Weir Valves & Controls UK Limited

Report and Financial Statements

30 December 2011

Registered No: 869208

Directors

N Williams
P Simmons
D Jenkins
R Griffin
J Heasley
P Crookes

Company secretary

P Simmons

Auditors

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

Bankers

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

Registered Office

Britannia House
Huddersfield Road
Halifax
HX5 9JR

The directors present their annual report together with the audited financial statements of Weir Valves & Controls (UK) Ltd (Registered Number 869208) for the 52 week period ended 30 December 2011

Directors' report

Principal activities

The principal activity of the Company is the production of high and low pressure valves

Results & dividends

The profit for the financial year after taxation amounted to £1,684,000 (2010 £2,087,000) The directors confirm that no dividend will be payable (2010 £nil)

Business review

Turnover increased in 2011 due to a strong order intake in 2010 for delivery in 2011 and beyond, particularly from nuclear power projects in China Operating profit in 2011 increased due to improved performance in the UK and diminished losses in the Middle East operations

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

	2011	*2010*	*Change*
	£000	*£000*	*%*
Turnover	35,309	32,742	+8
Operating profit	1,773	1,885	-6
Profit on ordinary activities before taxation	1,717	1,876	-8
Profit for the financial year	1,684	2,087	-19
Current assets as a % of current liabilities	308%	223%	+85
Average number of employees	211	224	-6

Turnover increased by 8% during the period as a result of nuclear power projects to China Operating profit decreased by £112,000 due to increased operating expenses to facilitate growth in Control and Choke valves Profit on ordinary activities before taxation decreased by £159,000 predominantly as a result of increased interest charges

Going Concern

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

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

The 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

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

Directors' report (continued)

Principal risks

Risk is inherent in the business's activities and, as a consequence of operating a sound risk management process, the Company has identified the following principal risks and uncertainties, which it believes could have a materially adverse effect on its business, turnover, profit, assets, liquidity, resources and reputation

The nature of risk is such that no list can be comprehensive and it is possible that other risks may arise, or that risks not currently considered material may become so in the future

The Company's holding company, The Weir Group PLC, operates controls as described in its Director's report to mitigate these risks

Financial risk management objectives & policies

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

Foreign exchange risk

The Company sells its products in many countries with the result that it is exposed to transactional currency risk Transactional currency exposure arises when the Company enters into transactions denominated in currencies other than its functional currency which is sterling Foreign exchange transaction exposures are identified and managed directly by the Company within the policies and guidelines established by the Company's holding company, The Weir Group PLC, which enters into foreign exchange hedging transactions on behalf of the Company in accordance with its policies and procedures This includes making limited use of derivative financial instruments to hedge balance sheet translation exposures Transaction exposures are hedged where deemed appropriate and where they can be reliably forecast with the use of forward exchange rate contracts

Commodity price risk

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

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies The Company's credit risk is primarily attributable to its trade receivables The Company is exposed to risk over a large number of countries and customers and there is no significant concentration of risk Where appropriate, the Company endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance Credit worthiness checks are also undertaken before entering into contracts with new customers and credit limits are set as appropriate The amounts presented in the balance sheet are net of allowance for doubtful receivables An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts

Supply chain

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

Directors' report (continued)

Employee involvement

The Company continues its policy of keeping all of its employees informed on matters affecting them This is carried out through meeting and briefing sessions with both management and trade union or employee representatives and these together with newsletters give information on orders, sales, cash, profits, pensions, capital investments and activities happening within the Company and Group

Employment of disabled persons

The Company gives full and fair consideration to employment applications from disabled persons having regard for their particular aptitudes, abilities and suitability for employment in our industry No special provision is made for their training or career development, but general facilities are adapted or arranged to meet the needs of the disabled, or employees who become disabled, to allow them to be employed or continue in their present or more suitable employment with regard to their disablement Promotion opportunities are open to all employees irrespective of their disablement

Health & safety

The Company operates in a number of demanding environments Safe working practices are extremely important to protect all employees on client sites The Company has developed quality and safety processes within each of its businesses which are regularly audited by professional bodies and customers The Company operates long established working practices and controls to minimise damage and injury If the Company cannot maintain a safe place for all its employees to work this could result in a number of negative outcomes to the Company including

- fines and penalties,
- loss of key customers,
- exclusion from certain market sectors deemed important for future development of the business,
- and damage to reputation

Supplier payment policy

The Company agrees with its suppliers the terms and conditions under which business transactions are conducted, including the terms of payment It is Company policy that payments to suppliers are made in accordance with the agreed terms The number of days relating to the total amounts owed to trade creditors at the year end and the total of the amounts invoiced by suppliers in the period was 60 days (2010 60 days)

Directors' report (continued)

Directors

The directors who held office during the period were as follows

N Williams
P Simmons
M Tunstall (resigned 11 11 2011)
T Scrutton (resigned 11 11 2011)
A Spivey (resigned 11 11 2011)
C Riordan (resigned 11 11 2011)
D Jenkins (appointed 11 11 2011)
R Griffin (appointed 11 11 2011)
J Heasley (appointed 11 11 2011)
P Crookes (appointed 15 11 2011)

Company Secretary

P Simmons

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' 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 (as amended) These indemnities are uncapped in amount The Company's holding company maintained directors and officers liability insurance throughout 2011 in respect of the Company's directors and officers

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

On behalf of the Board

P Simmons

Director

27 September 2012

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 auditors' report

We have audited the financial statements of Weir Valves & Controls (UK) Ltd for the 52 weeks ended 30 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's 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 Directors' Report to identify any material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 December 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report (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

Ernst & Young LLP

Ian James McDowall (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

27 September 2012

Profit and loss account

for the 52 weeks ended 30 December 2011

	Notes	2011	2010
Continuing operations		**£000**	£000
Turnover	2	**35,309**	32,742
Net operating expenses	3	**(33,536)**	(30,857)
Operating profit	4	**1,773**	1,885
Interest payable and similar charges	6	**(72)**	(31)
Interest receivable and similar income		**16**	22
Profit on ordinary activities before taxation		**1,717**	1,876
Tax on profit on ordinary activities	7	**(33)**	211
Profit for the financial year	15	**1,684**	2,087

There were no recognised gains or losses other than the results reported above There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

All operations undertaken by the Company are on a continuing basis

Balance sheet

as at 30 December 2011

	Notes	**2011 £000**	2010 £000
Fixed assets			
Tangible assets	8	**1,697**	1,957
Investments	9	**-**	-
Current assets			
Stocks	10	**8,271**	5,762
Debtors	11	**12,620**	12,842
Cash at bank and in hand		**1,136**	4,430
		22,027	23,034
Creditors amounts falling due within one year	12	**(7,143)**	(10,330)
Net current assets		**14,884**	12,704
Total assets less current liabilities		**16,581**	14,661
Creditors amounts falling due after more than one year – trade creditors		**(72)**	(88)
Provision for liabilities	13	**(888)**	(636)
Net assets		**15,621**	13,937
Capital and reserves			
Called up share capital	14	**35,647**	35,647
Profit and loss account	15	**(20,026)**	(21,710)
Shareholders' funds	16	**15,621**	13,937

Approved by the Board

P Simmons

Director

27 September 2012

Notes to the financial statements

for the 52 weeks ended 30 December 2011

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

The financial statements of Weir Valves & Controls UK Ltd are prepared under the historical cost convention and were approved for issue by the Board of Directors on 27 September 2012

Depreciation

Depreciation is calculated to write off the cost of all assets, from the date of purchase by equal instalments over their estimated useful lives, which are principally as follow,

Plant and machinery	5% to 25%

Research & development

Expenditure, except capital expenditure on buildings and plant, on research and development, patents and trademarks is written off in the year in which it is incurred

Stocks

Stocks are valued at the lower of cost including appropriate production overheads and estimated net realisable value Cost comprises direct materials on a first-in, first-out basis and direct labour plus attributable production overheads based on a normal level of activity Net realisable value is based on estimated selling price less anticipated costs to disposal Provision is made for all foreseeable losses and, in the case of stocks, due allowance is made for obsolete and slow moving items

Foreign currency

Monetary assets and liabilities stated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate Transactions in foreign currencies are converted at the rate ruling at the date of the transaction or if appropriate at the forward contract rate Exchange differences are dealt with through the profit and loss account as they arise

Deferred taxation

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 following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, joint ventures and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable,

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

for the 52 weeks ended 30 December 2011

1. Accounting policies (continued)

Leasing commitments

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

Retirement benefits

The Company participates in the defined benefit plan arrangements within The Weir Group Pension & Retirement Savings Scheme This defined benefits plan is a funded multi employer plan which is operated by The Weir Group PLC and which is run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities In accordance with FRS17, the Company accounts for its contributions to this plan as if it were a defined contribution plan

Consolidation

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

Cash flow statement

The cash flows of the Company are included in the consolidated cash flow statement of its parent company, The Weir Group PLC Consequently, the Company is exempt under the terms of FRS1 from publishing a cash flow statement

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

Share based payments

Equity settled share-based incentives are provided to certain employees of the Company under a Long Term Incentive Plan (LTIP) operated by its ultimate parent company, The Weir Group PLC The Company recognises an expense in respect of shares awarded under the plan This expense, which is based on the fair value of the awards, is recognised in the profit and loss account

The fair value of the awards is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified The fair value at the date of the grant is calculated using appropriate option pricing models and the cost is recognised on a straight-line basis over the vesting period Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or non-market performance conditions

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

Notes to the financial statements

for the 52 weeks ended 30 December 2011

2. Turnover

Turnover represents the amount invoiced to third parties in respect of goods sold and services provided excluding value added tax An analysis of turnover by geographical market has not been disclosed The directors are of the opinion that to disclose such information could be seriously prejudicial to the interests of the Company

3. Net operating expenses

	2011 £000	2010 £000
Cost of sales	**23,472**	21,920
Distribution costs	**5,302**	4,646
Administration costs	**4,762**	4,291
	33,536	30,857

4. Operating profit

This is stated after charging

	2011 £000	2010 £000
Depreciation on fixed assets	**463**	473
Operating lease rentals – plant and equipment	**350**	445
Development expenditure	**161**	320
Auditors remuneration - audit	**51**	43

5. Staff costs & directors emoluments

Staff costs	2011 £000	2010 £000
Wages and salaries	**8,358**	7,593
Social security costs	**720**	696
Defined benefit pension scheme costs	**224**	214
Defined contribution pension scheme costs	**128**	109
Additional defined benefit pension contribution	**1,109**	1,465
	10,539	10,077

Average number of persons employed:

	2011 No	2010 No
Direct	**38**	46
Indirect	**173**	178
	211	224

Notes to the financial statements

for the 52 weeks ended 30 December 2011

5. Staff costs & directors emoluments (continued)

Disclosures for share based payments under LTIP - 2011

The share awards are conditional awards to acquire free shares, subject to The Weir Group PLC's performance In 2011, conditional awards of performance shares were made worth 25% (2010 25%) of salary to the employees that participate The shares only vest if a highly demanding performance condition is achieved For awards granted in 2008 and 2009, the performance condition is based on the growth in The Weir Group PLC's Total Shareholder Return ("TSR") over a single three year performance period (three consecutive financial years beginning with the year in which the grant is made) relative to the growth in the TSR of a comparator group In addition to TSR performance, for any of the performance shares to vest, the growth in The Weir Group PLC's earnings per share over the performance period must be equal to or greater than the growth in the UK Retail Price Index over the same period

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

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

The total expense recognised in the period in relation to share based payments was £46,906 (2010 £43,167)

The fair value of the conditional awards under the LTIP has been estimated using the Monte Carlo simulation model The following table gives the assumptions made during 2010 and 2011

	2011	2010
Weighted average dividend yield (%)	-	2 01
Weighted average expected volatility (%)	**50 00**	55 00
Weighted average expected life (years)	**3.00**	3 00
Weighted average risk free rate (%)	**1.66**	1 84
Weighted average share price (£)	**16.13**	9 39
Weighted average fair value (£)	**12.69**	7 55

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome Market related performance conditions have been taken into account in the calculation of fair values

Full details of the Group Long Term Incentive Plan are provided in the Annual Report of The Weir Group PLC, a copy of which can be obtained from the address given in note 20

	2011	2010
	£000	£000
Directors' emoluments		
Aggregate emoluments of directors	**907**	933
Aggregate Company contributions to money purchase schemes	**38**	32
Number of directors to whom retirement benefits are accruing under		
Money purchase schemes	**6**	6

Notes to the financial statements

for the 52 weeks ended 30 December 2011

5. Staff costs & directors emoluments (continued)

	2011 £000	2010 £000
Highest paid director		
Aggregate emoluments of directors	172	212
Aggregate Company contributions to money purchase schemes	7	7
Total accrued pension as at the end of the period	54	47

6. Interest payable & similar charges

	2011 £000	2010 £000
On bank balances	72	31

7. Tax

(a) Profit & loss account

The tax charge (credit) is made up as follows

	2011 £000	2010 £000
Current tax	-	7
Adjustments in respect of previous periods	-	(256)
	-	(249)
Deferred tax		
Origination and reversal of timing differences	33	38
Tax charge (credit) on profit on ordinary activities before taxation	33	(211)

(b) Factors affecting the current year tax charge / (credit)

The tax charge / (credit) assessed on the profit on ordinary activities in the financial year is lower (2010 lower) than the standard rate of corporation tax in the UK of 26 5% (2010 28 0%) The differences are reconciled below

	2011 £000	2010 £000
Profit on ordinary activities before taxation	1,717	1,876
Standard tax rate	26.5%	28 0%
Profit at standard rate	455	525
Effects of -		
Expenses not deductible for tax purposes	10	21
Utilisation of losses	(427)	(508)
Share option deductions	(38)	(40)
Sundry adjustments	-	9
Adjustments in respect of previous periods	-	(256)
Current tax credit for period	-	(249)

Notes to the financial statements

for the 52 weeks ended 30 December 2011

7. Tax (continued)

(c) Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the March 2012 Budget Statement such that the main rate of corporation tax will be reduced by 2% (to 24%) with effect from 1 April 2012 As of that date this change has been substantively enacted Further 1% cuts have been announced which are expected to result in a 22% rate by April 2014 We expect that these further reductions will not have a material effect on the effective tax rate or on the profit for the year in future periods In addition, the Company has losses carried forward of £917,000 (2010 £2,528,000) which have not been recognised in deferred tax which may be available to offset future taxable trading profits

(d) Balance sheet – deferred tax (note 11)

	2011	2010
	£000	£000
Capital allowances in advance of depreciation	**101**	131
Other timing differences	**9**	12
	110	143

Movement in deferred tax asset

	£000
At beginning of year	143
Profit & loss account charge	(33)
At end of year	110

Notes to the financial statements

for the 52 weeks ended 30 December 2011

8. Tangible fixed assets

	Plant & machinery £000
Cost	
At 1 January 2011	7,907
Additions	387
Disposals	(738)
At 30 December 2011	**7,556**
Depreciation	
At 1 January 2011	5,950
Charge for the year	463
Disposals	(554)
At 30 December 2011	**5,859**
Net book value	
At 30 December 2011	**1,697**
At 1 January 2011	1,957

There are no outstanding capital commitments at the year end

9. Fixed asset investments

At the year end, the Company held 100% of the ordinary shares in Autotork Controls Limited, a dormant company incorporated in the United Kingdom

10. Stocks

	2011 £000	2010 £000
Raw materials and consumables	**4**	33
Work in progress	**7,694**	4,991
Finished goods and goods for sale	**573**	738
	8,271	5,762

Notes to the financial statements

for the 52 weeks ended 30 December 2011

11. Debtors

	2011 £000	2010 £000
Amounts falling due after one year – trade debtors	-	56
Amounts falling due within one year		
Trade debtors	3,928	6,641
Accrued income	4,484	2,000
Amounts owed by group companies	3,146	3,439
Tax recoverable	-	190
VAT recoverable	354	-
Prepayments	598	373
Deferred tax asset (note 7(d))	110	143
	12,620	12,842

Amounts owed by group companies are unsecured and repayable on demand

12. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Amounts falling due within one year		
Trade creditors	3,478	5,635
Deferred income	1,471	2,500
Amounts owed to group companies	1,105	1,252
Other taxes & social security	56	12
Other creditors	392	187
Accruals & deferred income	641	744
	7,143	10,330

Amounts owed to group companies are unsecured and repayable on demand

13. Provisions for liabilities

	2011 £000	2010 £000
Amounts falling due within one year		
At beginning of period	636	463
Additions	595	387
Utilised	(343)	(214)
At end of period	888	636

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

Notes to the financial statements

for the 52 weeks ended 30 December 2011

14. Called up share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
35,647,000 Ordinary shares of £1 each	35,647	35,647

15. Profit & loss account

	2011 £000	2010 £000
At beginning of period	(21,710)	(23,797)
Profit for the financial year	1,684	2,087
At end of period	(20,026)	(21,710)

16. Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Opening shareholders' funds	13,937	11,850
Profit for the financial year	1,684	2,087
Closing shareholders' finds	15,621	13,937

17. Obligations under leases & hire purchase contracts

At 30 December 2011 the Company had annual commitments under non-cancellable operating leases as set out below

	2011 £000	2010 £000
Amounts falling due within one year		
Land & Buildings	289	297
Other	47	53
	336	350
Of which payable in relation to		
Operating leases which expire within two to five years	744	350

18. Contingent liabilities

The Company has given guarantees in relation to the bank and other borrowings of certain subsidiary companies The net debt of the companies party to these facilities as at 30 December 2011 amounted to £379,000 (2010 £813,000)

Notes to the financial statements

for the 52 weeks ended 30 December 2011

19. Retirement benefits

The Company participates in the defined benefit plan arrangements within The Weir Group Pension & Retirement Savings Scheme This defined benefit plan is a multi-employer plan which is operated by The Weir Group PLC and which is run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities In accordance with FRS17, the Company accounts for its contributions to this plan as if it were a defined contribution plan While assets and liabilities in respect of this scheme are not reflected on the Company's balance sheet, details of these are set out below

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit method The total contributions to the defined benefit plan in 2012 are expected to be £6,849,000

Plan assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts to each category of plan assets and allowing for plan expenses The actual return on plan assets in the year was a gain of £29,831,000 (2010 £52,738,000)

The assets and liabilities of the plans and the long-term expected rates of return are as follows

	2011	**2011**	2010	2010
	%	**£000**	%	£000
Equities	**8.1**	**134,485**	7 7	126,342
Bonds	**3.1**	**67,242**	3 7	73,967
Insurance policy	**4.8**	**335,255**	5 4	326,453
Other	**4 7**	**14,184**	3 7	13,928
Fair value of plan assets		**551,166**		540,690
Present value of plan liabilities		**(616,948)**		(589,320)
Net deficit in the plan		**(65,782)**		(48,630)

	2011	2010
	£000	£000
Recognised in the profit & loss account		
Current service cost	**1,332**	1,244
Expected return on plan assets	**(30,004)**	(30,266)
Interest cost on plan liabilities	**30,730**	31,252
Other finance costs	**726**	986

Notes to the financial statements

for the 52 weeks ended 30 December 2011

19. Retirement benefits (continued)

	2011 £000	2010 £000
Taken to the statement of total recognised gains & losses		
Actual return on plan assets	**29,831**	52,738
Less expected return on plan assets	**(30,004)**	(30,266)
	(173)	22,472
Other actuarial losses	**(40,788)**	(21,243)
Actuarial (losses) gains recognised in the statement of total recognised gains and losses	**(40,961)**	1,229

The major assumptions used by the actuary were as follows

	2011 %	2010 %
Rate of increase in salaries	**3.1**	3 4
Rate of increase in pensions in payment		
Pre 6 April 2006 service	**2.9**	3 1
Post 6 April 2006 service	**1 9**	2 0
Discount rate	**4.8**	5 4
Inflation assumption	**3.1**	3 4

The mortality assumptions used were as follows

	2011 Years	2010 Years
Post retirement mortality		
Current pensioners at 65 – male	**20.9**	20 9
Current pensioners at 65 – female	**23.7**	23 7
Future pensioners at 65 – male	**23.8**	23 8
Future pensioners at 65 – female	**26.6**	26 6

The post-retirement mortality assumptions allow for expected increases in longevity The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2041 (in 30 years time)

Notes to the financial statements

for the 52 weeks ended 30 December 2011

19. Retirement benefits (continued)

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

	2011 £000	2010 £000
Opening defined benefit obligations	**589,320**	559,749
Current service cost	**1,332**	1,244
Past service gain	**(19,000)**	-
Interest cost	**30,730**	31,252
Benefits paid	**(27,000)**	(24,963)
Contributions by employees	**778**	795
Actuarial losses	**40,788**	21,243
Closed defined benefit obligations	**616,948**	589,320

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

	2011 £000	2010 £000
Opening plan assets	**540,690**	502,747
Expected return on plan assets	**30,004**	30,266
Employer contributions	**6,867**	9,373
Contributions by employees	**778**	795
Benefits paid	**(27,000)**	(24,963)
Actuarial (losses) gains	**(173)**	22,472
Closing plan assets	**551,166**	540,690

The past service gain of £19 0m has arisen as a result of a decision by the Trustees of The Weir Group Pension and Retirement Saving Scheme that, following the Government's recent change in legislation, certain elements of pension will now increase in line with Consumer Price Index (CPI) rather than the Retail Prices Index (RPI) This decision was announced to the members of the scheme in July 2011 The past service gain has been recognised as an exceptional item in the Consolidated Income Statement of The Weir Group PLC

Notes to the financial statements

for the 52 weeks ended 30 December 2011

19. Retirement benefits (continued)

History of experience gains & losses

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Fair value of plan assets	**551,166**	540,690	502,747	453,383	547,005
Present value of defined benefit obligations	**(616,948)**	(589,320)	(559,749)	(464,705)	(511,294)
(Deficit) surplus in the plan	**(65,782)**	(48,630)	(57,002)	(11,322)	35,711
Experience adjustments arising on plan liabilities	-	(2,793)	(10,574)	(9,957)	(7,934)
Changes in assumptions underlying plan liabilities	**(40,788)**	(18,450)	(107,485)	67,372	46,668
Experience adjustments arising on plan assets	**(173)**	22,472	62,523	(113,005)	(19,737)

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £235,218,000 (2010 £194,257,000)

20. Ultimate parent company

The Company is a subsidiary undertaking of The Weir Group PLC, which is the ultimate parent company incorporated in the UK The accounts of The Weir Group PLC are available to the public and may be obtained from

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