

Registered No 869208

Weir Valves & Controls UK Limited

Report and Financial Statements

1 January 2010

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Directors' report

The directors present their annual report together with the audited financial statements of Weir Valves & Controls (UK) Ltd (Registered Number 869208) for the 53 week period ended 1 January 2010 ('2009')

Principal activities

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

Results & dividends

The loss for the financial year after taxation amounted to £542,000 (2008 profit £1,340,000) The directors confirm that no dividend will be payable

Business review

Turnover decreased in 2009 primarily due to the impact of the global recession which caused a downturn in all our major markets. Despite this downturn turnover is expected to grow in 2010, supported by strong order intake in 2009 for delivery in 2010 and beyond, particularly from nuclear power projects in China. Operating profit in 2009 reduced as a result of losses from our Middle East operation, additional contributions to the defined benefit pension scheme and decreased sales volume.

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

	2009 £000	2008 £000	Change %
Turnover	29,541	35,255	-16
Operating (loss)/profit	(673)	1,665	-140
(Loss)/profit on ordinary activities before taxation	(663)	1,327	-150
(Loss)/profit for the financial year	(542)	1,340	-140
Current assets as a % of current liabilities	305%	169%	+180
Average number of employees	219	205	+7

Turnover decreased by 16% during the year as a result of reduced volume impacted by the global recession. Operating profit decreased by £2,338,000 due to increased losses in the Middle East of £1,357,000, increased pension contribution of £547,000 and the impact of reduced volume. Profit on ordinary activities before taxation decreased by £1,990,000 as a result of reduced operating profit and offset by lower net interest costs.

Going Concern

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

The Company has considerable financial resources 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.

Directors' report

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.

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 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. 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.

Directors' report

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.

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' report

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 (resigned 28 July 2009)

Company Secretary

P Simmons

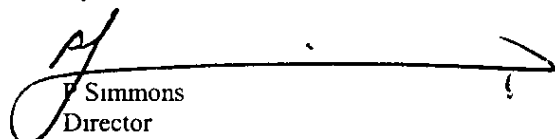
Disclosure of information to auditors

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

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

24 September 2010

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,
- 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 53 weeks ended 1 January 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. 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 5, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 1 January 2010 and of its loss 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

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

28 September 2010

Profit and loss account

at 1 January 2010

		2009	2008
	Notes	£000	£000
Continuing operations			
Turnover	2	29,541	35,255
Net operating expenses	3	(30,214)	(33,590)
Operating (loss)/profit	4	(673)	1,665
Interest payable and similar charges	6	(19)	(547)
Interest receivable and similar income		29	209
(Loss)/profit on ordinary activities before taxation		(663)	1,327
Tax on (loss)/profit on ordinary activities	7	121	13
(Loss)/profit for the financial year		(542)	1,340

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 1 January 2010

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	8	1,927	2,369
Investments	9	-	-
Current assets			
Stocks	10	5,417	6,918
Debtors	11	5,876	18,978
Cash at bank and in hand		4,171	-
		<u>15,464</u>	<u>25,896</u>
Creditors amounts falling due within one year	12	(5,078)	(15,349)
Net current assets		<u>10,386</u>	<u>10,547</u>
Total assets less current liabilities		<u>12,313</u>	<u>12,916</u>
Provision for liabilities	13	(463)	(524)
Net assets		<u><u>11,850</u></u>	<u><u>12,392</u></u>
Capital and reserves			
Called up share capital	14	35,647	35,647
Profit and loss account	15	(23,797)	(23,255)
Shareholders' funds	16	<u><u>11,850</u></u>	<u><u>12,392</u></u>

Approved by the Board


P Simmons
Director

24 September 2010

Notes to the financial statements

for the 53 weeks ended 1 January 2010

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 24 September 2010

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

Notes to the financial statements

for the 53 weeks ended 1 January 2010

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.

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 53 weeks ended 1 January 2010

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

	2009	2008
	£000	£000
Cost of sales	21,250	24,069
Distribution costs	4,306	4,600
Administration costs	4,658	4,921
	<u>30,214</u>	<u>33,590</u>

4. Operating (loss)/profit

This is stated after charging

	2009	2008
	£000	£000
Depreciation on fixed assets	530	551
Operating lease rentals – plant and equipment	345	468
Development expenditure	253	122
Auditors remuneration - audit	43	49
	<u></u>	<u></u>

5. Staff costs & directors emoluments

	2009	2008
	£000	£000
Staff costs		
Wages and salaries	7,028	7,316
Social security costs	600	587
Defined benefit pension scheme costs	221	256
Defined contribution pension scheme costs	96	99
Additional defined benefit pension contribution	1,477	930
	<u>9,422</u>	<u>9,188</u>

Average number of persons employed

	2009	2008
	No	No
Direct	79	42
Indirect	140	163
	<u>219</u>	<u>205</u>

Notes to the financial statements

for the 53 weeks ended 1 January 2010

5. Staff costs & directors emoluments (continued)

Share based payments

The share awards are conditional awards to acquire free shares, subject to The Weir Group PLC's performance. In 2009, conditional awards of performance shares were made worth 25% (2008 25%) of salary to the employees that participate. The shares only vest if a highly demanding performance condition is achieved. For awards granted in 2006, 2007, 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. 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 total expense recognised in the period in relation to share based payments was £53,464 (2008 £53,464)

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 2009

	2009	2008
Weighted average dividend yield (%)	4.62	2.22
Weighted average expected volatility (%)	30.00	29.00
Weighted average expected life (years)	3.00	3.00
Weighted average risk free rate (%)	1.90	4.02
Weighted average share price (pence)	400p	747p
Weighted average fair value (pence)	244p	378p

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.

	2009 £000	2008 £000
Directors' emoluments		
Aggregate emoluments of directors	951	683
Aggregate compensation for loss of office	58	-
Aggregate Company contributions to money purchase schemes	33	34
Number of directors to whom retirement benefits are accruing under,		
Money purchase schemes	6	7

Notes to the financial statements

for the 53 weeks ended 1 January 2010

5. Staff costs & directors emoluments (continued)

	2009 £000	2008 £000
Highest paid director		
Aggregate emoluments of directors	192	133
Aggregate Company contributions to money purchase schemes	7	6
Total accrued pension as at 1 January 2010	47	-

6. Interest payable & similar charges

	2009 £000	2008 £000
On bank balances	19	544
On loan from fellow subsidiary undertaking	-	3
	19	547

7. Tax

(a) Profit & loss account

The tax credit is made up as follows

	2009 £000	2008 £000
<i>Current tax</i>		
UK corporation tax	27	81
<i>Deferred tax</i>		
Origination and reversal of timing differences	94	(68)
Tax credit on (loss)/profit on ordinary activities before taxation	121	13

Notes to the financial statements

for the 53 weeks ended 1 January 2010

7. Tax (continued)

(b) Factors affecting the current year tax credit

The tax credit assessed on the (loss)/profit on ordinary activities in the year is lower (2008 lower) than the standard rate of corporation tax in the UK of 28.0% (2008 28.5%). The differences are reconciled below

	2009 £000	2008 £000
(Loss)/profit before tax	(663)	1,327
Standard tax rate	28.0%	28.5%
(Loss)/profit at standard rate	(186)	378
Effects of -		
Expenses not deductible for tax purposes	18	24
Utilisation of losses	-	(190)
Sundry adjustments	141	(293)
Current tax credit for period	(27)	(81)

(c) Factors that may affect future tax charges

The Company expects to continue to have depreciation in excess of capital allowances. It was announced in the Budget of 22 June 2010 that the UK corporation tax rate will reduce by 1% per year from 1 April 2011 for four years, bringing the corporation tax rate down to 24% from 1 April 2014. There is also a proposed reduction in the main and special rates of capital allowances to 18% and 8% respectively for accounting periods ending after April 2012. These changes will affect the amount of future cash tax payments to be made by the company. In addition, the Company has losses carried forward of £4,805,927 which may be available to offset future taxable trading profits.

(d) Balance sheet – deferred tax

	2009 £000	2008 £000
Capital allowances in advance of depreciation	164	48
Other timing differences	17	39
	181	87
Movement in deferred tax asset		
		£000
At beginning of year		87
Profit & loss account credit		94
At end of year		181

Notes to the financial statements

for the 53 weeks ended 1 January 2010

8. Tangible fixed assets

	<i>Plant & machinery £000</i>
<i>Cost/valuation</i>	
At 27 December 2008	8,146
Additions	156
Disposals	(886)
At 1 January 2010	<u>7,416</u>
<i>Depreciation</i>	
At 27 December 2008	5,777
Charge for year	530
Disposals	(818)
At 1 January 2010	<u>5,489</u>
<i>Net book value</i>	
At 1 January 2010	<u>1,927</u>
At 27 December 2008	<u>2,369</u>

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 subsidiary is

Autotork Controls Limited (100% owned)

10. Stocks

	<i>2009 £000</i>	<i>2008 £000</i>
Raw materials and consumables	163	270
Work in progress	4,346	5,354
Finished goods and goods for sale	908	1,294
	<u>5,417</u>	<u>6,918</u>

Notes to the financial statements

for the 53 weeks ended 1 January 2010

11. Debtors

	2009	2008
	£000	£000
Trade debtors	3,322	6,336
Amounts owed by group companies	2,076	11,925
Tax recoverable	25	82
VAT recoverable	54	160
Prepayments & accrued income	218	388
Deferred tax asset	181	87
	<u>5,876</u>	<u>18,978</u>

Trade debtors include £76,000 (2008 £nil) falling due after more than one year. Amounts owed by group companies are unsecured and repayable on demand.

12. Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Trade creditors	3,604	5,065
Amounts owed to group companies	160	272
Other taxes & social security	152	150
Other creditors	374	776
Accruals & deferred income	788	817
Bank overdraft	-	8,269
	<u>5,078</u>	<u>15,349</u>

Amounts owed to group companies are unsecured and repayable on demand.

13. Provisions for liabilities

	2009	2008
	£000	£000
At beginning of year	524	717
Additions	130	191
Utilised	(191)	(384)
At end of year	<u>463</u>	<u>524</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

for the 53 weeks ended 1 January 2010

14. Called up share capital

	2009 £000	2008 £000
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
	2009 £000	2008 £000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	35,647	35,647
	<hr/>	<hr/>

15 Reserves

	<i>Profit and loss account £000</i>
At beginning of year	(23,255)
Retained loss for year	(542)
	<hr/>
At end of year	(23,797)
	<hr/>

16. Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
(Loss)/profit for the financial year	(542)	1,340
Other movements		
New shares issued	-	9,383
	<hr/>	<hr/>
Total movement during the year	(542)	10,723
Opening shareholders' funds	12,392	1,669
	<hr/>	<hr/>
Closing shareholders' funds	11,850	12,392
	<hr/>	<hr/>

Notes to the financial statements

for the 53 weeks ended 1 January 2010

17. Obligations under leases & hire purchase contracts

At 1 January 2010 the Company had annual commitments under non-cancellable operating leases as set out below

	2009 £000	2008 £000
Land & Buildings	256	275
Other	55	53
	<u>311</u>	<u>328</u>
Of which payable in relation to		
Operating leases which expire within two to five years	<u>311</u>	<u>328</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 debt of the other companies party to these facilities at 1 January 2010 amounted to £25,000 (2008 net funds of £11,710,000)

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 plan assets and liabilities in respect of this scheme are not reflected on the company's balance sheet, details of this plan are set out below.

While updating the valuation of the Group's retirement benefit plan for the purposes of the Group's 2009 interim condensed financial statements the qualified actuary who advises the company identified an error in their model used to calculate the actuarial valuation of the above plan for the periods ended 28 December 2007 and 26 December 2008. The impact of this was to understate the retirement benefit plan deficit on a cumulative basis by £8,100,000 at 28 December 2007 and £15,200,000 at 26 December 2008. The impact on the Group's Statement of Comprehensive Income was to increase actuarial losses on defined benefit plans by £7,100,000 in the 52 weeks ended 26 December 2008. There is no material impact on the Group's Income Statement. All affected balances and amounts have been restated in the disclosures set out below.

Pension contributions are determined with the advice of an independent qualified actuary on the basis of annual valuations using the projected unit method. The total contributions to the defined benefit plan in 2010 are expected to be £10,225,000.

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 gain of £89,728,000 (2008 loss of £80,704,000).

Notes to the financial statements

for the 53 weeks ended 1 January 2010

19. Retirement benefits (continued)

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

	2009 %	2009 £000	2008 %	2008 £000
Equities	8.0	120,659	7.2	106,092
Bonds	4.7	80,440	4.2	69,821
Insurance policy	5.7	301,648	6.2	277,470
Total market value of assets		502,747		453,383
Actuarial value of plan liabilities		(559,749)		(464,705)
Net deficit in the plans		(57,002)		(11,322)
			2009 £000	2008 £000
Recognised in the income statement				
Current service cost			951	1,537
Expected return on plan assets			(27,205)	(32,314)
Interest cost on plan liabilities			27,298	29,148
Other finance cost (income)			93	(3,166)
Settlement gain recognised			(1,473)	-
Taken to the statement of total recognised gains & losses				
Actual return on plan assets			89,728	(80,704)
Less expected return on plan assets			(27,205)	(32,314)
Other actuarial (losses) gains			62,523 (118,059)	(113,018) 57,415
Actuarial losses recognised in the statement of total recognised gains and losses			(55,536)	(55,603)

Notes to the financial statements

for the 53 weeks ended 1 January 2010

19. Retirement benefits (continued)

The assumptions used by the actuary are as follows

	2009	2008
	%	%
Rate of increase in salaries	3.6	2.7
Rate of increase in pensions in payment		
Pre 6 April 2006 service	3.3	2.7
Post 6 April 2006 service	2.1	2.4
Discount rate	5.7	6.2
Inflation assumption	3.6	2.7

The mortality assumptions used were as follows

	2009	2008
	Years	Years
Post retirement mortality		
Current pensioners at 65 – male	20.9	18.1
Current pensioners at 65 – female	23.7	20.9
Future pensioners at 65 – male	23.8	19.6
Future pensioners at 65 – female	26.6	22.3

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 2039 (in 30 years time).

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

	£000
As at 29 December 2007	511,294
Current service cost	1,537
Interest cost	29,148
Benefits paid	(21,010)
Contributions by employees	1,151
Actuarial gains & losses	(57,415)
As at 28 December 2008	464,705
Current service cost	951
Interest cost	27,298
Benefits paid	(24,292)
Contributions by employees	844
Plan settlements	(27,816)
Actuarial gains & losses	118,059
As at 1 January 2010	559,749

Notes to the financial statements

for the 53 weeks ended 1 January 2010

19. Retirement benefits (continued)

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

	£000
<i>As at 29 December 2007</i>	547,005
Expected return on plan assets	32,314
Employer contributions	6,941
Contributions by employees	1,151
Benefits paid	(21,010)
Actuarial gains & losses	(113,018)
<i>As at 28 December 2008</i>	453,383
Expected return on plan assets	27,205
Employer contributions	9,427
Contributions by employees	844
Benefits paid	(24,292)
Plan settlements	(26,343)
Actuarial gains & losses	62,523
As at 1 January 2010	502,747

History of experience gains & losses

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Fair value of plan assets	502,747	453,383	547,005	546,411	509,972
Present value of defined benefit obligation	(559,749)	(464,705)	(511,294)	(538,801)	(552,847)
(Deficit) surplus in the plans	(57,002)	(11,322)	35,711	7,610	(42,875)
Experience adjustments arising on plan liabilities	(10,574)	(9,957)	(7,934)	(250)	(708)
Changes in financial assumptions underlying plan liabilities	(107,485)	67,372	46,668	16,707	(32,604)
Experience adjustments arising on plan assets	62,523	(113,018)	(19,737)	12,995	57,156

In 2008, following the adoption of the amendment to FRS 17, the equity investments and bonds which are held in plan assets, previously valued at mid price, were valued based on the bid price. The effect of this change at 29 December 2007 is a reduction in the fair value of plan assets of £600,000. The fair value of plan assets prior to 29 December 2007 have not been restated as the effect is immaterial.

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £195,486,000 (2008: £139,950,000).

Notes to the financial statements

for the 53 weeks ended 1 January 2010

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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