollar fixed rate notes	2015	FIXED	4.20	4.20	54.8	55.7
Sterling fixed rate notes	2018	FIXED	5.36	5.36	43.0	42.9
United States dollar fixed rate notes	2018	FIXED	5.03	5.03	42.6	43.3
United States dollar fixed rate notes	2019	FIXED	3.69	3.69	127.5	129.7
United States dollar fixed rate notes	2022	FIXED	4.27	4.27	357.8	364.3
United States dollar fixed rate notes	2023	FIXED	4.34	4.34	121.3	123.5
Non-current fixed rate notes					759.0	771.4

US\$ LIBOR is the United States dollar London Inter Bank Offer Rate. The weighted average interest rates include an applicable margin over and above the interest basis.

The disclosures above represent the interest profile and currency profile of financial liabilities before the impact of derivative financial instruments.

During July 2013, the Group repaid the existing US\$300m amortising term loan and refinanced the US\$800m multi-currency revolving credit facility. These facilities have been replaced with a new 5 year US\$800m multi-currency revolving credit facility. At 3 January 2014 US\$70m was drawn under the new revolving credit facility. Total unamortised issue costs at 3 January 2014 were £4.9m (2012: £6.2m).

On 16 February 2012 the Group issued US dollar denominated fixed rate notes via a Private Placement to US investors totalling US\$1bn. The notes were US\$210m of seven year, US\$590m of ten year and US\$200m of eleven year notes. The average coupon payable is 4.16%. Following this issue, the Group repaid in full the US\$380m bridging loan undertaken in 2011 to fund the Weir Seaboard acquisition.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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21. Trade & other payables

	2013 £m	2012 £m
Current		
Trade payables	272.9	281.5
Other creditors	18.8	13.8
Other taxes & social security costs	12.9	18.0
Accruals	100.7	105.1
Contingent consideration	5.3	0.1
Deferred income	66.2	67.3
	476.8	485.8
Non-current		
Other payables	-	1.9
Contingent consideration	22.4	24.4
	22.4	26.3

22. Provisions

	Warranties & onerous sales contracts £m	Employee related £m	Discontinued operations warranty & indemnity £m	Other £m	Total £m
At 28 December 2012	34.6	27.1	1.7	6.2	69.6
Additions	14.4	2.9	-	5.6	22.9
Acquisitions	0.6	-	-	0.2	0.8
Utilised	(14.7)	(2.5)	(0.4)	(7.4)	(25.0)
Unutilised	(6.3)	(3.6)	-	(1.4)	(11.3)
Exchange adjustment	(0.8)	(1.4)	-	(0.2)	(2.4)
At 3 January 2014	27.8	22.5	1.3	3.0	54.6
Current 2013	21.7	3.7	1.3	2.2	28.9
Non-current 2013	6.1	18.8	-	0.8	25.7
	27.8	22.5	1.3	3.0	54.6
Current 2012	26.7	3.9	0.7	5.1	36.4
Non-current 2012	7.9	23.2	1.0	1.1	33.2
	34.6	27.1	1.7	6.2	69.6

Warranties and onerous sales contracts

Provision has been made in respect of actual warranty and contract penalty claims on goods sold and services provided and allowance has been made for potential warranty claims based on past experience for goods and services sold with a warranty guarantee. It is expected that all costs related to such claims will have been incurred within five years of the balance sheet date. Provision has been made in respect of sales contracts entered into for the sale of goods in the normal course of business where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received from the contracts. Provision is made immediately when it becomes apparent that expected costs will exceed the expected benefits of the contract. It is expected that the majority of these costs will be incurred within one year of the balance sheet date.

Employee related

Employee related provisions arise from legal obligations and asbestosis claims and are based on management's best estimate of the likely costs. It is expected that the costs will be incurred in the period up to 2025.

Discontinued operations warranty & indemnity

Provisions in respect of discontinued operations include provision for warranty and indemnity exposures under asset and share sale agreements. The provision as at 3 January 2014 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ and, in some cases, this may be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within one year of the balance sheet date.

Other

Other provisions relate to an environmental clean up programme in the United States for a company acquired in 1992 and various other legal claims and exposures across the Group. The environmental provision is based on management's current best estimate of the expected costs under the programme. It is expected that these costs will be incurred in the period up to 2019.

23. Deferred tax

	2013 £m	2012 £m
Deferred income tax assets		
Post-employment benefits	15.7	23.0
Decelerated depreciation for tax purposes	13.8	3.0
Intangible assets	–	0.6
Untaxed reserves	47.0	65.0
Offset against liabilities	(59.3)	(61.2)
Deferred income tax assets	17.2	30.4
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	(49.4)	(31.6)
Overseas tax on unremitted earnings	(24.3)	(24.1)
Intangible assets	(148.0)	(154.9)
Other temporary differences	(3.1)	(13.1)
Offset against assets	59.3	61.2
Deferred income tax liabilities	(165.5)	(162.5)
Net deferred income tax liability	(148.3)	(132.1)

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

23. Deferred tax (continued)

The movement in deferred income tax assets and liabilities during the period was as follows.

	Post employment benefits £m	Accelerated depreciation for tax purposes £m	Overseas tax on unremitted earnings £m	Intangible assets £m	Untaxed reserves & other temporary differences £m	Total £m
At 30 December 2011	23.0	(19.9)	(27.1)	(147.3)	60.7	(110.6)
Acquisitions	–	(2.2)	–	(21.4)	0.6	(23.0)
(Charged) credited to the income statement (note 7)	(0.5)	(7.6)	3.0	8.3	(4.7)	(1.5)
Credited (charged) to equity	0.7	–	–	–	(3.1)	(2.4)
Exchange adjustment	(0.2)	1.1	–	6.1	(1.6)	5.4
At 28 December 2012 (restated note 2)	23.0	(28.6)	(24.1)	(154.3)	51.9	(132.1)
Acquisitions	–	(0.1)	–	(5.8)	0.2	(5.7)
(Charged) credited to the income statement (note 7)	(1.2)	(7.9)	(2.0)	9.7	(6.0)	(7.4)
(Charged) credited to equity	(6.1)	–	–	–	0.8	(5.3)
Exchange adjustment	–	1.1	1.8	2.5	(3.2)	2.2
At 3 January 2014	15.7	(35.5)	(24.3)	(147.9)	43.7	(148.3)

Untaxed reserves primarily relate to temporarily disallowed inventory/debtor provisions and accruals/provisions for liabilities where the tax allowance is deferred until the cash expense occurs.

Deferred tax asset balances for unused tax losses of £4.9m (2012: £4.5m) have not been recognised on the grounds that there is insufficient evidence that these assets will be recoverable. These assets will be recovered when future tax charges are sufficient to absorb these tax benefits. Deferred tax asset balances for capital losses in the UK amounting to £5.8m (2012: £9.8m) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

Temporary differences associated with Group investments

A deferred tax liability of £24.3m (2012: £24.1m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries. As at 3 January 2014, this is the only recognised deferred tax liability in respect of taxes on unremitted earnings as the Group does not foresee a distribution of unremitted earnings from other subsidiaries or joint ventures which would result in a reversal of deferred tax. The temporary differences associated with investments in subsidiaries and joint ventures, for which a deferred tax liability has not been recognised, aggregate to £1,513.2m (2012: £1,367.0m).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

A number of changes which reduce future UK corporation tax rates were announced in the UK Budget Statement of 20 March 2013. Following on from this, legislation was enacted on 2 July 2013 such that the main rate of UK corporation tax will be 21% from April 2014 and 20% from April 2015. Consequently, deferred tax has been provided on UK temporary differences at 20% (2012: 23%).

24. Pensions & other post-employment benefit plans

The Group has five main defined benefit pension plans in the UK and North America (four from 2014 onwards following a merger of arrangements in the United States). All defined benefit plans are closed to new members. The most significant of the defined benefit plans are the two funded UK plans.

UK Plans

In the UK, the Group has two funded defined benefit plans (Main plan and Executive plan) and an unfunded retirement benefit plan for retired executive directors. The Group operates a defined contribution plan for new hires. Contributions to the defined contribution arrangements are in addition to those set out below and are charged directly to profit and loss.

For the defined benefit plans, benefits are related to service and final salary. Contributory salary in respect of the Group's Main UK plan is subject to capped increases, with the cap being in line with RPI inflation up to a maximum of 5% per annum. Following a consultation process which ended in August 2013, the Main UK plan will close to future accrual of benefits effective from 30 June 2015, resulting in a curtailment gain of £2.7m being recognised in the period.

The weighted average duration of the expected benefit payments from the Main plan is around 16 years and from the Executive plan is around 11 years.

The current funding target for the UK plans is to maintain assets equal to the value of the accrued benefits based on projected salaries where relevant (subject to the cap above for the Main plan). The Main UK plan holds insurance policies in respect of a significant proportion of deferred and retired pensioners.

The regulatory framework in the UK requires the Trustees and Group to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to the Group that adverse experience could lead to a requirement for the Group to make considerable contributions to recover any deficit. This risk is significantly reduced for the Main UK plan through the significant insurance policies held by the plan.

North American Plans

The Group also sponsors a number of funded defined benefit pension plans in the United States and Canada and certain unfunded post-employment healthcare benefits to senior employees in the United States.

These plans combined make up 4% of the Group's pension and other post-employment benefit plan commitments and 2% of the Group's total associated assets. The weighted average duration of these plans is around 11 years.

Assumptions

The principal actuarial assumptions used for accounting purposes reflect prevailing market conditions in each of the countries in which the Group operates and are as follows:

	UK pensions		North American pensions		Post-retirement healthcare	
	2013	2012	2013	2012	2013	2012
Significant actuarial assumptions						
Discount rate (% pa)	4.4	4.3	4.7	3.9	4.7	3.9
Retail Prices inflation assumption (% pa)	3.4	2.9	n/a	n/a	n/a	n/a
Post-retirement mortality (Life expectancies in years)						
Current pensioners at 65 – male	22.0	21.8	20.0	19.9	19.6	19.5
Current pensioners at 65 – female	24.5	24.3	21.9	21.8	21.5	21.4
Future pensioners at 65 – male	23.8	23.6	21.5	21.4	21.1	21.0
Future pensioners at 65 – female	26.5	26.3	22.7	22.6	22.4	22.3
Other related actuarial assumptions						
Rate of increases for pensions in payment (% pa)						
Pre 6 April 2006 service	3.3	2.9	n/a	n/a	n/a	n/a
Post 5 April 2006 service	2.2	2.1	n/a	n/a	n/a	n/a
Consumer Prices inflation assumption (% pa)	2.4	2.2	2.0	2.0	2.3	2.4
Rate of increase in healthcare costs	n/a	n/a	n/a	n/a	*	*

* 7.7% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

24. Pensions & other post-employment benefit plans (continued)

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost. For North America, weighted assumptions are shown where applicable.

The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2034 (in 20 years time).

The assets and liabilities of the plan are as follows:

	Total	
	2013 £m	2012 £m
Plan assets at fair value		
Equities (quoted)	156.3	130.3
Diversified Growth Funds (primarily quoted)	38.4	34.3
Corporate bonds (quoted)	63.6	63.0
Government bonds (quoted)	67.9	65.2
Insurance policies (unquoted)	346.2	348.2
Cash (quoted)	8.6	8.5
Fair value of plan assets	681.0	649.5
Present value of funded obligations	(744.0)	(731.8)
Net funded obligations	(63.0)	(82.3)
Present value of unfunded obligations	(7.4)	(8.1)
Net liability	(70.4)	(90.4)

The government bonds held are primarily index-linked, with around only 8% of the total government bonds being fixed interest. The pension plans have not directly invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

In the UK, where the majority of the Group's pension assets are held, the investment strategy is to hold equities and other return-seeking assets such as diversified growth funds and a mixture of bonds to meet the assessed value of the benefits promised for the current active member employees and some deferred pensioners. For the remaining deferred pensioners and the bulk of pensioners currently receiving their benefit, the liabilities are backed by insurance policies and suitable bonds.

The change in net liabilities recognised in the balance sheet is comprised as follows:

	2013 £m	2012 Restated (note 2) £m
Opening net liabilities	(90.4)	(84.7)
Expense charged to profit and loss	(3.4)	(6.6)
Amount recognised outside profit and loss	8.0	(10.8)
Employer contributions	15.4	11.1
Currency adjustment	–	0.6
Closing net liabilities	(70.4)	(90.4)

The amounts recognised in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income for the period are analysed as follows.

	2013 £m	2012 Restated (note 2) £m
Recognised in the Consolidated Income Statement		
Current service cost	(2.2)	(2.1)
Administrative expenses	(0.4)	(0.5)
Past service curtailment gain	2.7	–
Included in operating profit	0.1	(2.6)
Interest on net pension liability	(3.5)	(4.0)
Total expense charged to profit and loss	(3.4)	(6.6)
Recognised in the Consolidated Statement of Comprehensive Income		
Actual return on plan assets	49.5	65.6
Less: interest on plan assets	(27.5)	(28.4)
	22.0	37.2
Other actuarial (losses) gains due to:		
Changes in financial assumptions	(14.0)	(55.4)
Changes in demographic assumptions	–	(7.1)
Experience on benefit obligations	–	14.5
Actuarial gains (losses) recognised in the Consolidated Statement of Comprehensive Income	8.0	(10.8)

Current service cost and administration expenses are recognised in operating costs and net interest on net pension liability is recognised in other finance costs. The curtailment gain as a result of the Main UK plan closing to future accrual is recognised as an exceptional item.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of regular valuations using the projected unit method. The Group made special contributions of £12.1m over the period to 2013 (2012: £7.5m) in addition to the Group's regular contributions. The special contributions for 2014 are expected to be £9.6m. The total contributions to the defined benefit plans in 2014 are expected to be £12.6m (2013: £15.4m).

The figures above for this accounting period have been calculated under IAS 19 (Revised). There has been no impact from the adoption of IAS 19 (Revised) on the disclosed defined benefit obligation, fair value of assets or net liabilities. However, the net charge to the Income Statement for this accounting period has increased by £3.3m on a pre tax basis (relative to that which would have applied under the previous version of IAS 19), with a tax impact of £0.8m. Operating profit reduced by £0.4m due to the recognition of administrative costs, while other finance costs increased by £2.9m. The actuarial loss recognised has decreased correspondingly by £3.3m. The additional net charge to the income statement reduces basic earnings per share for total operations by 1.2p and diluted earnings per share for total operations by 1.2p.

The 2012 prior year figures have been restated under IAS 19 (Revised). There was no impact on the disclosed defined benefit obligation, fair value of assets or net liabilities. However, the prior year net charge to the Income Statement was increased by £3.3m (relative to that disclosed previously), and the prior year actuarial loss recognised for 2012 was decreased correspondingly by £3.3m.

Sensitivity Analysis

Changes in key assumptions can have a significant effect on the reported retirement benefit obligation and the income statement expense for 2014. The effects of changes in those assumptions are set out in the table below.

	Increase 2013 £m	Decrease 2013 £m	Increase 2012 £m	Decrease 2012 £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	106.0	(128.1)	103.8	(124.9)
Effect on net liability of a 1.0% change	73.4	(91.7)	70.6	(87.8)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	(71.4)	71.2	(69.9)	69.7
Effect on net liability of a 1.0% change	(53.1)	47.6	(51.6)	46.2
Life expectancy				
Effect on defined benefit obligation of a 1 year change	(20.5)	20.5	(20.2)	20.2
Effect on net liability of a 1 year change	(10.1)	10.1	(9.7)	9.7

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

24. Pensions & other post-employment benefit plans (continued)

The impact on the net liability is significantly reduced as a result of the insurance policies held. In the absence of such policies, the impact of the net liability would equal the significantly higher impact on the defined benefit obligation.

These sensitivities have been calculated to show the movement in the defined benefit obligation and net liability in isolation, and assuming no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the invested (non-insurance policy) assets held by the plans.

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

	2013 £m	2012 Restated (note 2) £m
Opening defined benefit obligations	(739.9)	(690.9)
Current service cost	(2.2)	(2.1)
Past service curtailment gain	2.7	–
Interest on benefit obligations	(31.0)	(32.3)
Benefits paid	32.6	32.3
Contributions by employees	–	(0.1)
Actuarial (losses) gains due to:		
Changes in financial assumptions	(14.0)	(55.4)
Changes in demographic assumptions	–	(7.1)
Experience on benefit obligations	–	14.5
Exchange rate adjustment	0.4	1.2
Closing defined benefit obligations	(751.4)	(739.9)

The past service curtailment gain of £2.7m in the current period arose as a result of the decision taken, following consultation, to close the Main UK plan to the future accrual of benefits with effect from 30 June 2015 onwards. This decision was announced to members in August 2013, at which point the curtailment gain was recognised under IAS 19 (Revised).

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

	2013 £m	2012 Restated (note 2) £m
Opening plan assets	649.5	606.2
Interest on plan assets	27.5	28.4
Employer contributions	15.4	11.1
Administrative expenses	(0.4)	(0.5)
Benefits paid	(32.6)	(32.3)
Actuarial return on plan assets less interest on plan assets	22.0	37.2
Exchange rate adjustment	(0.4)	(0.6)
Closing plan assets	681.0	649.5

25. Share capital & reserves

	2013 Number Million	2012 Number Million
Issued & fully paid share capital		
At the beginning of the period	213.6	213.0
Issued during the period in respect of LTIP awards	0.3	0.6
At the end of the period	213.9	213.6
Treasury shares		
At the beginning of the period	1.1	1.7
Issued during the period in respect of LTIP awards	(0.4)	(0.6)
At the end of the period	0.7	1.1

The Company has one class of ordinary share which carries no rights to fixed income.

As at 3 January 2014, 90,827 shares (2012: 125,196 shares) were held by the Kleinwort EBT with a market value of £1.9m (2012: £2.3m).

As at 3 January 2014, 168,764 shares (2012: 104,566) were held by the Appleby EBT for the strategic and matching elements of the deferred bonus and 82,667 shares (2012: 51,255) for the deferred element. These shares have a market value of £5.3m (2012: £2.9m).

Capital redemption reserve

The capital redemption reserve was created by a repurchase and cancellation of own shares during the 53 weeks ended 1 January 1999.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and the Group's hedge of its net investment in foreign operations.

Hedge accounting reserve

This reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective. Net gains (losses) transferred from equity during the period are included in the following line items in the Consolidated Income Statement and Balance Sheet.

	2013 £m	2012 £m
Revenue	0.3	–
Cost of sales	(0.4)	(0.8)
Interest	0.4	–
Inventory	(0.5)	–
	(0.2)	(0.8)

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

26. Additional cash flow information

	2013 £m	2012 Restated (note 2) £m
Continuing operations		
Net cash generated from operations		
Operating profit	490.3	468.6
Non cash exceptional items	(70.5)	(20.2)
Share of results of joint ventures	(8.4)	(6.4)
Depreciation of property, plant & equipment	59.1	49.4
Amortisation of intangible assets	46.7	36.7
Gains on disposal of property, plant & equipment	(1.3)	(0.9)
Funding of pension & post-retirement costs	(0.5)	(0.8)
Employee share schemes	8.7	7.5
Net foreign exchange including derivative financial instruments	4.1	0.3
Decrease in provisions	(13.4)	(18.7)
Cash generated from operations before working capital cash flows	514.8	515.5
Decrease (increase) in inventories	1.6	(61.6)
(Increase) decrease in trade & other receivables and construction contracts	(37.1)	24.4
Decrease in trade & other payables and construction contracts	(5.4)	(79.7)
Cash generated from operations	473.9	398.6
Additional pension contributions paid	(12.1)	(7.5)
Income tax paid	(71.9)	(104.9)
Net cash generated from operating activities	389.9	286.2

The settlement of the external debt of Weir Mathena and Weir Novatech on acquisition has been classified as a financing cash flow in accordance with IAS 7.

The following tables summarise the cashflows arising on acquisitions:

	2013 £m	2012 £m
Acquisitions of subsidiaries		
Current period acquisitions (see below)	(200.9)	(114.9)
Previous periods acquisitions contingent consideration paid	(0.3)	(8.4)
	(201.2)	(123.3)
Acquisition of subsidiaries – cash paid	(207.4)	(125.1)
Cash and cash equivalents acquired	6.5	10.2
Acquisition of subsidiaries – current year acquisitions	(200.9)	(114.9)
Settlement of external debt of subsidiary on acquisition	(1.3)	(1.9)
Total cash outflow on acquisition of subsidiaries – current year (note 13)	(202.2)	(116.8)
Previous periods acquisitions contingent consideration paid	(0.3)	(8.4)
Total cash outflow relating to acquisitions	(202.5)	(125.2)
Disposals of subsidiaries		
Current period disposals – proceeds	–	25.2
– cash disposed of	–	(1.8)
Prior period disposals	(0.3)	(0.5)
	(0.3)	22.9
Proceeds from sale	–	25.2
Cash disposed	–	(1.8)
Net cash inflow from current year disposals	–	23.4
Current year disposals had the following effect on the Group's assets and liabilities		
Trade and other receivables	–	6.2
Construction contract assets	–	0.9
Net derivative financial instruments	–	(0.6)
Trade and other payables	–	(8.1)
Construction contract liabilities	–	(6.7)
Provisions	–	(2.9)
Net assets disposed	–	(11.2)

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

26. Additional cash flow information (continued)

	2013 £m	2012 £m
Reconciliation of net (decrease) increase in cash & cash equivalents to movement in net debt		
Net (decrease) increase in cash & cash equivalents from continuing operations	(307.3)	284.4
Net decrease (increase) in debt	260.7	(322.6)
Change in net debt resulting from cash flows	(46.6)	(38.2)
Lease inception	(0.1)	(0.1)
Loans acquired	(1.5)	(2.3)
Foreign currency translation differences	(9.9)	24.9
Change in net debt during the period	(58.1)	(15.7)
Net debt at the beginning of the period	(688.9)	(673.2)
Net debt at the end of the period	(747.0)	(688.9)
Net debt comprises the following		
Cash & short-term deposits (note 19)	79.1	391.1
Current interest-bearing loans & borrowings (note 20)	(26.5)	(65.4)
Non-current interest-bearing loans & borrowings (note 20)	(799.6)	(1,014.6)
	(747.0)	(688.9)

27. Commitments & legal claims

Operating lease commitments

The Group has entered into commercial leases for land and buildings, motor vehicles and plant and equipment. Land and building leases have an average term of between two and ten years, motor vehicles leases have an average term of between two and four years and plant and equipment leases have an average term of between three and five years. Certain leases have terms of renewal, at the option of the lessee, but there are no purchase options or escalation clauses. Future minimum rentals payable under non-cancellable operating leases are shown in the table below.

	2013 £m	2012 £m
Less than one year	24.1	25.0
After one year but no more than five years	57.1	56.1
More than five years	19.0	19.5
	100.2	100.6

Finance lease commitments

The Group has finance leases for buildings and items of plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are shown in the table below.

	Minimum payments 2013 £m	Present value of payments 2013 £m	Minimum payments 2012 £m	Present value of payments 2012 £m
Less than one year	0.2	0.2	0.2	0.2
After one year but not more than five years	0.4	0.3	0.5	0.5
After five years	–	–	0.1	–
Total minimum lease payments	0.6		0.8	
Less amounts representing finance charges	(0.1)		(0.1)	
Present value of minimum lease payments	0.5	0.5	0.7	0.7

The weighted average outstanding lease term is 4.04 years (2012: 4.42 years). For the 53 weeks ended 3 January 2014, the weighted average effective borrowing rate was 5.33% (2012: 5.74%).

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital Commitments

	2013 £m	2012 £m
Outstanding capital commitments contracted but not provided for – property, plant & equipment	11.0	13.6

The Group's share of the capital commitments of its joint ventures amounted to £0.5m (2012: £0.5m).

Legal claims

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

On 6 February 2013, an Opinion & Order was filed with the United States District Court, Southern District of New York dismissing the claim against the Company (being one of many companies targeted) relating to a civil action for damages arising from the UN Oil for Food programme which was raised in the US. Subsequently the Iraqi Government filed notice of appeal. A hearing of this appeal took place in the 2nd Circuit Court of Appeals on 18 February 2014. The decision of the Court of Appeals is still awaited at the time of publication. It is the Company's intention to continue to defend this action vigorously.

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

28. Equity settled share-based payments**LTIP**

There are three types of award which may be made under the LTIP to senior executives: performance shares, matching shares and investment shares. Details of each award are outlined in the Remuneration report on pages 85 to 112. The changes to the 2014 LTIP as described in the Directors Remuneration Policy on page 88 will take effect for the 2014 year end.

The following table illustrates the number and weighted average share prices (WASP) of shares awarded under the LTIP.

	2013 Number Million	2013 WASP	2012 Number Million	2012 WASP
Outstanding at the beginning of the period	1.7	£14.57	2.3	£8.26
Awarded during the period	0.4	£24.11	0.5	£19.43
Exercised during the period	(0.6)	£7.57	(1.1)	£4.01
Outstanding at the end of the period	1.5	£15.44	1.7	£14.57

An amount of £7.4m (2012: £6.7m) has been charged to the Consolidated Income Statement in respect of the number of awards which are expected to be made at the end of the vesting period. This comprises an amount of £2.4m (2012: £2.0m) in respect of parent company employees and £5.0m (2012: £4.7m) in respect of employees of subsidiaries.

Certain subsidiary companies made a cash contribution to the parent company of £3.2m (2012: £2.0m) in the period in respect of their employees' LTIP awards.

The remaining contractual lives of the outstanding LTIP awards at the end of the period are as follows.

Year of award	2013 Number Million	2013 Remaining contractual life	2012 Number Million	2012 Remaining contractual life
2010	–	–	0.6	3 months
2011	0.6	3 months	0.6	15 months
2012	0.5	15 months	0.5	27 months
2013	0.4	27 months	–	–

The fair value of the conditional awards under the LTIP have been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the 53 weeks ended 3 January 2014 and the 52 weeks ended 28 December 2012 in the calculation of the fair value of awards made in those years.

	2013	2012
Weighted average expected volatility (%)	39.91	40.00
Weighted average expected life (years)	3.00	3.00
Weighted average risk free rate (%)	0.37	0.53
Weighted average share price (£)	24.11	19.43
Weighted average fair value (£)	20.24	14.32

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28. Equity settled share-based payments (continued)

The expected life of the awards is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is volatility indicative of future trends which may also not necessarily be the actual outcome. Market related performance conditions have been taken into account in the calculation of fair values.

Deferred Bonus Plan

There are three types of award which may be made under the Deferred Bonus Plan: shares purchased on the employee's behalf as part of the annual bonus, matching shares and strategic shares for senior executives.

The following table illustrates the number of shares awarded under the Deferred Bonus Plan.

	2013 Number Million	2012 Number Million
Outstanding at the beginning of the period	0.1	–
Awarded during the period	0.1	0.2
Forfeited during the period	–	(0.1)
Outstanding at the end of the period	0.2	0.1

An amount of £1.3m (2012: £0.8m) has been charged to the Consolidated Income Statement in respect of the number of awards which are expected to be made at the end of the vesting period.

29. Related party disclosure

The following table provides the total amount of significant transactions which have been entered into with related parties for the relevant financial year and outstanding balances at the period end.

Related Party		Sales to related parties – goods £m	Sales to related parties – services £m	Purchases from related parties – goods £m	Purchases from related parties – services £m	Amounts owed to related parties £m
Joint ventures	2013	5.6	0.5	2.7	1.7	–
	2012	1.0	0.2	1.7	2.6	–
Group pension plans	2013	–	–	–	–	2.3
	2012	–	–	–	–	1.4

Contributions to the Group pension plans are disclosed in note 24.

Terms & conditions of transactions with related parties

Sales to and from related parties are made at normal market prices. Outstanding balances at the period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party balances. For the 53 weeks ended 3 January 2014, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2012: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	2013 £m	2012 £m
Compensation of key management personnel		
Short-term employee benefits	4.6	6.5
Share-based payments	3.2	2.7
Post-employment benefits	–	0.1
	7.8	9.3

	2013 £m	2012 £m
Emoluments paid to the Directors of The Weir Group PLC for the 53 weeks ended 3 January 2014		
Remuneration	2.0	2.7
Gains made on the exercise of Long Term Incentive Plan awards	2.8	5.7
	4.8	8.4

Key management comprises the Board and the Group Executive. Further details of the Directors' remuneration are disclosed in the Directors' remuneration report.

30. Financial assets & liabilities

Financial risk management objectives & policies

The principal financial risks to which the Group is exposed are those relating to foreign currency, liquidity and credit risk. Foreign currency transactional risk arises when operating subsidiaries enter into transactions denominated in currencies other than their functional currencies. Translational risk arises on the translation of overseas earnings and investments into Sterling for consolidated reporting purposes. Credit risk is the risk that a customer or counterparty fails to meet an obligation under a contract and liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. In addition, the Group is subject to a degree of interest rate risk on its borrowings. The Group uses financial assets and liabilities, including derivatives, to hedge certain foreign exchange and interest rate risks as set out below.

Foreign exchange risk policy

Foreign currency transactional and translational risk could result in volatility in reported consolidated earnings and net assets.

In respect of transactional foreign currency risk, the Group maintains a policy that all operating units eliminate exposures on material committed transactions, usually by undertaking forward foreign currency contracts through the Group's treasury function. In addition, it is Group policy that those companies where a significant concentration of foreign exchange risk has been identified may also apply hedge accounting in accordance with IAS 39. Therefore, some of the Group's forward foreign currency contracts form part of an effective cash flow hedge. Exchange rate fluctuations in respect of the forward foreign currency contracts which form part of a cash flow hedge will have an impact on shareholders' equity. Exchange rate fluctuations in respect of the other forward foreign currency contracts will have an impact on profit or loss. It is Group policy not to engage in any speculative transaction of any kind.

In respect of translational risk, the Group has a policy to partially hedge United States dollar (US\$) net assets exposure. This is achieved through designating an element of US dollar borrowings, forward foreign currency contracts and cross currency swaps as net investment hedges against the Group's US dollar investments. The Group does not hedge the translational exposure arising from profit and loss items.

Liquidity risk policy

Liquidity risk could impact negatively on the Group's reputation, borrowing costs or ultimately its ability to continue as a going concern. Liquidity risk is managed by monitoring forecast and actual cash flows and ensuring that sufficient committed facilities are in place to meet possible downside scenarios. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and fixed rate notes. Further details of the Group's borrowing facilities are disclosed in note 20.

Credit risk policy

Credit risk could have a negative impact on reported earnings and cash and consequently the liquidity of the Group.

The Group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments. The Group's credit risk is primarily attributable to its trade receivables with risk spread over a large number of countries and customers, with no significant concentration of risk. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. Credit worthiness checks are also undertaken with external credit rating agencies before entering into contracts with new customers and credit limits are set as appropriate and adhered to. As shown in note 17, the trade receivables presented in the balance sheet are net of allowance for doubtful debts. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group's exposure to the credit risk of financial institutions is limited by the adherence to counterparty limits, and by only trading with counterparties that have an investment grade credit rating or better at contract inception, based upon ratings provided by the major agencies. Exposures to those counterparties are regularly reviewed and, when the market view of a counterparty's credit quality changes, adjusted as considered appropriate. Accordingly in normal market conditions, the probability of material loss due to non-performance by counterparties is considered to be low.

Interest rate risk policy

The Group's borrowings are in a combination of fixed and variable rates of interest. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate for the Group in the short to medium-term. Details of changes to the Group's loans and facilities has been included in note 20.

Net investment in foreign operations

As at 3 January 2014, US dollar fixed rate notes of US\$1,160.0m (2012: US\$1,088.2m) and US dollar variable rate loans of US\$70.0m (2012: US\$252.0m), both included in interest-bearing loans and borrowings, cross currency swaps of US\$89.4m (2012: US\$89.4m) and net forward foreign currency liability contracts of US\$170.4m (2012: US\$48.0m) have been designated as a hedge of the Group's exposure to translational foreign exchange risk on its net investments in Weir SPM, Weir Warman, Weir Seaboard, Weir Novatech and Weir Mathena. Gains or losses on the retranslation of the borrowings and contingent consideration and the fair value of the cross currency swaps and forward foreign currency contracts are transferred to equity to offset any gains or losses on translation of the net investments in these subsidiaries.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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30. Financial assets & liabilities (continued)

Carrying amounts & fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reported in the financial statements.

	Carrying amount 2013 £m	Fair value 2013 £m	Fair Value measurement using		
			Level 1 Quoted prices in active markets £m	Level 2 Significant observable inputs £m	Level 3 Significant unobservable inputs £m
Financial assets					
Derivative financial instruments recognised at fair value through profit or loss	10.4	10.4	–	10.4	–
Derivative financial instruments in designated hedge accounting relationships	1.8	1.8	–	1.8	–
Trade & other receivables excluding statutory assets & prepayments*	467.1	467.1			
Cash & short-term deposits*	79.1	79.1			
	558.4	558.4			

Financial liabilities

Derivative financial instruments recognised at fair value through profit or loss	9.4	9.4	–	9.4	–
Derivative financial instruments in designated hedge accounting relationships	0.8	0.8	–	0.8	–
Contingent consideration	27.7	27.7	–	–	27.7
Amortised cost					
Fixed rate borrowings	759.0	716.2	–	716.2	–
Floating rate borrowings	56.1	56.1	–	56.1	–
Obligations under finance leases	0.5	0.5	–	0.5	–
Bank overdrafts & short-term borrowings*	10.5	10.5			
Trade & other payables excluding statutory liabilities & deferred income*	395.8	395.8			
	1,259.8	1,217.0			

	Carrying amount 2012 £m	Fair value 2012 £m	Fair Value measurement using		
			Level 1 Quoted prices in active markets £m	Level 2 Significant observable inputs £m	Level 3 Significant unobservable inputs £m
Financial assets					
Derivative financial instruments recognised at fair value through profit or loss	4.2	4.2	–	4.2	–
Derivative financial instruments in designated hedge accounting relationships	0.2	0.2	–	0.2	–
Trade & other receivables excluding statutory assets & prepayments*	449.0	449.0			
Cash & short-term deposits*	391.1	391.1			
	844.5	844.5			

Financial liabilities

Derivative financial instruments recognised at fair value through profit or loss	14.6	14.6	–	14.6	–
Derivative financial instruments in designated hedge accounting relationships	0.9	0.9	–	0.9	–
Contingent consideration	24.5	24.5	–	–	24.5
Amortised cost					
Fixed rate borrowings	771.5	792.7	–	792.7	–
Floating rate borrowings	301.0	301.0	–	301.0	–
Obligations under finance leases	0.7	0.7	–	0.7	–
Bank overdrafts & short-term borrowings*	6.9	6.9			
Trade & other payables excluding statutory liabilities & deferred income*	400.4	400.4			
	1,520.5	1,541.7			

* The fair value of cash and short-term deposits, trade and other receivables and trade and other payables approximates their carrying amount due to the short-term maturities of these instruments. As such disclosure of the fair value hierarchy for these items is not required.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The derivative financial instruments are valued using valuation techniques with market observable inputs including spot and forward foreign exchange rates, interest rate curves, counterparty and own credit risk. The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on spot foreign exchange rates and counterparty and own credit risk. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 3 January 2014 and 28 December 2012, the Group has classified contingent consideration as level 3. A reconciliation of the movements in the contingent consideration fair value has been included in note 13.

During the 53 weeks ended 3 January 2014 and the 52 weeks ended 28 December 2012, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

The fair value of borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The basis for the calculation of the fair value of contingent consideration is outlined in detail in note 13.

Derivative financial instruments

Set out in the table below is a summary of the types of derivative financial instruments included within each balance sheet category.

	2013 £m	2012 £m
Included in non-current assets		
Forward foreign currency contracts designated as cash flow hedges	0.6	–
Cross currency swaps designated as net investment hedges	0.1	–
Other forward foreign currency contracts	0.4	0.8
	1.1	0.8
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	0.7	0.2
Forward foreign currency contracts designated as net investment hedges	0.4	–
Other forward foreign currency contracts	10.0	3.4
	11.1	3.6
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	(0.1)	(0.1)
Forward foreign currency contracts designated as net investment hedges	(0.2)	(0.3)
Other cross currency swaps	–	(9.1)
Other forward foreign currency contracts	(9.3)	(5.2)
	(9.6)	(14.7)
Included in non-current liabilities		
Forward foreign currency contracts designated as cash flow hedges	(0.2)	–
Cross currency swaps designated as net investment hedges	(0.3)	(0.5)
Other forward foreign currency contracts	(0.1)	(0.3)
	(0.6)	(0.8)
Net derivative financial assets (liabilities)	2.0	(11.1)

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30. Financial assets & liabilities (continued)

Liquidity & credit risk

The maximum exposure to credit risk at the balance sheet date is represented by the carrying value of each financial asset, including derivative financial instruments. The liabilities which could impact liquidity risk are best represented by the carrying value and maturity profile of each financial liability, including derivative financial instruments. The following tables include the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to receive or pay these financial assets or liabilities and include both interest and principal cash flows. In respect of derivative financial instruments the net credit/liquidity risk is best represented by the net inflows (outflows) shown below together with the Group's headroom under the borrowing facilities as disclosed in note 20.

53 weeks ended 3 January 2014

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	467.1	–	–	–	467.1
Cash & short-term deposits	79.1	–	–	–	79.1
Cash flows relating to non-derivative financial assets	546.2	–	–	–	546.2
Trade & other payables excluding statutory liabilities & deferred income	(401.1)	(4.4)	–	(27.7)	(433.2)
Obligations under finance leases	(0.2)	(0.1)	(0.3)	–	(0.6)
Bank overdrafts & short-term borrowings	(10.5)	–	–	–	(10.5)
Bank loans	(16.7)	(1.0)	(42.8)	–	(60.5)
Fixed rate notes	(33.1)	(97.0)	(171.7)	(678.0)	(979.8)
Cash flows relating to non-derivative financial liabilities	(461.6)	(102.5)	(214.8)	(705.7)	(1,484.6)
Net cash flows relating to non-derivative financial assets (liabilities)	84.6	(102.5)	(214.8)	(705.7)	(938.4)

52 weeks ended 28 December 2012

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	449.0	–	–	–	449.0
Cash & short-term deposits	391.1	–	–	–	391.1
Cash flows relating to non-derivative financial assets	840.1	–	–	–	840.1
Trade & other payables excluding statutory liabilities & deferred income	(400.5)	(5.4)	(4.8)	(27.8)	(438.5)
Obligations under finance leases	(0.2)	(0.2)	(0.3)	(0.1)	(0.8)
Bank overdrafts & short-term borrowings	(6.9)	–	–	–	(6.9)
Bank loans	(60.8)	(243.7)	–	–	(304.5)
Fixed rate notes	(33.5)	(33.5)	(159.7)	(803.0)	(1,029.7)
Cash flows relating to non-derivative financial liabilities	(501.9)	(282.8)	(164.8)	(830.9)	(1,780.4)
Net cash flows relating to non-derivative financial assets (liabilities)	338.2	(282.8)	(164.8)	(830.9)	(940.3)

53 weeks ended 3 January 2014

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Cross currency swaps – outflow	(2.8)	(14.5)	(48.4)	–	(65.7)
Cross currency swaps – inflow	2.9	14.6	48.8	–	66.3
Cross currency swaps – net inflow	0.1	0.1	0.4	–	0.6
Forward foreign currency contracts – outflow	(642.1)	(18.4)	(16.7)	–	(677.2)
Forward foreign currency contracts – inflow	644.2	18.9	17.0	–	680.1
Forward foreign currency contracts – net inflow	2.1	0.5	0.3	–	2.9
Derivative financial instruments – outflow	(644.9)	(32.9)	(65.1)	–	(742.9)
Derivative financial instruments – inflow	647.1	33.5	65.8	–	746.4
Derivative financial instruments – net inflow	2.2	0.6	0.7	–	3.5
Effect of discounting					(1.5)
Net derivative financial assets					2.0

52 weeks ended 28 December 2012

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Cross currency swaps – outflow	(53.1)	(2.9)	(19.3)	(43.4)	(118.7)
Cross currency swaps – inflow	43.8	2.8	19.0	43.1	108.7
Cross currency swaps – net outflow	(9.3)	(0.1)	(0.3)	(0.3)	(10.0)
Forward foreign currency contracts – outflow	(584.8)	(13.9)	(33.0)	–	(631.7)
Forward foreign currency contracts – inflow	583.3	14.2	33.6	–	631.1
Forward foreign currency contracts – net (outflow) inflow	(1.5)	0.3	0.6	–	(0.6)
Derivative financial instruments – outflow	(637.9)	(16.8)	(52.3)	(43.4)	(750.4)
Derivative financial instruments – inflow	627.1	17.0	52.6	43.1	739.8
Derivative financial instruments – net (outflow) inflow	(10.8)	0.2	0.3	(0.3)	(10.6)
Effect of discounting					(0.5)
Net derivative financial liabilities					(11.1)

NOTES TO THE GROUP FINANCIAL STATEMENTS

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30. Financial assets & liabilities (continued)

Interest rate risk & maturity profile

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk and the Group's notional value of derivative financial instruments, by maturity, exposed to interest rate risk.

53 weeks ended 3 January 2014

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Fixed rate debt					
Fixed rate notes	–	(66.8)	(85.5)	(606.7)	(759.0)
Obligations under finance leases	(0.2)	(0.1)	(0.2)	–	(0.5)
	(0.2)	(66.9)	(85.7)	(606.7)	(759.5)
Fixed rate derivatives					
Notional cross currency swaps US dollar leg	–	(19.5)	(69.9)	–	(89.4)
Notional cross currency swaps Sterling leg	–	12.0	43.0	–	55.0
	–	(7.5)	(26.9)	–	(34.4)
Net fixed rate financial instruments	(0.2)	(74.4)	(112.6)	(606.7)	(793.9)
Floating rate net debt					
Cash & short-term deposits	79.1	–	–	–	79.1
Bank overdrafts & short-term borrowings	(10.5)	–	–	–	(10.5)
Bank loans	(15.8)	(0.4)	(39.9)	–	(56.1)
	52.8	(0.4)	(39.9)	–	12.5
Net floating rate financial instruments	52.8	(0.4)	(39.9)	–	12.5

52 weeks ended 28 December 2012

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Fixed rate debt					
Bank loans	(0.1)	–	–	–	(0.1)
Fixed rate notes	–	–	(67.7)	(703.7)	(771.4)
Obligations under finance leases	(0.3)	(0.2)	(0.3)	–	(0.8)
	(0.4)	(0.2)	(68.0)	(703.7)	(772.3)
Fixed rate derivatives					
Notional cross currency swaps US dollar leg	–	–	(19.5)	(69.9)	(89.4)
Notional cross currency swaps Sterling leg	–	–	12.0	43.0	55.0
	–	–	(7.5)	(26.9)	(34.4)
Net fixed rate financial instruments	(0.4)	(0.2)	(75.5)	(730.6)	(806.7)
Floating rate net debt					
Cash & short-term deposits	391.1	–	–	–	391.1
Bank overdrafts & short-term borrowings	(6.9)	–	–	–	(6.9)
Bank loans	(58.3)	(242.7)	–	–	(301.0)
	325.9	(242.7)	–	–	83.2
Floating rate derivatives					
Notional cross currency swaps US dollar leg	(81.0)	–	–	–	(81.0)
Notional cross currency swaps Sterling leg	41.0	–	–	–	41.0
	(40.0)	–	–	–	(40.0)
Net floating rate financial instruments	285.9	(242.7)	–	–	43.2

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity through the impact on floating rate borrowings and cross currency swaps in respect of each currency to which the Group has a significant exposure to interest rate risk.

	Increase in basis points	Effect on profit before tax (loss) gain £m	Effect on equity (loss) £m
2013			
UK Sterling	+ 100	(0.1)	–
US Dollar	+ 100	–	(0.7)
2012			
UK Sterling	+ 100	2.2	–
US Dollar	+ 100	(1.5)	(2.4)

A decrease of 100 basis points would have an equal and opposite effect.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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30. Financial assets & liabilities (continued)

Effect of hedge & derivative financial instruments included in the income statement & equity

The Group uses forward foreign currency contracts to hedge currency risk associated with expected future sales or purchases for which the Group has firm commitments. The terms of the forward foreign currency contracts are negotiated to match the terms of the commitments. During the period three subsidiaries within the Group have applied cash flow hedge accounting to these forward foreign currency transactions. On 28 December 2012, the hedge relationships within LGE Process Ltd were discontinued on disposal of the company with the outstanding hedge reserve balance of £0.2m charged to the income statement at that time. All other forward foreign currency contracts, while representing commercial hedges, are not subject to cash flow hedge accounting with all fair value movements being recognised in the income statement.

The net carrying amount, maturity dates and the amounts recognised for the period in profit or loss and equity for each derivative financial instrument are set out below.

53 weeks ended 3 January 2014

	Net carrying amount £m	Maturity dates	Gain (loss) recognised in profit or loss £m	Gain recognised in equity £m	Loss recognised in inventory £m
Forward foreign currency contracts designated as cash flow hedges	1.0	2014 to 2017	0.3	0.3	(0.5)
Forward foreign currency contracts designated as net investment hedges	0.2	2014	0.3	5.3	–
Cross currency swaps designated as net investment hedges	(0.2)	2015 to 2018	(0.1)	0.3	–
Other forward foreign currency contracts at fair value through profit or loss	1.0	2014 to 2017	(10.6)	–	–
	2.0		(10.1)	5.9	(0.5)

52 weeks ended 26 December 2012

	Net carrying amount £m	Maturity dates	Gain (loss) recognised in profit or loss £m	Gain recognised in equity £m	Gain (loss) recognised in inventory £m
Forward foreign currency contracts designated as cash flow hedges	0.1	2013	(0.9)	1.0	–
Forward foreign currency contracts designated as net investment hedges	(0.3)	2013	–	1.4	–
Cross currency swaps designated as net investment hedges	(0.5)	2013 to 2018	0.4	4.9	–
Other forward foreign currency contracts at fair value through profit or loss	(10.4)	2012 to 2017	(1.7)	–	–
	(11.1)		(2.2)	7.3	–

The net £0.2m gain (2012: £0.4m) recognised in profit or loss in respect of cross currency swaps and forward foreign currency contracts designated as net investment hedges reflects the benefit of the US dollar/Sterling interest rate differential. The Group's forward foreign currency contracts subject to cash flow hedge accounting which were deemed to be ineffective during the period resulted in a net charge to the income statement of £nil (2012: £nil).

Foreign exchange risk

The Group considers the most significant foreign exchange risk relates to the Australian dollar, Euro and United States dollar. The following table demonstrates the sensitivity to a reasonably possible change in these foreign currency exchange rates with all other variables held constant. The sensitivity analysis shows the effect on profit or loss in respect of financial assets and liabilities denominated in foreign currency, including payables, receivables, borrowings and forward foreign currency contracts but excluding all financial assets and liabilities qualified as either cash flow or net investment hedges. The sensitivity analysis also shows the effect on equity in respect of financial assets and liabilities denominated in foreign currency qualifying as either cash flow or net investment hedges including forward foreign currency contracts, borrowings and cross currency swaps. The sensitivity analysis below has been presented to demonstrate the impact of a 25% strengthening of the relevant functional currency against the currencies shown below and therefore give an indication of the transactional foreign exposure that exists at a subsidiary level across the Group.

	Increase in currency rate	Effect on profit gain (loss) £m	Effect on equity gain £m
2013			
Australian dollar	+25%	0.7	–
Euro	+25%	3.3	1.6
US dollar	+25%	(3.7)	180.6
2012			
Australian dollar	+25%	0.3	–
Euro	+25%	4.9	0.7
US dollar	+25%	5.0	183.3

As noted above, the Group does not hedge translational exposure arising from profit and loss items. The Group's operating profit from continuing operations before exceptional items and intangibles amortisation was denominated in the following currencies.

	2013 £m	2012 Restated (note 2) £m
US dollar	241.3	296.2
Australian dollar	46.2	57.4
Euro	44.5	36.4
Canadian dollar	42.6	41.2
Brazilian real	5.0	7.8
Chilean peso	33.8	31.3
South African rand	9.7	8.8
United Kingdom pound	0.2	(19.7)
Other	43.2	25.7
Operating profit from continuing operations before exceptional items & intangibles amortisation	466.5	485.1

NOTES TO THE GROUP FINANCIAL STATEMENTS

Continued

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains robust capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using the following indicators.

Gearing ratio

Gearing comprises net debt divided by total equity. Net debt comprises cash and short-term deposits and interest-bearing loans and borrowings (note 26).

	2013	2012
Net debt (£m)	747.0	688.9
Total equity (£m)	1,486.7	1,310.3
Gearing Ratio (%)	50.2	52.6

Net debt to EBITDA cover

Net debt to EBITDA comprises net debt divided by operating profit from continuing operations before exceptional items, depreciation, intangibles amortisation and impairment.

	2013	2012 Restated (note 2)
Net debt (£m)	747.0	688.9
Operating profit (£m)	490.3	468.6
Exceptional items included in operating profit (note 5) (£m)	(70.5)	(20.2)
Depreciation, intangibles amortisation & impairment (£m)	105.8	86.1
EBITDA (£m)	525.6	534.5
Net debt to EBITDA cover (ratio)	1.4	1.3

Interest cover

Interest cover comprises operating profit from continuing operations before exceptional items and intangibles amortisation divided by net finance costs (excluding exceptional items and other finance costs).

	2013	2012 Restated (note 2)
Operating profit before exceptional items & intangibles amortisation (£m)	466.5	485.1
Net finance costs (excluding exceptional items and other finance costs) (£m)	44.9	41.3
Interest cover (ratio)	10.4	11.7

The Group's banking arrangements also require the calculation of net debt to EBITDA and interest cover as part of the bi-annual financial covenant certifications. For the purposes of the covenants required by the Group's lenders, the net debt is to be converted at the exchange rate used in the preparation of the Group's income statement and cash flows, ie. average rate. In addition, profits of businesses acquired in the financial year have to be included as if the acquisitions occurred at the start of the financial year. The covenant calculations for the purposes of the Group's lenders are shown below.

Net debt to EBITDA cover – lender covenants basis

	2013	2012 Restated (note 2)
Net debt at average exchange rates (£m)	775.9	719.8
Operating profit* (£m)	491.4	471.7
Exceptional item included in operating profit (note 5) (£m)	(70.5)	(20.2)
Depreciation, intangibles amortisation & impairment* (£m)	105.8	86.3
EBITDA* (£m)	526.7	537.8
Net debt to EBITDA cover (ratio)	1.5	1.3

Interest cover – lender covenants basis

	2013	2012 Restated (note 2)
Operating profit before exceptional items & intangibles amortisation* (£m)	467.6	488.2
Net finance costs (excluding exceptional items and other finance costs) (£m)	44.9	41.3
Interest cover (ratio)	10.4	11.8

* Adjusted for current year acquisitions

32. Exchange rates

The principal exchange rates applied in the preparation of these financial statements were as follows.

	2013	2012
Average rate (per £)		
US dollar	1.56	1.58
Australian dollar	1.61	1.53
Euro	1.18	1.23
Canadian dollar	1.61	1.58
Brazilian real	3.36	3.10
Chilean peso	771.29	770.51
South African rand	15.01	13.01
Closing rate (per £)		
US dollar	1.64	1.62
Australian dollar	1.83	1.56
Euro	1.21	1.22
Canadian dollar	1.74	1.61
Brazilian real	3.91	3.30
Chilean peso	869.82	775.72
South African rand	17.50	13.69

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE WEIR GROUP PLC

We have audited the Parent Company financial statements of The Weir Group PLC for the 53 weeks ended 3 January 2014 which comprise the Company Balance Sheet and the related notes 1 to 18. 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 116, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 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 parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 3 January 2014;
- 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 matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of The Weir Group PLC for the 53 weeks ended 3 January 2014.

James Nisbet (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
26 February 2014

COMPANY BALANCE SHEET

At 3 January 2014

	Notes	3 January 2014 £m	26 December 2012 £m
Fixed assets			
Tangible assets	3	1.8	1.2
Intangible assets	4	3.8	1.7
Investments	5	2,239.7	2,245.6
Total fixed assets		2,245.3	2,248.5
Current assets			
Debtors	6	95.8	38.2
Derivative financial instruments	11	14.6	9.0
Cash at bank & in hand*		12.8	321.6
Total current assets		123.2	368.8
Creditors falling due within one year			
Creditors	7	726.5	697.6
Derivative financial instruments	11	16.7	19.2
Total current liabilities		743.2	716.8
Net current liabilities		620.0	348.0
Total assets less current liabilities		1,625.3	1,900.5
Creditors falling due after more than one year			
Loans	8	1,093.6	1,318.7
Derivative financial instruments	11	1.4	1.4
Total creditors falling due after more than one year		1,095.0	1,320.1
Provisions	9	2.1	2.1
Net assets excluding retirement benefits		528.2	578.3
Retirement benefits	10	1.1	1.0
Net assets including retirement benefits		527.1	577.3
Capital & reserves			
Share capital	12	26.7	26.7
Share premium	13	38.0	38.0
Treasury shares	13	(5.8)	(5.6)
Capital redemption reserve	13	0.5	0.5
Special reserve	13	1.8	1.8
Profit & loss account	13	465.9	515.9
Total equity		527.1	577.3

* The cash at bank & in hand includes £nil (2012: £149.4m) of short term deposits.

Approved by the Board of Directors on 26 February 2014

Keith Cochrane
Director

Jon Stanton
Director

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

The accounting policies which follow have been applied consistently to all periods presented in these financial statements.

Basis of preparation

The Company financial statements have been prepared in accordance with United Kingdom accounting standards.

Foreign currency translation

The presentational and functional currency of the Company is Sterling. Transactions denominated in foreign currencies are translated into the Company's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the profit and loss account except when hedge accounting is applied.

Tangible assets

Tangible assets are stated at cost and the cost is depreciated over the estimated useful life by equal annual instalments at rates of 7.5% for office equipment and 25% for computer equipment.

Intangible assets

Intangible assets are stated at cost and the cost is amortised over the estimated useful life by equal annual instalments at the rate of 25%.

Investments

Investments in subsidiaries are held at historical cost less a provision for impairment.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Post-employment benefits

The Company and other UK subsidiaries of the Group participate in multi-employer defined benefit pension plans which are set up under separate trusts. These plans are operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities and, in accordance with FRS 17, the Company accounts for its contributions to the plans as if they are defined contribution plans.

In addition, the Company has unfunded unapproved pension promises. Contributions are made to the plans on the advice of an independent qualified actuary. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the Company's unfunded unapproved pension promises expected to arise from employee service in the period is charged against operating profit. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Contributions to defined contribution pension plans are charged to the profit and loss account when they become payable.

Leases

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Share-based payments

Equity settled share-based incentives are provided to employees under the Company's Long Term Incentive Plan ('LTIP'), the Executive Bonus Scheme ('EBS') and as a consequence of occasional one-off conditional awards made to senior executives.

The fair value of the LTIP at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions.

The EBS is determined as a percentage of the annual bonus. This percentage is matched by the Company with a share award that will vest on the third anniversary of the grant date provided the individual continues to hold the original bonus shares awarded and continues to be employed by the Company at the date of vesting. The EBS includes a strategic bonus shares element for a limited number of senior employees. The fair value of the matching and strategic elements of the EBS is determined at the date of grant of the bonus and the cost is recognised on a straight line basis over the vesting period. The Company recognises a compensation cost in respect of this plan that is based on the fair value of the awards. The fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified.

As permitted by FRS 20, the Company has applied FRS 20 'Share-based Payment' retrospectively only to equity-settled awards that had not vested as at 1 January 2005 and were granted on or after 7 November 2002.

Financial assets & liabilities

The Company's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short-term borrowings, loans and fixed rate notes, cash and short-term deposits.

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

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

Derivative financial instruments

The Company uses derivative financial instruments, principally forward foreign currency contracts, to reduce its exposure to exchange rate movements. Additionally, the Company uses interest rate swaps to manage its exposure to interest rate risk. The Company does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. Changes in their fair values have been recognised in the profit and loss account, except where hedge accounting is used, provided the conditions specified by FRS 26 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under FRS 26 and practical to do so. When hedge accounting is used, the relevant hedging relationships will be classified as a cash flow hedge or fair value hedge.

To the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in equity rather than in the profit and loss account. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the profit and loss account or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

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

The Company has taken advantage of the exemption in FRS 29 and has not disclosed information required by that standard in relation to derivative financial instruments as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7.

Treasury shares

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

2. Profit attributable to the Company

The profit dealt with in the accounts of the Company was £24.3m (2012: £267.2m). In accordance with the concession granted under section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these financial statements.

Dividends paid & proposed

	2013 £m	2012 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2012: 30.0p (2011: 25.8p)	63.8	54.8
Interim dividend for 2013: 8.8p (2012: 8.0p)	18.8	16.9
	82.6	71.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2013: 33.2p (2012: 30.0p)	70.8	63.8

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

Directors

Details of directors remuneration, benefits and LTIP awards are included in the Remuneration report on pages 85 to 112, and in note 29 to the Group financial statements.

Auditors remuneration

The total fees payable by the Company to Ernst & Young LLP for work performed in respect of the audit of the Company were £14,000 (2012: £13,000). Fees paid to Ernst & Young LLP for non-audit services to the Company itself are not disclosed in these accounts as the Group's consolidated financial statements, in which the Company is included, are required to disclose such fees on a consolidated basis.

3. Tangible assets

	Office & computer equipment £m
Cost	
At 28 December 2012	1.8
Additions	1.0
Disposals	(0.1)
At 3 January 2014	2.7
Aggregate depreciation	
At 28 December 2012	0.6
Charge for year	0.4
Disposals	(0.1)
At 3 January 2014	0.9
Net book value at 28 December 2012	1.2
Net book value at 3 January 2014	1.8

4. Intangible assets

	Purchased Software £m	Development Costs £m	Total £m
Cost			
At 28 December 2012	2.0	0.4	2.4
Additions	1.7	0.6	2.3
At 3 January 2014	3.7	1.0	4.7
Aggregate amortisation			
At 28 December 2012	0.7	–	0.7
Charge for year	0.2	–	0.2
At 3 January 2014	0.9	–	0.9
Net book value at 28 December 2012	1.3	0.4	1.7
Net book value at 3 January 2014	2.8	1.0	3.8

5. Fixed asset investments

	Subsidiaries Shares £m	Loans £m	Total £m
Cost			
At 28 December 2012	737.9	1,513.3	2,251.2
Additions	35.0	–	35.0
Repayments	–	(40.9)	(40.9)
At 3 January 2014	772.9	1,472.4	2,245.3
Impairment			
At 3 January 2014 & at 28 December 2012	0.2	5.4	5.6
Net book value at 28 December 2012	737.7	1,507.9	2,245.6
Net book value at 3 January 2014	772.7	1,467.0	2,239.7

The principal subsidiaries and joint ventures of the Company are listed on page 190.

6. Debtors

	2013 £m	2012 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	91.2	32.8
Deferred tax recoverable (note 14)	1.5	2.3
Other debtors	2.4	2.6
Prepayments & accrued income	0.7	0.5
	95.8	38.2

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

7. Creditors

	2013 £m	2012 £m
Bank overdrafts & short-term borrowings	144.0	114.7
Loans from subsidiaries	509.3	544.8
Amounts owed to subsidiaries	49.6	9.6
Tax payable	0.9	0.5
Other taxes & social security costs	1.4	1.3
Other creditors	4.6	4.8
Accruals & deferred income	16.7	21.9
	726.5	697.6

8. Loans

	2013 £m	2012 £m
Amounts due are repayable as follows		
Less than one year		
– bank loans	15.8	58.3
– loans from subsidiaries	509.3	544.7
More than one year but not more than two years		
– bank loans	0.4	242.7
– fixed rate notes	66.9	–
– loans from subsidiaries	15.1	11.9
More than two years but not more than five years		
– bank loans	39.9	–
– fixed rate notes	85.7	67.7
– loans from subsidiaries	279.2	–
More than five years		
– fixed rate notes	606.4	703.7
– loans from subsidiaries	–	292.7
	1,618.7	1,921.7
Less current instalments due on:		
– bank loans	(15.8)	(58.3)
– loans from subsidiaries	(509.3)	(544.7)
	1,093.6	1,318.7

The loans from subsidiaries with a maturity date greater than two years and less than five years are repayable in 2018 and have an interest rate of 6.37%. These loans are not secured.

Details of the interest and repayment terms of the bank loans and fixed rate notes can be found in note 20 to the Group financial statements.

9. Provisions

	Subsidiaries Shares £m	Discontinued operations Warranty & Indemnity £m	Total £m
At 3 January 2014 and 28 December 2012	1.1	1.0	2.1

Subsidiaries

As at 3 January 2014, a provision of £1.1m (2012: £1.1m) has been made against the deficiency of underlying net assets in certain subsidiaries.

Discontinued operations warranty & indemnity

Provisions in respect of discontinued operations include provision for warranty and indemnity exposures under asset and share sale agreements. The provision as at 3 January 2014 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ and, in some cases, this may be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within two years of the balance sheet date.

10. Retirement benefits

The net pension liability in respect of the Company unapproved plan is reflected on the Company's balance sheet. The liabilities of the Company unapproved plan are shown below.

	2013 £m	2012 £m
Present value of plan liabilities	(1.4)	(1.4)
Related deferred tax asset (note 14)	0.3	0.4
Net pension liability	(1.1)	(1.0)

	2013 £m	2012 £m
Recognised in the profit & loss account		
Interest cost on plan liabilities	0.1	0.1
Other finance costs	0.1	0.1

The major assumptions used by the actuary for the Company unapproved plan were as follows.

	2013 %	2012 %
Rate of increase in pensions in payment	3.3	2.9
Discount rate	4.4	4.3
Inflation assumption	3.4	2.9

The mortality assumptions used as follows.

	2013 Years	2012 Years
Post-retirement mortality		
Current pensioners at 65 – male	22.0	21.8
Current pensioners at 65 – female	24.5	24.3
Future pensioners at 65 – male	23.8	23.6
Future pensioners at 65 – female	26.5	26.3

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 2034 (in 20 years time).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

10. Retirement benefits (continued)

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

	2013 £m	2012 £m
Opening defined benefit obligations	1.4	1.4
Interest cost	0.1	0.1
Benefits paid	(0.1)	(0.1)
Closing defined benefit obligations	1.4	1.4

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

	2013 £m	2012 £m
Opening plan assets	–	–
Employer contributions	0.1	0.1
Benefits paid	(0.1)	(0.1)
Closing plan assets	–	–

History of experience gains and losses

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of defined benefit obligation	(1.4)	(1.4)	(1.4)	(1.3)	(1.1)
Deficit in the plans	(1.4)	(1.4)	(1.4)	(1.3)	(1.1)
Changes in assumptions underlying plan liabilities	–	–	(0.1)	(0.2)	–

In addition, the Company also participates in the defined benefit plan arrangements within The Weir Group Pension & Retirement Savings Scheme (Main Plan) and The Weir Group 1972 Pensions and Life Assurance Plan for Senior Executives (Executive Plan). These defined benefits plans are funded multi-employer plans which are operated by The Weir Group PLC and which are run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities. In accordance with FRS 17, the Company accounts for its contributions to these plans as if they were defined contribution plans. While assets and liabilities in respect of these plans are not reflected on the Company's balance sheet, details of these are set out below.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit method. The Company made special contributions of £12.1m in 2013 (2012: £7.5m) in addition to the employers regular contributions. The special contributions for 2014 are expected to be £9.6m. The total contributions to the defined benefit plans in 2014 are expected to be £11.7m (2012: £14.4m).

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 £46.7m (2012: £63.6m).

The assets and liabilities of the plans and the long-term expected rates of return are as follows.

	2013 %	2013 £m	2012 %	2012 £m
Equities	7.4	185.2	6.8	156.9
Bonds	3.9	124.6	3.4	121.3
Insurance policy	4.4	346.2	4.3	348.2
Other	1.3	8.1	0.5	7.6
Fair value of plan assets		664.1		634.0
Present value of plan liabilities		(723.6)		(708.5)
Net deficit in the plans		(59.5)		(74.5)

	2013 £m	2012 £m
Recognised in the profit & loss account		
Current service cost	2.1	2.0
Past service curtailment gain	(2.7)	–
	(0.6)	2.0
Expected return on plan assets	(29.6)	(30.5)
Interest cost on plan liabilities	29.8	31.1
Other finance costs	0.2	0.6
Taken to the statement of total recognised gains & losses		
Actual return on plan assets	46.7	63.6
Less: expected return on plan assets	(29.6)	(30.5)
	17.1	33.1
Other actuarial losses	(16.6)	(45.3)
Actuarial gains (losses) recognised in the statement of total recognised gains & losses	0.5	(12.2)

The curtailment gain of £2.7m in the 53 weeks ended 3 January 2014 arose as a result of a decision taken, following consultation, to close the Main UK Plan to the future accrual benefits with effect from 30 June 2015. This decision was announced to members in August 2013, at which point the curtailment gain was recognised under FRS 17.

The major assumptions used by the actuary were as follows.

	2013 %	2012 %
Rate of increase in salaries	3.3	2.9
Rate of increase in pensions in payment		
Pre 6 April 2006 service	3.3	2.9
Post 6 April 2006 service	2.2	2.1
Discount rate	4.4	4.3
Inflation assumption	3.4	2.9

The mortality assumptions used were as follows.

	2013 Years	2012 Years
Post-retirement mortality		
Current pensioners at 65 – male	22.0	21.8
Current pensioners at 65 – female	24.5	24.3
Future pensioners at 65 – male	23.8	23.6
Future pensioners at 65 – female	26.5	26.3

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 2034 (in 20 years time).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

10. Retirement benefits (continued)

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

	2013 £m	2012 £m
Opening defined benefit obligations	708.5	660.9
Current service cost	2.1	2.0
Past service gain	(2.7)	–
Interest cost	29.8	31.1
Benefits paid	(30.7)	(30.9)
Contributions by employees	–	0.1
Actuarial losses	16.6	45.3
Closing defined benefit obligations	723.6	708.5

Changes in fair value of plan assets are analysed as follows.

	2013 £m	2012 £m
Opening plan assets	634.0	591.7
Expected return on plan assets	29.6	30.5
Employer contributions	14.1	9.5
Contributions by employees	–	0.1
Benefits paid	(30.7)	(30.9)
Actuarial gains	17.1	33.1
Closing plan assets	664.1	634.0

History of experience gains and losses

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of plan assets	664.1	634.0	591.7	580.6	539.8
Present value of defined benefit obligations	(723.6)	(708.5)	(660.9)	(632.6)	(599.2)
Deficit in the plans	(59.5)	(74.5)	(69.2)	(52.0)	(59.4)
Experience adjustments arising on plan liabilities	–	14.5	0.9	(2.8)	(10.6)
Changes in assumptions underlying plan liabilities	(16.6)	(59.8)	(42.5)	(22.3)	(111.6)
Experience adjustments arising on plan assets	17.1	33.1	(0.5)	24.0	64.4

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £264.6m (2012: £265.1m).

11. Derivative financial instruments

	2013 £m	2012 £m
Current assets		
Derivative financial instruments due within one year		
Forward foreign currency contracts	13.5	8.1
Derivative financial instruments due after more than one year		
Forward foreign currency contracts	1.1	0.9
	14.6	9.0
Creditors falling due within one year		
Cross currency swaps	–	9.1
Forward foreign currency contracts	16.7	10.1
	16.7	19.2
Creditors falling due after more than one year		
Cross currency swaps	1.1	0.9
Forward foreign currency contracts	0.3	0.5
	1.4	1.4

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

12. Share capital

	2013 £m	2012 £m
Allotted, called up & fully paid		
Ordinary shares of 12.5p each	26.7	26.7
	2013 Number Million	2012 Number Million
Shares allotted		
Issued during the period in respect of LTIP awards	0.3	0.6
Treasury shares		
At the beginning of the period	1.1	1.7
Issued during the period in respect of LTIP awards	(0.4)	(0.6)
At the end of the period	0.7	1.1
Equity settled share-based payments		
LTIP awards outstanding at the end of the period	1.5	1.7

Further details of the equity settled share-based payments and the associated cost for the period can be found in note 28 to the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

13. Reserves

	Share Premium £m	Treasury Shares £m	Capital Redemption Reserve £m	Special Reserve £m	Profit & loss Account £m
At 30 December 2011	38.0	(5.6)	0.5	1.8	317.6
Profit for the period	–	–	–	–	267.2
Dividends	–	–	–	–	(71.7)
Cost of share-based payment inclusive of tax credits	–	–	–	–	4.9
Purchase of shares	–	(2.0)	–	–	–
Exercise of LTIP awards	–	2.0	–	–	(2.1)
At 28 December 2012	38.0	(5.6)	0.5	1.8	515.9
Profit for the period	–	–	–	–	24.3
Dividends	–	–	–	–	(82.6)
Cost of share-based payment inclusive of tax credits	–	–	–	–	9.5
Purchase of shares	–	(1.4)	–	–	–
Exercise of LTIP awards	–	1.2	–	–	(1.2)
At 3 January 2014	38.0	(5.8)	0.5	1.8	465.9

14. Deferred tax asset

14. Deferred tax asset	£m
At 28 December 2012	2.7
Included in profit for the period	(1.7)
Credit for the period included in equity	0.8
At 3 January 2014	1.8

	2013 £m	2012 £m
Included in debtors (note 6)	1.5	2.3
Included in retirement benefits (note 10)	0.3	0.4
	1.8	2.7

Other timing differences	1.5	2.3
Retirement benefits	0.3	0.4
	1.8	2.7

15. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are shown in the table below.

	2013 £000	2012 £000
Less than one year	–	9
After one year but not more than five years	–	9

16. Contingent liabilities & legal claims

Guarantees

The Company has given guarantees in relation to the bank and other borrowings of certain subsidiary companies. The net funds of the companies' party to these facilities as at 3 January 2014 amounted to £134.1m (2012: £228.8m).

Legal claims

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

On 6 February 2013, an Opinion & Order was filed with the United States District Court, Southern District of New York dismissing the claim against the Company (being one of many companies targeted) relating to a civil action for damages arising from the UN Oil for Food programme which was raised in the US. Subsequently the Iraqi Government filed notice of appeal. A hearing of this appeal took place in the 2nd Circuit Court of Appeals on 18 February 2014. The decision of the Court of Appeals is still awaited at the time of publication. It is the Company's intention to continue to defend this action vigorously.

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

17. 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 a subsidiary of The Weir Group PLC. The following table provides the total amount of transactions which have been entered into with non-wholly owned related parties for the relevant financial year and outstanding balances at the period end.

Related party		Management charge £m	Amounts due by £m
Weir Minerals (India) Private Ltd	2013	0.2	0.3
	2012	0.4	0.1
Yntfiniti Engineering Services SL	2013	0.3	0.3
	2012	-	-

18. Financial risk management objectives and policies

The description of the Group's financial risk management objectives and policies is provided in note 30 to the Group financial statements.

These financial risk management objectives and policies also apply to the Company.

PRINCIPAL COMPANIES OF THE GROUP

The principal subsidiaries and joint ventures of the Group are as follows.

Name	Country of registration or incorporation	% equity interest 2013
Subsidiaries		
American Hydro Corporation	USA	100
EnviroTech Pumpsystems, Inc.	USA	100
Gema Industrigummi AB	Sweden	100
Linatex Rubber Products Sdn Bhd	Malaysia	100
Mathena Inc.	USA	100
Mesa Manufacturing, Inc.	USA	100
Multiflo Pumps Pty Ltd	Australia	100
Seaboard Holdings, Inc.	USA	100
Shengli Oilfield Weir Highland Pumps Company Ltd	China	60
Specialised Petroleum Manufacturing Ltd	Scotland	100
SPM Flow Control, Inc.	USA	100
SPM Flow Control Ltd	Canada	100
Vulco SA	Chile	99
Weir Canada Inc	Canada	100
Weir do Brasil Ltda	Brazil	100
Weir Engineering Services Ltd	Scotland	100
Weir Floway, Inc.	USA	100
Weir Gabbioneta Srl	Italy	100
Weir Hazleton Inc.	USA	100
Weir India Private Ltd	India	100
Weir International Co. Ltd	South Korea	60
Weir Minerals Africa (Pty) Ltd	South Africa	100
Weir Minerals Australia Ltd	Australia	100
Weir Minerals Europe Ltd	England	100
Weir Minerals Netherlands BV	Netherlands	100
Novatech Holdings Corp.	USA	100
Weir Power & Industrial France SAS	France	100
Weir – R. Wales Canada Inc.	Canada	100
Weir Slurry Group Inc.	USA	100
Weir Solutions FZE	Dubai	100
Weir Valves & Controls UK Ltd*	England	100
Weir Valves & Controls USA Inc	USA	100
Weir Valves & Controls (Suzhou) Co. Ltd	China	100
Ynfiniti Engineering Services SL	Spain	77
Joint ventures		
Weir Arabian Metals Company	Saudi Arabia	49
Wesco LLC	UAE	49

* Companies whose shares are owned directly by The Weir Group PLC.

The Company has taken advantage of the exemption under Section 410 (2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the financial statements.

A complete list of subsidiary and associated undertakings is attached to the annual return of the The Weir Group PLC filed at Companies House.

Group products

Some of the key product trade marks owned by the Principal Companies are set out below, most of which are registered in one or more countries:

WARMAN is a trade mark of Weir Minerals Australia Ltd and Weir Group African IP Ltd; ASPIR, CAVEX, HAZLETON and MULTIFLO are trade marks of Weir Minerals Australia Ltd; LEWIS and LEWIS PUMPS are trade marks of Envirotech Pumpsystems Inc.; GEHO is a trade mark of Weir Minerals Netherlands BV; FLOWAY is a trade mark of Weir Floway Inc.; VULCO is a trade mark of Vulco SA; ISOGATE is a trade mark of Weir do Brasil Ltda.; LINATEX is a trade mark of Linatex Ltd; ENDURON is a trade mark of Weir Minerals Europe Ltd; KHD is a trade mark used under license by companies forming part of The Weir Group; SPM and MESA are trade marks of S.P.M. Flow Control, Inc.; SEABOARD is a trade mark of Seaboard International, Inc.; NOVATECH is a trade mark of Novatech, LLC; GABBIONETA is a trade mark of Weir Gabbioneta Srl; BEGEMANN is a trade mark of Weir Minerals Netherlands BV; MATHENA is a trade mark of Mathena, Inc.; ALLEN STEAM TURBINES is a trade mark of Weir Engineering Services Ltd; AMERICAN HYDRO is a trade mark of American Hydro Corporation; ATWOOD & MORRILL and TRICENTRIC are trade marks of Weir Valves & Controls USA, Inc; BDK is a trade mark of Weir India Pvt Ltd; BATLEY, BATLEY VALVE, BLAKEBOROUGH, HOPKINSONS and MAC VALVE are trade marks of Weir Valves and Controls UK Ltd; SARASIN-RSBD and SEBIM are trade marks of Weir Power & Industrial France SAS; ROTO-JET is a trade mark of Envirotech PumpSystems, Inc.; WEMCO is a trade mark used under licence by companies forming part of The Weir Group; WEIR is a trade mark of Weir Engineering Services Ltd.

SHAREHOLDER INFORMATION

Shareholder enquiries

The Company's registrars are:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ
Website: www.investorcentre.co.uk
Telephone: 0870 707 1402

Shareholder enquiries relating to shareholding, dividend payments, change of address, loss of share certificate and other related matters should be addressed to Computershare.

Investor Centre

Investor Centre is a free, secure share management website provided by Computershare. This service allows you to view your share portfolio and see the latest market price of your shares, check your dividend payment and tax information, change your address, update payment instructions and receive your shareholder communications online. To take advantage of this service, please log in at www.investorcentre.co.uk and enter the name of the company in which you hold shares, your Shareholder Reference Number (SRN), your postcode or country if outside of the UK or Channel Islands and security code (provided on screen). For security purposes, Computershare will send a unique activation code to your registered address. Your SRN can be found on your share certificate or dividend tax voucher.

Dividends

2013 final dividend

The Directors have recommended a final dividend of 33.2 pence per share for the 53 weeks ended 3 January 2014. Payment of this dividend is subject to approval at the 2014 Annual General Meeting. Key dates relating to this dividend are given below:

Ex-dividend date	30 April 2014
Annual General Meeting	1 May 2014
Record date	2 May 2014
Final day for receipt of DRIP elections	8 May 2014
Payment date	30 May 2014

Dividend payments

You can choose to receive your dividend in a number of ways. Dividends will automatically be paid to you by cheque and sent to your registered address unless you have chosen one of the options below:

- **Direct payment to your bank**

Cash dividends can be paid directly to a UK bank or building society account. This is more convenient and helps reduce the risk of cheques becoming lost or delayed in the post. To switch to this method of payment you can apply online at www.investorcentre.co.uk or download a dividend mandate form from the FAQ section of the Company's website (weir.co.uk), under 'Shareholder Information' in the 'Investor' section. Alternatively, you can contact Computershare, who will also be able to assist with any questions you may have. A Consolidated Tax Voucher (CTV) detailing all payments made throughout the tax year will then be sent to you once a year either electronically or to your registered address. In 2014, the CTV will be dispatched with the November 2014 dividend payment and contain the tax and payment information for dividends paid during the 2014/2015 tax year.

- **Dividend Reinvestment Plan (DRIP)**

The Company offers shareholders the opportunity to join the Computershare regulated DRIP to use their dividend to purchase further Weir Group shares. Instead of receiving cash, shareholders receive as many whole shares as can be bought with their dividend, taking into account related purchase costs. Any residual cash will be carried forward and added to their next dividend. If you wish to participate in the DRIP, you can apply online at www.investorcentre.co.uk or alternatively, you can complete a DRIP mandate form obtainable from Computershare.

- **Global Payment Service**

If you live overseas, Computershare offers a Global Payment Service which is available in certain countries. This may make it possible to receive dividends direct into your bank account in your local currency. Please note that a payment charge would be deducted from each individual payment before conversion into your local currency. This service can be set up at www.investorcentre.co.uk or by contacting Computershare.

Capital gains tax

For the purpose of capital gains tax, the market value of an ordinary share of The Weir Group PLC as at 31 March 1982 was 29.75p. This market value has been adjusted to take account of the sub-division of the share capital whereby each ordinary share of 25p was sub-divided into two ordinary shares of 12.5p each on 28 June 1993. Rights issues of ordinary shares took place in April 1987 at 157p per share on the basis of one new ordinary share for every seven ordinary shares held, in July 1990 at 250p per share on the basis of one new ordinary share for every five ordinary shares held and in September 1994 at 252p per share on the basis of one new ordinary share for every four ordinary shares held.

Communications

Annual and Interim Reports

The Weir Group publishes an Annual and Interim Report every year. The Annual Report is sent to all shareholders who have elected to receive a hard copy through the post as a printed document unless the shareholder has chosen to receive e-communications (see below). The Interim Report is published on the Company's website and a printed copy is available from the Company Secretary on request.

E-communications

The Company offers shareholders the opportunity to access shareholder documents, such as Annual Reports and Notices of the AGM, via e-communications rather than receiving printed documents in the post. To sign up for e-communications, please register at www.investorcentre.co.uk. In order to do this, you will need your SRN which can be found on your share certificate or on your dividend tax voucher. Once registered, you will need to change your mailing preference to e-communications and provide your email address. We will then be able to notify you by email as soon as shareholder documents are available on the Company's website.

Company website

Shareholders are encouraged to visit the Company's corporate website (weir.co.uk), which contains a wealth of information about the Weir Group. The website includes information about the markets in which we operate, our strategy and business performance, recent news from the Group and product information. The Investor section is a key source of information for shareholders, containing details on the share price, our financial results, shareholder meetings and dividends, as well as a 'Frequently asked questions' section. Current and past Annual and Interim Reports are also available to view and download.

Share dealing services

Computershare provide Weir Group shareholders with a quick and easy way to buy or sell Weir Group shares on the London Stock Exchange. Internet share dealing commission is 1%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. There is no need to open a trading account in order to deal. Real time dealing is available during market hours (8.00 am to 4.30 pm Monday to Friday excluding bank holidays). In addition, there is a convenient facility to place your order outside of market hours. Up to 90 day limit orders are available for sales. To access the service, log on to www.uk.computershare.com/Investor/ShareDealing.asp. Shareholders should have their SRN available, which appears on share certificates and tax dividend vouchers. Please note that, at present, this service is only available to shareholders in certain European jurisdictions. Please refer to the Computershare website for an up-to-date list of these countries.

Telephone share dealing commission is 1%, plus £35. In addition, stamp duty, currently 0.5%, is payable on purchases. You can contact Computershare on 0870 703 0084. Shareholders should have their SRN ready when making the call. Detailed terms and conditions are available on request by telephoning 0870 707 1402. Please note this service is, at present, only available to shareholders resident in the UK and Ireland.

These services are offered on an execution only basis and subject to the applicable terms and conditions. Computershare Investor Services PLC is authorised and regulated by the Financial Conduct Authority.

This is not a recommendation to buy, sell or hold shares in The Weir Group PLC. Shareholders who are unsure of what action to take should obtain independent financial advice. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

Voting

Information on how you can vote electronically can be obtained through our registrars by visiting www.investorcentre.co.uk/eproxy.

Shareholder alerts

Unsolicited investment advice and fraud

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. Share scams are often run from 'boiler rooms' where fraudsters cold-call investors offering them worthless, overpriced or even non-existent shares.

These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. Whilst usually by telephone, the high-pressure sales tactics can also come by email, post, word of mouth or at a seminar. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation and take a note of any other details they provide, such as a telephone number or address.
- Check that the caller is properly authorised by the Financial Conduct Authority (FCA) by visiting www.fca.org.uk.
- Report any approach from such organisations to the FCA using the share fraud reporting form at www.fsa.org.uk/scams, where you can also find out about the latest investment scams. You can also call the FCA Consumer Helpline on 0845 111 6768.
- If calls persist, hang up.

Please note that if you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

GLOSSARY

AGM	Annual General Meeting
Appleby EBT	Employee benefit trust (Appleby Trust (Jersey) Ltd)
Board	The Board of Directors of The Weir Group PLC
bps	Basis points, ten basis points are equivalent to 0.1% movement
Brent	An internationally recognised benchmark for the price of oil
CGU	Cash generating unit
capex	Capital expenditure
comminution	The first stage of minerals processing through which solid materials are reduced in size through crushing and screening
Company	The Weir Group PLC
Director	A Director of The Weir Group PLC
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EHS	Environment, health and safety
elastomer	An elastic polymer used in pump linings
emerging markets	Asia-Pacific, South America, Africa and the Middle East
EPCMs	Engineering, Procurement and Construction Management companies
EPS	Earnings per share
Excellence Committees	Weir Group Management Committees ensuring best practice
free cash flow	Net cash flow generated from continuing operations excluding the cash impact in relation to acquisitions, disposals and net proceeds from/repayments of borrowings
GHG	Greenhouse gas
Group	The Company together with its subsidiaries
HR	Human resources
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Independent auditors	Ernst & Young LLP

Input	Orders received from customers
ISO	International Organisation for Standardisation
Kleinwort EBT	Employee benefit trust (Kleinwort Benson (Guernsey) Trustees Ltd)
KPI	Key Performance Indicator
like for like	On a consistent basis, excluding the impact of acquisitions
low carbon industries	Nuclear, wind, hydro, solar, biomass and geothermal industries
LTIP	Long Term Incentive Plan
mill circuit	The various stages of extracting and processing ore
Oil & Gas forum	An initiative to develop products and services for the North American upstream oil and gas markets by leveraging the expertise of all three Weir divisions
operating margin	Operating profit including our share of results of joint ventures divided by revenue
ordinary shares	The ordinary shares in the capital of the Company of 12.5p each
NPBTA	Normalised profit before tax and amortisation
PBTA	Profit before tax and amortisation
Registrar	Computershare Investor Services plc
R&D	Research and development
ROCE	Continuing operations EBIT (excluding Mathena and Wales EBIT and exceptional items) divided by average net assets excluding net debt, pension deficit (net of deferred tax asset) and Mathena and Wales net assets
RPI	UK Retail Prices Index
subsidiary	An entity that is controlled, either directly or indirectly, by the Company
TIR	Total Incident Rate (medical treatment of any kind required by employees divided by 200,000 hours worked)
TSR	Total Shareholder Return comprising dividends paid on ordinary shares and the increase or decrease in the market price of ordinary shares
UK GAAP	United Kingdom Generally Accepted Accounting Practice
WTI	West Texas Intermediate, an internationally recognised benchmark for the price of oil

FINANCIAL CALENDAR

Ex-dividend date for final dividend

30 April 2014

Annual General Meeting

1 May 2014

Record date for final dividend

2 May 2014

Shareholders on the register at this date will receive the dividend.

Final day for receipt of DRIP elections

8 May 2014

Final dividend paid

30 May 2014

Cautionary Statement

This Annual Report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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Company Number 2934

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