

TWG CANADA HOLDINGS LIMITED

Report and Financial Statements

31 December 2018

Registered No: SC288837



**COMPANIES HOUSE
EDINBURGH**

25 SEP 2019

FRONT DESK

Company information

Registered No: SC288837

Directors

John Heasley
Christopher Palmer
Graham Vanhegan

Company Secretary

Gillian Kyle

Independent auditors

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Registered office

10th Floor
1 West Regent Street
Glasgow
Scotland
G2 1RW

Country of incorporation

Scotland

Directors' report

The directors present their report and the audited financial statements of TWG Canada Holdings Limited (Registered Number SC288837) ('the Company') for the year ended 31 December 2018.

The Company has taken advantage of the small companies exemption under section 414 of the Companies Act 2006 not to prepare a strategic report.

Results

The Company made a profit after tax amounting to £5,568,000 (2017: £5,175,000).

Dividends

No dividend was declared in the year (2017: £nil).

Principal activities and review of the business

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

The Company traded in the year to 31 December 2018 and the prior year.

Financial instruments

The Company's principal financial instruments are shown on the balance sheet. The principal financial risks to which the Company is exposed are listed below. These risks are managed in accordance with Board approved policies.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and inter-company trading accounts.

Interest rate risk

The Company's borrowings consist of inter group loans and these are at variable rates of interest. Based on current levels of net debt, interest rate risk is not considered to be material. The company uses interest rate swaps to adjust interest rate exposures in order to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements.

Going concern

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

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Future developments

There are no significant plans to alter the business of the company in the future.

Directors

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

John Heasley

Christopher Palmer

Christopher Morgan (resigned 1 May 2018)

Graham Vanhegan (appointed 1 May 2018)

Directors' liabilities

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 ultimate parent company maintained directors and officers liability insurance throughout 2018 and up to the date of approval of the financial statements in respect of the Company's directors and officers.

Disclosure of information to auditors

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

Independent auditors

PricewaterhouseCoopers LLP were appointed under section 485 of the Companies Act 2006 as the Company's auditors at the Annual General Meeting of the Group on 26 April 2018 and have indicated their willingness to continue in office.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

By order of the Board



Gillian Kyle
Company Secretary

18 September 2019

Independent auditors' report to the members of TWG Canada Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, TWG Canada Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, as is the case for all UK companies, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

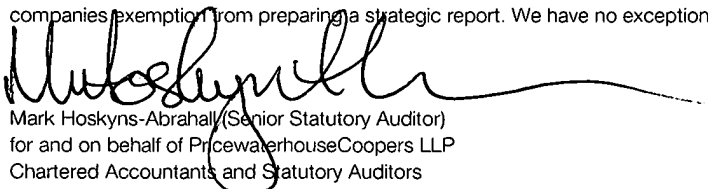
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

18 September 2019

Income statement
for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Revenue	3	-	-
Operating result		-	-
Finance costs	5	(4)	(3)
Finance income	6	5,573	5,179
Profit (loss) on ordinary activities before tax		5,569	5,176
Tax on profit (loss) on ordinary activities	7	(1)	(1)
Profit (loss) for the financial year		5,568	5,175

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

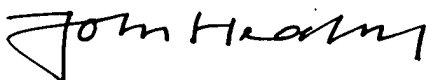
The result reported above includes all income and expenses for the year and therefore no statement of comprehensive income has been presented.

Balance sheet
as at 31 December 2018

	Notes	2018 £000	2017 £000
ASSETS			
Non-current assets			
Investments	8	346,358	208,896
Total non-current assets		346,358	208,896
Current assets			
Trade & other receivables	9	49,021	43,448
Total current assets		49,021	43,448
Total assets		395,379	252,344
LIABILITIES			
Current liabilities			
Trade and other payables	10	(298)	(293)
Total current liabilities		(298)	(293)
Total liabilities		(298)	(293)
NET ASSETS		395,081	252,051
Capital & reserves			
Called up share capital	11	183,288	45,826
Retained earnings		211,793	206,225
TOTAL EQUITY		395,081	252,051

The notes numbered 1 to 14 are an integral part of these financial statements.

The financial statements on pages 7 to 17 were authorised for issue by the Board of Directors on 18 September 2019 and signed on its behalf by



John Heasley

Director

18 September 2019

**Statement of changes in equity
for the year ended 31 December 2018**

	Called up share capital £000	Retained earnings £000	Total equity £000
At 31 December 2016	45,826	201,050	246,876
Profit (loss) for the financial year	-	5,175	5,175
At 31 December 2017	45,826	206,225	252,051
Profit (loss) for the financial year	-	5,568	5,568
Issue of share capital	137,462	-	137,462
At 31 December 2018	183,288	211,793	395,081

Notes to the financial statements
for the year ended 31 December 2018

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of TWG Canada Holdings Limited for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 18 September 2019 and the balance sheet was signed on the Board's behalf by John Heasley.

TWG Canada Holdings Limited is a private limited company registered in Scotland.

The financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

The Company's financial statements are presented in Sterling and all values have been presented in thousands (£000) except where otherwise indicated.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of The Weir Group PLC. The results of the Company are included in the consolidated financial statements of The Weir Group PLC which are publically available.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018 ('2018'), the comparative information is provided for the year ended 31 December 2017 ('2017'). The accounting policies are consistent with those of the previous period, with the exception of the following new standards which apply for the first time in 2018.

IFRS 9: Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The impact of adopting IFRS 9 on the Company's retained earnings and individual financial statement line items as at 1 January 2018 was determined to be immaterial and as such no adjustments have been recorded and comparative figures have not been restated.

The considerations relevant to this assessment are outlined below.

(i) Classification and measurement

No changes were necessary to the classification or remeasurement of the Company's financial instruments, as disclosed in the subsequent notes to the accounts, with derivative instruments remaining as measured at fair value through the profit and loss (FVTPL), or subject to the accounting provisions for hedge relationships under IFRS 9 where designated in effective hedge accounting relationships, and all other financial instruments remaining classified as measured at amortised cost under IFRS 9.

(ii) Impairment of financial asset

The Company has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Loans to subsidiaries; and
- Other short-term receivables from Group undertakings.

The Company applies the IFRS 9 general model for measuring expected losses on loans to subsidiaries, and the simplified approach to measuring expected credit losses for trade receivables and construction contracts - which uses a lifetime expected loss allowance.

This did not result in a material change to the loss allowance on 1 January 2018 for either trade receivables or for contract assets, and as such no adjustment has been recorded and comparative figures have not been restated. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

IFRS 15: Revenue from contracts with customers (including associated amendments)

The Company has adopted IFRS 15, applying the full retrospective method, in line with the Group. There has been no impact on the financial results of the Company as a result of the adoption of the standard.

Statutory instruments & exemptions

The Company has adopted SI 2015/980 for presentational purposes in order to align with the financial statements of its ultimate parent company. The financial statements have been prepared on the going concern basis and the historic cost convention, as modified by the revaluation of land and buildings and derivative financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with IFRS 101, and the company intends to take these exemptions in future years:

- paragraphs 45(b) and 46-52 of IFRS 2 *Share-based Payment*, because the share based payment arrangement concerns the instruments of the Weir Group PLC;
- IFRS 7 *Financial Instruments: Disclosures*;
- paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- IAS 7 *Statement of Cash Flows*;
- paragraph 38 of IAS 1 *Presentation of financial statements* comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 *Property, Plant & Equipment*; and paragraph 118(e) of IAS 38 *Intangible Assets*;
- paragraph 17 of IAS 24 *Related Party Disclosures*;
- IAS 24 *Related Party Disclosures* disclosure of related party transactions with a fellow wholly owned subsidiary in IAS 24 *Related Party Disclosures*;
- paragraph 10(d), 16, 38A, 38B, 38C, 38D, 111, 134-136 of IAS 1 *Presentation of financial statements*; and
- paragraph 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

The Company will adopt IFRS 16 on 1 January 2019. The standard will result in any current operating leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

There are no new standards or interpretations, in addition to the above, which are considered to have a material impact on the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for revenues and expenses during the year. These estimates and assumptions are based on historical experience, information available at the time and other factors considered relevant.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Impairment

The company carries out impairment testing on any assets that show indications of impairment as well as annually for goodwill and other intangible assets with indefinite lives and so not subject to amortisation. This testing includes exercising management judgement about future cash flows and other events which are, by their nature, uncertain.

Significant accounting policies

Investment income

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

Investments

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

Impairment of non-current assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying values might be impaired. Additionally, goodwill, intangible assets with an indefinite life and any capitalised development expenditure are subject to an annual impairment test.

An impairment loss is recognised to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is conducted for the cash generating unit to which it belongs. Similarly, the recoverable amount of goodwill is determined by reference to the discounted future cash flows of the cash generating units to which it is allocated.

Impairment losses are recognised in the income statement. Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of an asset shall not be increased above the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Impairment losses recognised in respect of goodwill are not reversed.

Inventories

Inventories are valued at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. Cost represents the expenditure incurred in bringing inventories to their existing location and condition and comprises the cost of raw materials, direct labour costs and related production overheads. Raw materials cost is generally determined on a first in, first out basis. Net realisable value is the estimated selling price less costs to complete and sell.

Financial assets & liabilities

The Company's principal financial assets and liabilities comprise the following:

- short-term borrowings
- loans and fixed rate notes

A financial asset is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the year.

Deferred tax is recognised on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base with the following exceptions:

- Deferred tax arising from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, that, at the time of the transaction, affects neither accounting nor taxable profit or loss, is not recognised;
- Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax liabilities represent tax payable in future years in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future years in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

3. Revenues & expenses

Audit fees of £1,068 (2017: £1,037) for the Company are borne by the ultimate parent company.

4. Staff costs & directors' remuneration

No management charges were paid to The Weir Group PLC during the year (2017: £nil) in connection with the services of the directors. No remuneration was paid to any director during the year (2017: £nil) in respect of their services to the Company. There were no employees during the year (2017: none).

5. Finance costs

	2018 £000	2017 £000
Interest payable to group undertakings	4	3
	4	3

6. Finance income

	2018 £000	2017 £000
Interest receivable from group undertakings	5,573	5,179
	5,573	5,179

7. Taxation

Tax charged in the income statement

	2018 £000	2017 £000
The tax charge (credit) is made up as follows		
Current income tax		
UK corporation tax	1	1
Total income tax charge (credit) in the income statement	1	1

Factors affecting the tax charge for the year

The standard rate of tax for the year based on the UK standard rate of corporation tax is 19.00% (2017: 19.25%). The actual tax charge for the current year is set out in the following reconciliation.

	2018 £000	2017 £000
Result from continuing operations before income tax	5,569	5,176
Tax calculated at UK standard rate of corporation tax of 19.00% (2017: 19.25%)	1,058	996
Non-taxable dividend income	(1,059)	(997)
Tax (expense) income in the income statement	(1)	(1)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

8. Investments

	£000
Cost	
At 31 December 2017	208,896
Additions	137,462
At 31 December 2018	346,358
Net book value at 31 December 2017	208,896
Net book value at 31 December 2018	346,358

The Company's subsidiary undertaking is listed in an Appendix.

Investments represent 587,048,446 (2017: 354,062,234) cumulative redeemable preference shares of TWG South America Holdings Limited, of which 232,986,212 shares were issued during 2018. Each preference share has a nominal value of £0.59 (2017: £0.59). The preference shares are redeemable at the option of the Company or the issuer of the preference shares.

9. Trade and other receivables

	2018 £000	2017 £000
Amounts receivable from group undertakings	49,021	43,448
	49,021	43,448

Amounts receivable from group undertakings are unsecured and include preference dividends receivable from an investment in 587,048,446 cumulative redeemable preference shares which carry a fixed cumulative dividend at a rate of 6 month GBP LIBOR plus 2%.

Impairment of trade & other receivables

Amounts owed by subsidiaries and other group undertakings relate to management recharges in respect of support services provided. Intercompany balances are typically managed on a Group basis, and the Company's credit risk management practices reflect this. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all such receivables.

The amounts owed by subsidiaries and other group undertakings do not carry an interest charge, and it is the Company's expectation that materially all the amounts owed by subsidiaries are fully recoverable over time. Expected credit losses at both 1 January 2018 and 31 December 2018 are therefore immaterial, and there has been no material change to the expected loss allowance during the year.

Over the term of the loans, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss allowance of repayable on demand loans, the Company considers the financial position and internal forecasts of each subsidiary and their ability to repay on request, or over time. For those loans repayable on maturity, expected credit losses are calculated using market-implied probabilities of default and loss-given-default estimations.

The Company considers the probability of default upon initial recognition of an asset and subsequently whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The primary indicators considered are actual or expected significant adverse changes in business and financial conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

Independent of the primary indicators above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is considered to occur when the counterparty fails to make contractual payments within 90 days of when they fall due. A write off is considered to be required when there is no reasonable expectation of recovery. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the income statement.

As at 31 December 2018 and 1 January 2018, the loss allowances for all loans to subsidiaries were measured at an amount equal to 12-month expected credit losses. This did not result in a material change to the loss allowance on 1 January 2018 for the loans, and as such no adjustment has been recorded and comparative figures have not been restated.

10. Trade and other payables

	2018 £000	2017 £000
Amounts owed to group undertaking	298	293
	298	293

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

11. Share capital

Allotted, called up and fully paid	2018 £000	2017 £000
374,057,113 (2017: 93,522,695) ordinary shares of £0.49 each	183,288	45,826
	183,288	45,826

During the year an additional 280,534,418 shares, each with a nominal value of £0.49, were issued at par. The consideration received was subsequently used to increase the Company's investment in TWG South America Holdings Limited.

12. Contingent liabilities

The Company is a member of a group UK cash pool arrangement and has jointly and severally given guarantee of the net overdraft amount of the pool up to a maximum of £5.0million (2017: £5.0million). At the year end, the net amount drawn under the facility was £nil (2017: £nil).

13. Related party disclosures

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

14. Ultimate group undertaking

The immediate parent undertaking is Weir Canada Inc.

The ultimate parent undertaking and controlling party is The Weir Group PLC. The Company is only consolidated into these group financial statements which are available to the public and may be obtained from The Weir Group PLC, 1 West Regent Street, Glasgow, G2 1RW.

Appendix

Subsidiary undertakings

The subsidiary undertaking of the Company as at 31 December 2018 is noted below.

Legal name	Country of incorporation	Registered address	Class of shares	Percentage of shares held	Ownership
Aislación Sísmica Perú S.A.	Peru	Av. Separadora Industrial No. 2201 Urb Volcano Ate Lima Peru	Ordinary	26.5%	Indirect
Comercializadora TEP Limitada	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	12.9%	Indirect
Fabrica de Aisladores Sísmicos de Chile Ltda	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	26.3%	Indirect
Fundición Vulco Ltda	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	26.3%	Indirect
Metalúrgica Vulco Ltda	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	26.3%	Indirect
TWG South America Holdings	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Preference	26.6%	Direct
Vulco Peru S.A.	Peru	Av. Separadora Industrial No. 2201 Urb Volcano Ate Lima Peru	Ordinary	26.3%	Indirect
Vulco S.A.	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	26.3%	Indirect
Weir do Brasil Ltda	Brazil	Av Jose Benassi, 2151 Condominio FAZGRAN - CEP 13213 085 Jundiai SP	Nominal	26.6%	Indirect
Weir Holdings B.V.	The Netherlands	PO Box 249 5900 AE Venlo The Netherlands	Ordinary	26.6%	Indirect
Weir Minerals Caribe SRL	Dominican Republic	KK 22,5 Autopista Duarte Parque Industrial Duarte Parque de Naves Pid 4 Santo Domingo Dominican Republic	Ordinary	26.5%	Indirect
Weir Sudamerica S.A.	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	26.6%	Indirect
Weir Vulco Argentina S.A.	Argentina	Sarmiento 511 Sur 1° Piso A San Juan. CP 5400 Argentina	Ordinary	26.5%	Indirect