

Registered No 869208

# **Weir Valves & Controls UK Limited**

## **Report and Financial Statements**

26 December 2008



## Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 26 December 2008.

### Principal activities

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

### Business review

2008 saw the completion of the Company turnaround, bringing together the benefits of the supply chain in support of sales growth which is forecast to continue to the end of 2009. Operating profit increased as a result of increased orders, improved purchase prices of globally sourced product and improved recoveries/efficiencies on the increased sales volumes. Operating profit improvement is expected to continue into 2009 as volumes are expected to rise, increasing both margin and recovery.

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

	2008 £000	2007 £000	Change %
Turnover	35,255	30,539	+15
Operating profit/(loss)	1,665	(683)	+344
Profit/(loss) on ordinary activities before taxation	1,327	(2,283)	+158
Profit/(loss) for the financial year	1,340	(480)	+379
Current assets as a % of current liabilities	169%	101%	+68
Average number of employees	205	160	+28

Turnover increased by 15% during the year as a result of the expansion. Operating profit increased by £2,348,000 due to increased volume, reduced purchase costs and improved efficiency. Profit on ordinary activities before taxation increased by £3,610,000 as a result of increased operating profit and reduced interest payable.

### Results & dividends

The profit for the financial year after taxation amounted to £1,340,000 (2007: loss of £480,000). The directors confirm that no dividend will be payable.

### Principal risks

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

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

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

## Directors' report (continued)

### **Financial risk management objectives & policies**

The Company's principal financial instruments comprise bank overdrafts and short-term borrowings, loans, 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, liquidity and interest rate. 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. 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 and amounts due under construction contracts. 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.

#### ***Interest rate risk***

The Company's borrowings consist of overdraft balances which are at 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 Company in the short to medium term.

#### ***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**

It is the policy of the company that payments are made to suppliers within 60 days and in accordance with the agreed terms.

### **Directors**

The directors who held office during the year were as follows:

N Williams  
P Simmons  
M Tunstall  
T Scrutton  
A Spivey  
C Riordan  
P O'Reilly

### **Company Secretary**

P Simmons

### **Disclosure of information to auditors**

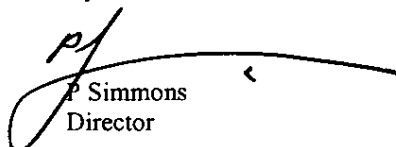
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make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

## Directors' report (continued)

### Auditors

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

By order of the Board



P Simmons  
Director

28 October 2009

## **Statement of directors' responsibilities in respect of the financial statements**

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditors' report**

**to the members of Weir Valves & Controls UK Limited**

We have audited the Company's financial statements for the 52 weeks ended 26 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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**

The directors' responsibilities for preparing the annual Report and the Financial Statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report

to the members of Weir Valves & Controls UK Limited (continued)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 26 December 2008 and of its profit for the year then ended.
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- The information given in the Directors' Report is consistent with the financial statements

*Ernst & Young LLP*

Ernst & Young LLP  
Registered auditor  
Glasgow  
28 October 2009



## Profit and loss account

for the 52 weeks ended 26 December 2008

	Notes	2008 £000	2007 £000
<b>Turnover</b>	2	35,255	30,539
Net operating expenses	3	(33,590)	(31,222)
<b>Operating profit /(loss)</b>	4	1,665	(683)
Interest payable and similar charges	6	(547)	(1,840)
Interest receivable and similar income		209	240
<b>Profit/(loss) on ordinary activities before taxation</b>		1,327	(2,283)
Tax on profit/(loss) on ordinary activities	7	13	1,803
<b>Profit/(loss) for the financial year</b>		1,340	(480)

All turnover and operating profit is derived from continuing activities.

## Statement of total recognised gains and losses

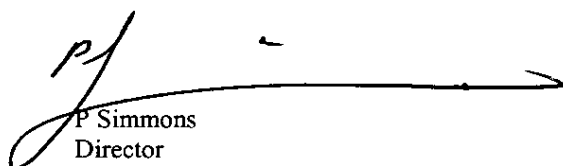
There were no recognised gains or losses other than the results reported above. There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

## Balance sheet

at 26 December 2008

	Notes	2008 £000	2007 £000
<b>Fixed assets</b>			
Tangible assets	8	2,369	2,120
<b>Current assets</b>			
Stocks	10	6,918	6,119
Debtors:	11		
Amounts falling due after one year		-	294
Amounts falling due within one year		18,978	12,985
		<u>25,896</u>	<u>19,398</u>
<b>Creditors: amounts falling due within one year</b>	12	(15,349)	(19,132)
<b>Net current assets</b>		<u>10,547</u>	<u>266</u>
<b>Total assets less current liabilities</b>		<u>12,916</u>	<u>2,386</u>
<b>Provision for liabilities</b>	13	(524)	(717)
<b>Net assets</b>		<u><u>12,392</u></u>	<u><u>1,669</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	35,647	26,264
Profit and loss account	15	(23,255)	(24,595)
<b>Shareholders' funds</b>	16	<u><u>12,392</u></u>	<u><u>1,669</u></u>

Approved by the Board

  
P Simmons  
Director

28 October 2009

## Notes to the financial statements

at 26 December 2008

### 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 26 June 2009.

#### ***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%
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#### ***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.

## Notes to the financial statements

at 26 December 2008

### 1. Accounting policies (continued)

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

#### ***Leasing & hire purchase commitments***

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

#### ***Retirement benefits***

The Company participates in the defined benefit plan arrangements within The Weir Group Pension & Retirement Savings Scheme and The Weir Group 1972 Pension and Life Assurance Plan for Senior Executives. These defined benefits plans are funded multi employer plans which are operated by The Weir Group PLC and which are run on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities. In accordance with FRS17, the Company accounts for its contributions to these plans as if they were defined contribution plans.

#### ***Cash flow statement***

The Company has taken advantage of the exemption, conferred in FRS1 (revised) from presenting their own cash flow statement.

#### ***Related parties***

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of The Weir Group PLC group of companies.

#### ***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.

### 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

## Notes to the financial statements

at 26 December 2008

### 3. Net operating expenses

	2008	2007
	£000	£000
Cost of sales	24,069	25,587
Distribution costs	4,600	2,764
Administration costs	4,921	2,871
	<u>33,590</u>	<u>31,222</u>

### 4. Operating profit/(loss)

This is stated after charging:

	2008	2007
	£000	£000
Depreciation on fixed assets	551	517
Auditors remuneration - audit	49	39
Development expenditure	122	193
Operating lease rentals – plant and equipment	468	293
	<u></u>	<u></u>

### 5. Staff costs & directors emoluments

	2008	2007
	£000	£000
<b>Staff costs:</b>		
Wages and salaries	7,316	4,951
Social security costs	587	462
Defined benefit pension scheme costs	256	234
Defined contribution pension scheme costs	99	71
	<u>8,258</u>	<u>5,718</u>

Average number of persons employed:

	2008	2007
	No.	No.
Direct	42	28
Indirect	163	132
	<u>205</u>	<u>160</u>

## Notes to the financial statements

at 26 December 2008

### 5. Staff costs & directors emoluments (continued)

#### *Share based payments:*

The total expense recognised in the period in relation to share based payments was £53,464 (2007: £58,000).

The share awards are conditional awards to acquire free shares, subject to The Weir Group PLC's performance. In 2008, conditional awards of performance shares were made worth 25% (2007:25%) of salary to the employees that participate. The shares only vest if a highly demanding performance condition is achieved. For awards granted in 2005, 2006, 2007 and 2008, 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. Only if The Weir Group PLC's TSR ranks in the upper quintile of this group will the full awards vest. This reduces on a sliding scale so that for median performance, 25% of the awards will vest. For below median performance, none of the awards will vest. 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.

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 2008 and 2007.

	2008	2007
Weighted average dividend yield (%)	2.22	1.99
Weighted average expected volatility (%)	29.00	24.00
Weighted average expected life (years)	3.00	3.00
Weighted average risk free rate (%)	4.02	5.70
Weighted average share price (pence)	747p	727p
Weighted average fair value (pence)	378p	495p

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.

	2008 £000	2007 £000
<b>Directors' emoluments</b>		
Aggregate emoluments of directors	683	504
Aggregate compensation for loss of office	-	133
Aggregate Company contributions to money purchase schemes	34	23
Number of directors to whom retirement benefits are accruing under;		
Money purchase schemes	7	7

## Notes to the financial statements

at 26 December 2008

### 5. Staff costs & directors emoluments (continued)

	2008	2007
	£000	£000
Highest paid director		
Aggregate emoluments of directors	133	130
Aggregate Company contributions to money purchase schemes	6	6
Total accrued pension as at 26 December 2008	-	-

### 6. Interest payable & similar charges

	2008	2007
	£000	£000
On bank balances	544	728
On loan from fellow subsidiary undertaking	3	1,112
	547	1,840

### 7. Tax

#### (a) Profit & loss account

The tax charge is made up as follows:

	2008	2007
	£000	£000
<i>Current tax:</i>		
UK corporation tax	81	1,758
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(68)	45
Tax credit on profit/(loss) on ordinary activities before taxation	13	1,803

## Notes to the financial statements

at 26 December 2008

### 7. Tax (continued)

#### (b) Factors affecting the current year tax credit

The tax credit assessed on the profit/(loss) on ordinary activities in the year is lower (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are reconciled below.

	2008 £000	2007 £000
Profit/(loss) before tax	1,327	(2,283)
Standard tax rate	28.5%	30%
Profit/(loss) at standard rate	378	(685)
Effects of:-		
Expenses not deductible for tax purposes	24	16
Losses not recognised	-	(73)
Utilisation of losses	(190)	-
Adjustments to tax credit in respect of previous periods	-	(1,016)
IAS19 removal	(191)	-
Sundry adjustments	(102)	-
Current tax credit for period	(81)	(1,758)

#### (c) Factors that may affect future tax charges

The Company expects to continue to have depreciation in excess of capital allowances. In addition, the Company has losses carried forward of £5,961,685 which may be available to offset future taxable trading profits.

#### (d) Balance sheet – deferred tax

	2008 £000	2007 £000
Capital allowances in advance of depreciation	48	71
Other timing differences	39	84
	87	155
Movement in deferred tax asset		
		£000
At beginning of year		155
Profit & loss account charge		(68)
At end of year		87



## Notes to the financial statements

at 26 December 2008

### 8. Tangible fixed assets

	<i>Plant &amp; machinery</i> £000
<i>Cost/valuation:</i>	
At 29 December 2007	7,788
Additions	800
Disposals	(442)
At 26 December 2008	8,146
<i>Depreciation:</i>	
At 29 December 2007	5,668
Charge for year	551
Disposals	(442)
At 26 December 2008	5,777
<i>Net book value:</i>	
At 26 December 2008	2,369
At 29 December 2007	2,120

There are no outstanding capital commitments at the year end

### 9. Fixed asset investments

The entire issued share capital of the subsidiaries is in the form of £1 nominal value shares all of which are owned by Weir Valves & Controls UK Limited. All Companies are incorporated in Great Britain, are registered in England and are dormant at the end of the year. The subsidiaries are;

Hopkinsons Spares and Service Limited (100% owned)  
Hopkinsons Sales and Service (South East) Limited (100% owned)  
Autotork Controls Limited (100% owned)

### 10. Stocks

	2008 £000	2007 £000
Raw materials and consumables	270	18
Work in progress	5,354	5,285
Finished goods and goods for sale	1,294	816
	6,918	6,119

## Notes to the financial statements

at 26 December 2008

### 11. Debtors

	2008 £000	2007 £000
Trade debtors falling due after one year	-	294
Trade debtors falling due within one year;		
Trade debtors	6,336	7,492
Amounts owed by group companies	11,925	3,279
Tax recoverable	82	1,664
VAT recoverable	160	157
Prepayments & accrued income	388	238
Deferred tax	87	155
	<u>18,978</u>	<u>12,985</u>

### 12. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	5,065	4,807
Amounts owed to group companies	272	734
Other taxes & social security	150	145
Other creditors	776	806
Accruals & deferred income	817	28
Bank overdraft	8,269	12,612
	<u>15,349</u>	<u>19,132</u>

### 13. Provisions for liabilities

	2008 £000	2007 £000
At beginning of year	717	1,018
Additions	191	148
Utilised	(384)	(449)
At end of year	<u>524</u>	<u>717</u>

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

at 26 December 2008

### 14. Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
	<u>          </u>	<u>          </u>
	2008 £000	2007 £000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	35,647	26,264
	<u>          </u>	<u>          </u>

During the year 9,383,000 ordinary shares of £1 each at nominal value were issued for a cash consideration of £9,383,000 which remained outstanding at the year end from the parent company

### 15. Reserves

	<i>Profit and loss Account £000</i>
At beginning of year	(24,595)
Retained profit for year	1,340
	<u>          </u>
At end of year	(23,255)
	<u>          </u>

### 16. Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit / (loss) for the financial year	1,340	(480)
Other movements:		
New shares issued	9,383	15,000
	<u>          </u>	<u>          </u>
Total movement during the year	10,723	14,520
Opening shareholders' surplus / (deficit)	1,669	(12,851)
	<u>          </u>	<u>          </u>
Closing shareholders' surplus / (deficit)	12,392	1,669
	<u>          </u>	<u>          </u>

## Notes to the financial statements

at 26 December 2008

### 17. Obligations under leases & hire purchase contracts

The commitments under non-cancellable operating leases are as follows:

	2008	2007
	£000	£000
Land & Buildings	2,257	3,551
Other	106	25
	<u>2,363</u>	<u>3,576</u>
Of which payable in relation to:		
Operating leases which expire within one year	385	25
Operating leases which expire within two to five years	1,978	3,551
	<u>2,363</u>	<u>3,576</u>

### 18. Contingent liabilities

The Company has given guarantees in relation to the bank and other borrowings of The Weir Group PLC and certain subsidiary companies. The net funds of the other companies party to these facilities at 26 December 2008 amounted to £11,710,000 (2007: net debt of £113,915,000).

### 19. 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 they were a defined contribution plan.

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 2009 is expected to be £1,483,000.

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 scheme assets in the year was a loss of £89,722,000 (2007: gain of £12,208,000)

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

	2008	2008	2007	2007
	%	£000	%	£000
Equities	7.2	107,134	7.7	194,107
Insurance policy	6.2	275,657	5.9	218,527
Bonds	4.2	70,592	4.3	134,358
Total market value of assets		<u>453,383</u>		<u>546,992</u>
Actuarial value of plan liabilities		<u>(464,705)</u>		<u>(503,194)</u>
Net surplus in the plan		<u>(11,322)</u>		<u>43,798</u>

# Notes to the financial statements

at 26 December 2008

## 19. Retirement benefits (continued)

The equity investments and bonds which are held in plan assets are quoted and are valued at the current bid price following the adoption of the amendment to FRS 17. Previously these were valued at mid price. The effect of this change in the value of assets at 31 December 2007 is a reduction of £587,000. The prior year figures have not been restated on the basis of materiality.

	2008 £000	2007 £000
Recognised in the profit and loss account:		
Current service cost	1,537	2,788
Expected return on plan assets	(32,314)	(31,007)
Interest cost on plain liabilities	29,148	27,592
Other finance (income)	(3,166)	(3,415)
Taken to the statement of total recognised gains & losses:		
Actual return on plan assets	(80,691)	11,270
Less: expected return on plan assets	(32,314)	(31,007)
Other actuarial losses	(113,005) 49,315	(19,737) 46,834
Actuarial losses recognised in the statement of total recognised gains and losses	(63,690)	27,097

The assumptions used by the actuary were:

	2008 %	2007 %
Rate of increase in salaries	2.7	3.1
Rate of increase for pensions in payment:		
Pre 6 April 2006 service	2.7	3.1
Post 6 April 2006 service	2.4	2.5
Discount rate	6.2	5.9
Inflation assumption	2.7	3.3

The mortality assumptions used were as follows:

	2008 Years	2007 Years
Post retirement mortality		
Current pensioners at 65 – male	18.1	18.1
Current pensioners at 65 – female	20.9	20.9
Future pensioners at 65 – male	19.6	10.6
Future pensioners at 65 – female	22.3	22.3

## Notes to the financial statements

at 26 December 2008

### 19. Retirement benefits (continued)

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 2038 (in 30 years time).

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

	<i>£000</i>
<b>As at 29 December 2006</b>	538,801
Expected return on plan assets	2,788
Employer contributions	27,592
Contributions by employees	(20,909)
Benefits paid	1,756
Actuarial gains & losses	(46,834)
<b>As at 29 December 2007</b>	503,194
Expected return on plan assets	1,537
Employer contributions	29,148
Contributions by employees	(21,010)
Benefits paid	1,151
Actuarial gains & losses	(49,315)
<b>As at 26 December 2008</b>	464,705

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

	<i>£000</i>
<b>As at 29 December 2006</b>	546,411
Expected return on plan assets	31,007
Employer contributions	8,464
Contributions by employees	1,756
Benefits paid	(20,909)
Actuarial gains & losses	(19,737)
<b>As at 29 December 2007</b>	546,992
Expected return on plan assets	32,314
Employer contributions	6,941
Contributions by employees	1,151
Benefits paid	(21,010)
Actuarial gains & losses	(113,005)
<b>As at 26 December 2008</b>	453,383

## Notes to the financial statements

at 26 December 2008

### 19. Retirement benefits (continued)

History of experience gains & losses

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Fair value of plan assets	453,383	546,992	546,411	509,972	430,774
Present value of defined benefit obligation	(464,705)	(503,194)	(538,801)	(552,847)	(507,405)
Surplus (deficit) in the plans	(11,322)	43,798	7,610	(42,875)	(42,875)
Experience adjustments arising on plan liabilities	(9,479)	776	(250)	(708)	(96)
Changes in financial assumptions	58,794	46,058	16,707	(32,604)	(16,151)
Experience adjustments arising on plan assets	(113,005)	(19,737)	12,995	57,156	13,615

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £139,950,000 (2007: £76,260,000).

### 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:

The Weir Group PLC  
Clydesdale Bank Exchange  
20 Waterloo Street  
Glasgow  
G2 6DB