Independent Auditors Report

Independent auditors report to the members of The Weir Group PLC

We have audited the Group financial statements of The Weir Group PLC for the 52 weeks ended 26 December 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 32. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Company financial statements of The Weir Group PLC for the 52 weeks ended 26 December 2008 and on the information in the Remuneration Committee Report that is described as having been audited.

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 & auditors

The directors responsibilities for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Directors Statement of Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors Report is consistent with the Group financial statements. The information given in the Directors Report includes information that is contained in the Chairman's Statement, Chief Executive's Review, Operational Reviews, Financial Review and Corporate Social Responsibility Report that is cross referred from the Directors Report.

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only Financial Highlights 2008, 2008 Highlights, the Chairman's Statement, Our Geographic Footprint, Chief Executive's Review, Operational Reviews, Financial Review, Board of Directors & Group Operations Executive, Directors Report, Corporate Governance Statement, Audit Committee Report, Nomination Committee Report, unaudited part of the Remuneration Committee Report and Corporate Social Responsibility Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

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 Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 26 December 2008 and of its profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors Report is consistent with the Group financial statements.

Ernst & Young LLP
Registered Auditor
Glasgow
10 March 2009

Consolidated Income Statement

for the 52 weeks ended 26 December 2008

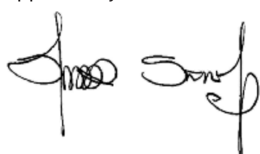
	Notes	52 weeks ended 26 December 2008 Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m	52 weeks ended 28 December 2007 Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m
Continuing operations							
Revenue	3	**1,353.6**	-	**1,353.6**	1,008.8	-	1,008.8
Continuing operations							
Operating profit		**180.6**	**(16.7)**	**163.9**	113.5	(6.0)	107.5
Share of results of joint ventures	15	**4.4**	-	**4.4**	3.4	-	3.4
Operating profit		**185.0**	**(16.7)**	**168.3**	116.9	(6.0)	110.9
Finance costs	6	**(17.2)**	-	**(17.2)**	(12.7)	-	(12.7)
Finance income	6	**6.6**	-	**6.6**	7.6	-	7.6
Other finance income - retirement benefits	24	**1.8**	-	**1.8**	3.2	-	3.2
Profit before tax from continuing operations		**176.2**	**(16.7)**	**159.5**	115.0	(6.0)	109.0
Tax expense	7	**(51.8)**	**5.3**	**(46.5)**	(32.1)	2.0	(30.1)
Profit for the period from continuing operations		**124.4**	**(11.4)**	**113.0**	82.9	(4.0)	78.9
Profit for the period from discontinued operations	8	**2.8**	**55.0**	**57.8**	15.3	80.8	96.1
Profit for the period		**127.2**	**43.6**	**170.8**	98.2	76.8	175.0
Attributable to							
Equity holders of the Company		**127.2**	**43.6**	**170.8**	98.1	76.8	174.9
Minority interests		-	-	-	0.1	-	0.1
		127.2	**43.6**	**170.8**	98.2	76.8	175.0
Earnings per share	9						
Basic - total operations				**81.4p**			83.8p
Basic - continuing operations		**59.3p**		**53.8p**	39.7p		37.8p
Diluted - total operations				**80.9p**			82.9p
Diluted - continuing operations		**59.0p**		**53.6p**	39.3p		37.4p

Consolidated Balance Sheet

at 26 December 2008

	Notes	26 December 2008 £m	28 December 2007 £m
ASSETS			
Non-current assets			
Property, plant & equipment	11	**189.6**	136.3
Investment property	11	**4.5**	4.8
Intangible assets	12	**791.8**	503.2
Investments in joint ventures & associate	15	**10.3**	7.2
Deferred tax assets	23	**16.5**	3.1
Retirement benefit plan surpluses	24	**3.9**	45.5
Derivative financial instruments	30	**8.1**	1.2
Total non-current assets		**1,024.7**	701.3
Current assets			
Inventories	16	**269.6**	173.5
Trade & other receivables	17	**309.2**	255.2
Construction contracts	18	**30.6**	32.8
Derivative financial instruments	30	**47.5**	10.6
Income tax receivable		**1.3**	1.8
Cash & short-term deposits	19	**74.1**	54.2
Total current assets		**732.3**	528.1
Total assets		**1,757.0**	1,229.4
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	20	**71.4**	8.5
Trade & other payables	21	**353.6**	257.8
Construction contracts	18	**46.7**	55.9
Derivative financial instruments	30	**90.6**	11.8
Income tax payable		**25.7**	20.8
Provisions	22	**30.5**	22.8
Total current liabilities		**618.5**	377.6
Non-current liabilities			
Interest-bearing loans & borrowings	20	**242.6**	217.0
Derivative financial instruments	30	**70.1**	5.1
Provisions	22	**36.4**	22.6
Deferred tax liabilities	23	**63.0**	53.3
Retirement benefit plan deficits	24	**18.6**	8.6
Total non-current liabilities		**430.7**	306.6
Total liabilities		**1,049.2**	684.2
NET ASSETS		**707.8**	545.2
CAPITAL & RESERVES			
Share capital	25	**26.6**	26.5
Share premium	25	**38.0**	37.7
Treasury shares	25	**(7.9)**	(9.3)
Capital redemption reserve	25	**0.5**	0.5
Foreign currency translation reserve	25	**76.9**	0.2
Hedge accounting reserve	25	**(8.3)**	3.5
Retained earnings	25	**581.8**	485.6
Shareholders equity		**707.6**	544.7
Minority interest	25	**0.2**	0.5
TOTAL EQUITY		**707.8**	545.2

Approved by the Board of Directors on 10 March 2009



Mark Selway *Director* **Keith Cochrane** *Director*

Consolidated Cash Flow Statement

for the 52 weeks ended 26 December 2008

	Notes	52 weeks ended 26 December 2008 £m	52 weeks ended 28 December 2007 £m
Continuing operations			
Cash flows from operating activities	26		
Cash generated from operations		**214.4**	143.5
Additional pension contributions paid		**(6.5)**	(6.5)
Fundamental restructuring costs paid		**-**	(0.4)
Income tax paid		**(49.0)**	(32.3)
Net cash generated from operating activities		**158.9**	104.3
Continuing operations			
Cash flows from investing activities			
Acquisitions of subsidiaries	26	**(140.9)**	(317.8)
Disposals of subsidiaries & associate	26	**80.6**	127.3
Purchases of property, plant & equipment & intangible assets		**(53.3)**	(42.2)
Other proceeds from sale of property, plant & equipment & intangible assets		**1.2**	3.2
Interest received		**6.2**	7.5
Dividend received from discontinued associate		**-**	2.5
Other dividends received		**3.5**	3.7
Net cash used in investing activities		**(102.7)**	(215.8)
Continuing operations			
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**0.4**	2.4
Proceeds from borrowings		**244.9**	124.3
Repayments of borrowings		**(238.7)**	(73.7)
Settlement of derivative financial instruments		**(4.2)**	0.7
Interest paid		**(16.3)**	(12.6)
Dividends paid to equity holders of the Company		**(35.7)**	(31.1)
Net cash (used in) generated from financing activities		**(49.6)**	10.0
Net increase (decrease) in cash & cash equivalents from continuing operations		**6.6**	(101.5)
Net (decrease) increase in cash & cash equivalents from discontinued operations - operating activities		**(2.2)**	8.2
Net decrease in cash & cash equivalents from discontinued operations - investing activities		**(0.3)**	(1.8)
Cash & cash equivalents at beginning of period		**46.1**	139.1
Foreign currency translation differences		**3.4**	2.1
Cash & cash equivalents at end of period	19	**53.6**	46.1

Consolidated Statement of Recognised Income & Expense

for the 52 weeks ended 26 December 2008

	Note	**52 weeks ended 26 December 2008 £m**	52 weeks ended 28 December 2007 £m
Income & expense recognised directly in equity			
(Losses) gains taken to equity on cash flow hedges		**(11.1)**	6.2
Net exchange differences on translation of foreign operations		**77.1**	3.1
Actuarial (losses) gains on defined benefit plans		**(54.9)**	29.5
Transfers to the income statement			
On cash flow hedges		**(5.5)**	(1.9)
On cash flow hedges - discontinued operations		**-**	(4.3)
Exchange differences on disposal of foreign operations - discontinued operations		**(0.4)**	-
Tax on items taken directly to or transferred from equity	7	**19.4**	(7.0)
Net income recognised directly in equity		**24.6**	25.6
Profit for the period		**170.8**	175.0
Total recognised income & expense for the period		**195.4**	200.6
Attributable to			
Equity holders of the Company		**195.4**	200.5
Minority interests		**-**	0.1
		195.4	200.6

Notes to the Group Financial Statements

1. Authorisation of financial statements & statement of compliance

The consolidated financial statements of The Weir Group PLC for the 52 weeks ended 26 December 2008 were approved and authorised for issue in accordance with a resolution of the directors on 10 March 2009. The comparative information is presented for the 52 weeks ended 28 December 2007. For practical reasons, the Group prepares its financial statements to the week ending closest to the Company reference date of 31 December. The results on this basis are unlikely to be materially different from those that would be presented for a period of one year. The Weir Group PLC is a limited company incorporated in Scotland and is listed on the London Stock Exchange.

The consolidated financial statements of The Weir Group PLC have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of The Companies Act 1985.

The principal activities of the Group are described in note 3.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which have been applied consistently to all periods presented in these financial statements. These financial statements are presented in sterling. All values are rounded to the nearest 0.1 million pounds (£m) except when otherwise indicated.

In order to provide the users of the financial statements with a more relevant presentation of the Group's underlying performance, profit for each financial year has been analysed between

i) profit before exceptional items and intangibles amortisation; and

ii) the effect of exceptional items and intangible amortisation.

a) Exceptional items are material items of income and expense which, because of the nature and infrequency of the events giving rise to them, merit separate presentation to allow a better understanding of the elements of the Group's financial performance for the period and are presented on the face of the income statement to facilitate comparisons with prior periods and assessment of trends in financial performance.

b) Intangibles amortisation, including impairment, has been shown separately to provide increased visibility over the impact of increased acquisition activity on intangible assets.

Further analysis of the items included in the column, 'Exceptional items and intangibles amortisation', is provided in note 5 to the financial statements.

In addition to the restatements arising from discontinued operations, as disclosed in note 26, certain amounts in the consolidated cashflow statement have been reclassified. A 2007 net inflow amount of £0.7m in relation to gains on derivatives has been reclassified from cash generated from operating activities to cash generated from financing activities.

Use of estimates & judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Details of the significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described on page 19.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of The Weir Group PLC ("the Company") and its subsidiaries (together, "the Group"), and the Group's share of its joint ventures results. The financial statements of subsidiaries and joint ventures are prepared for the same reporting period as the Company using consistent accounting policies.

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The results of a subsidiary acquired during the period are included in the Group's results from the effective date on which control is transferred to the Group. The results of a subsidiary sold during the period are included in the Group's results up to the effective date on which control is transferred out of the Group. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from the Company shareholders equity.

Joint ventures & associate

The Group has a number of long-term contractual arrangements with other parties which represent joint ventures. These all take the form of agreements to share control over other entities ("jointly controlled entities"). The Group's interests in the results and assets and liabilities of its jointly controlled entities, are accounted for using the equity method. An associate is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling or jointly controlling, the financial and operating policies of the entity. An associate is accounted for using the equity method.

2. Accounting policies (continued)

These investments are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets less any impairment in value. The income statement reflects the share of results of operations of these investments after tax. Where there has been a change recognised directly in the investee's equity, the Group recognises its share of any changes and discloses this when applicable in the statement of recognised income and expense.

Any goodwill arising on the acquisition of a joint venture or associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the joint venture or associate's identifiable assets, liabilities and contingent liabilities is included in the carrying amount of the joint venture or associate and is not amortised. To the extent that the net fair value of the joint venture or associate's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the joint venture or associate's profit or loss in the period in which the investment is acquired.

Foreign currency translation

The financial statements for each of the Group's subsidiaries, joint ventures and associate are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates.

At entity level, transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the income statement except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

On consolidation, the results of foreign operations are translated into sterling at the average exchange rate for the period and their assets and liabilities are translated into sterling at the exchange rate ruling on the balance sheet date. Currency translation differences, including those on monetary items that form part of a net investment in a foreign operation, are recognised in the foreign currency translation reserve.

In the event that a foreign operation is sold, the gain or loss on disposal recognised in the income statement is determined after taking into account the cumulative currency translation differences that are attributable to the operation. As permitted by IFRS1, the Group elected to deem cumulative currency translation differences to be £nil as at 27 December 2003. Accordingly, the gain or loss on disposal of a foreign operation does not include currency translation differences arising before 27 December 2003.

In the cash flow statement, the cash flows of foreign operations are translated into sterling at the average exchange rate for the period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is shown net of sales taxes, discounts and after eliminating sales within the Group.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods and can be reliably measured. Revenue from the sales of services and revenue from construction contracts is recognised by reference to the stage of completion where the outcome can be estimated reliably, otherwise it is recognised to the extent costs are incurred. The stage of completion of a contract is determined either by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or by reference to the completion of a physical proportion of the contract work. The basis used is dependent upon the nature of the underlying contract and takes into account the degree to which the physical proportion of the work is subject to formal customer acceptance procedures. Losses on contracts are recognised in the period when such losses become probable.

Property, plant & equipment

The Group elected to use previous UK GAAP revaluations of land and buildings, amounting to £10.5m, prior to 27 December 2003 as deemed cost at the date of the revaluation.

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Freehold land and assets under construction are not depreciated.

Depreciation of property, plant and equipment, other than freehold land and assets under construction, is provided on a straight-line basis so as to charge the cost less residual value, based on prices prevailing at the balance sheet date, to the income statement over the expected useful life of the asset concerned, which is in the following ranges

Freehold buildings, long leasehold land & buildings	-	10 - 40 years
Short leasehold land & buildings	-	duration of lease
Plant & equipment	-	3 - 20 years

Borrowing costs attributable to assets under construction are charged to the income statement in the period in which they are incurred.

Investment property

The Group has one property which is currently being held to earn rentals and for capital appreciation rather than for use in the production or supply of goods and services and as such this property is classified as investment property. Investment property is stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over 40 years.

2. Accounting policies (continued)

Goodwill

Business combinations on or after 27 December 2003 are accounted for under IFRS3 using the purchase method.

Goodwill arises on the acquisition of subsidiaries and represents any excess of the cost of the acquired entity over the Group's interest in the fair value of the entity's identifiable assets, liabilities and contingent liabilities determined at the date of acquisition. Goodwill in respect of an acquired subsidiary is recognised as an intangible asset. Goodwill is tested at least annually for impairment and carried at cost less any recognised impairment losses.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the income statement.

Goodwill recognised as an asset as at 27 December 2003 is recorded at its carrying amount at that date and is not amortised. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit. Goodwill that was written off directly to reserves under UK GAAP is not taken into account in determining the gain or loss on disposal of acquired businesses on or after 27 December 2003.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses.

Intangible assets acquired separately are measured on initial recognition at cost. An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. An intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost which, in respect of an acquired intangible asset, represents its fair value at the acquisition date, to the income statement over its expected useful life. An intangible asset with an indefinite life is not amortised but is tested at least annually for impairment and carried at cost less any recognised impairment losses. Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight-line basis so as to charge the cost of the software to the income statement over its expected useful life, not exceeding eight years.

The expected useful lives of the acquired intangible assets are as follows

Brand names	-	indefinite life
Customer relationships	-	7 - 25 years
Purchased software	-	4 - 8 years
Intellectual property & trade marks	-	6 -15 years
Other	-	up to 6 years

Research & development costs

All research expenditure is charged to the income statement in the period in which it is incurred.

Development expenditure is charged to the income statement in the period in which it is incurred unless it relates to the development of a new product and it is incurred after the technical feasibility and commercial viability of the product has been proven, the development costs can be measured reliably, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. Any such capitalised development expenditure will be amortised on a straight-line basis so that it is charged to the income statement over the expected life of the resulting product.

Impairment of non-current assets

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

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

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

Inventories

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

2. Accounting policies (continued)

Financial assets & liabilities

The Group's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short-term borrowings, loans, cash and short-term deposits. The Group also has other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

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

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

Trade & other receivables

Trade receivables, which generally are of a short dated nature, are recognised and carried at original invoice amount less an allowance for estimated irrecoverable amounts. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash & cash equivalents

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term highly liquid investments with a maturity on acquisition of three months or less, bank overdrafts and short-term borrowings with a maturity on acquisition of three months or less. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Trade payables

Trade payables are recognised and carried at original invoice amount.

Interest-bearing loans & borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, the obligation can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Derivative financial instruments

The Group uses derivative financial instruments, principally forward foreign currency contracts and cross currency swaps, to reduce its exposure to exchange rate movements. Additionally, the Group uses interest rate swaps to manage its exposure to interest rate risk. The Group does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated by reference to current market rates for contracts with similar maturity profiles. The fair value of cross currency swaps and interest rate swaps is calculated as the present value of the estimated future cash flows. Changes in their fair values have been recognised in the income statement, except where hedge accounting is used, provided the conditions specified by IAS39 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IAS39 and practical to do so. When hedge accounting is used, the relevant hedging relationships will be classified as fair value hedges, cash flow hedges or net investment hedges.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability will be adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss will be recognised in the income statement where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument.

Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in equity rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

2. Accounting policies (continued)

Derivatives embedded in non-derivative host contracts are recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the income statement.

Share-based payments

Equity settled share-based incentives are provided to employees under the Group's share option schemes and the Long Term Incentive Plan ("LTIP"). The Group recognises a compensation cost in respect of these schemes that is based on the fair value of the awards. For equity settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. The 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 performance conditions.

As permitted by IFRS1, the Group has applied IFRS2 "Share-based Payment" retrospectively only to equity settled awards that were granted on or after 7 November 2002 and had not vested as at 1 January 2005.

Treasury shares

The Weir Group PLC shares held by the Company are classified in shareholders equity as treasury shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken directly to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Post-employment benefits

Post-employment benefits comprise pension benefits provided to employees throughout the world and other benefits, primarily post-retirement healthcare, provided to certain employees in the United States.

For defined benefit plans, the cost is calculated using the projected unit credit method and is recognised over the average expected remaining service lives of participating employees, in accordance with the advice of qualified actuaries. Past service costs resulting from enhanced benefits are recognised on a straight-line basis over the vesting period, or immediately if the benefits have vested. Actuarial gains and losses, which represent differences between the expected and actual returns on the plan assets and the effect of changes in actuarial assumptions, are recognised in full in the statement of recognised income and expense in the period in which they occur. The defined benefit liability or asset recognised in the balance sheet comprises the net total for each plan of the present value of the benefit obligation, using a discount rate based on appropriate high quality corporate bonds, at the balance sheet date, minus any past service costs not yet recognised, minus the fair value of the plan assets, if any, at the balance sheet date. Where a plan is in surplus, the asset recognised is limited to the amount of any unrecognised past service costs and the present value of any amount which the Group expects to recover by way of refunds or a reduction in future contributions.

For defined contribution plans, the cost represents the Group's contributions to the plans and this is charged to the income statement in the period in which they fall due.

Leases

Leases which transfer to the Group substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are included within property, plant and equipment, initially measured at their fair value or, if lower, the present value of the minimum lease payments and a corresponding liability is recognised within obligations under finance leases. Subsequently, the assets are depreciated on a basis consistent with similar owned assets or the lease term if shorter. At the inception of the lease, the lease rentals are apportioned between an interest element and a capital element so as to produce a constant periodic rate of interest on the outstanding liability. Subsequently, the interest element is recognised as a charge to the income statement while the capital element is applied to reduce the outstanding liability.

Operating lease rentals and any incentives receivable are recognised in the income statement on a straight-line basis over the term of the lease.

Taxation

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

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

(a) 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.

2. Accounting policies (continued)

(b) Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associate, 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.

(c) A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

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

New standards & interpretations

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements.

International Accounting Standards (IAS/IFRS)		Effective for periods commencing
IFRS2	Amendment to IFRS2 Share Based Payment: Vesting Conditions and Cancellations	1 January 2009
IFRS3	Revised IFRS3 Business Combinations*	1 July 2009
IFRS8	Operating Segments	1 January 2009
IAS1	Amendments to IAS1 Presentation of Financial Statements: A Revised Presentation	1 January 2009
IAS23	Amendments to IAS23 Borrowing Costs	1 January 2009
IAS27	Amendments to IAS27 Consolidated and Separate Financial Statements*	1 July 2009
IAS32	Amendments to IAS32 Financial instruments: Presentation	1 January 2009
IAS39	Amendments to IAS39 Financial instruments: Recognition and Measurement and IFRS7 Financial instruments: Disclosures – Reclassification of Financial Assets*	1 July 2008

International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC13	Customer Loyalty Programmes	1 July 2008
IFRIC14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction#	1 January 2008
IFRIC15	Agreements for Construction of Real Estates*	1 January 2009
IFRIC16	Hedges of a Net Investment in a Foreign Operation*	1 October 2008
IFRIC17	Distribution of Non-cash Assets to Owners*	1 July 2009
IFRIC18	Transfers of Assets from Customers*	1 July 2009

* Not yet adopted for use in the European Union.
\# Not yet mandatory for use in the European Union until 1 January 2009.

The above standards and interpretations will be adopted in accordance with their effective dates and have not been adopted in these financial statements. The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

IAS23 (revised) requires borrowing costs attributable to the acquisition or construction of certain assets to be capitalised. The option currently taken by the Group of charging such costs to the income statement in the period in which they are incurred will no longer be available prospectively from 1 January 2009.

IFRS3 (revised) will apply to business combinations arising from 1 January 2010. This will require recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs will be required to be recognised immediately in the income statement.

Notes to the Group Financial Statements (Continued)

3. Segment information

With effect from 1 May 2008, the Group changed its organisation and reporting structure to reflect its increasing focus on the mining, oil and gas, and power and industrial markets. For management purposes, the Group has been reorganised into three divisions: Oil & Gas, Minerals and Power & Industrial. These divisions replace the Group's former divisions of Engineering Products, Engineering Services and Defence, Nuclear & Gas and are the basis on which the Group reports its segment information. Group companies principally include the results of Liquid Gas Equipment which supplies equipment to the liquefied petroleum gas marine and onshore markets. Also included within Group companies are the results of the Canadian distribution business and the Materials and Foundries businesses up to the date of disposal on 29 August, 2 and 3 October 2008 respectively. None of the businesses disposed of are of sufficient size to meet the definition of a discontinued operation under IFRS5.

The Group's primary reporting format is business segments, as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The Group's secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Oil & Gas Division manufactures pumps and ancillary equipment and provides aftermarket support for the global upstream and downstream oil and gas markets. The Minerals Division designs and manufactures pumps, hydrocyclones, valves and other complementary equipment with primary sales to the mining, flue gas desulphurisation and oil sands markets. The Power & Industrial Division designs, manufactures and provides aftermarket support for rotating and flow control equipment to the global power generation and industrial sectors.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. The Group's geographical segments are determined by the location of the Group's assets and operations.

Business segments

The following tables present revenue and profit information on the Group's continuing operations for the 52 weeks ended 26 December 2008 and the 52 weeks ended 28 December 2007. For comparative purposes, sales to external customers and segment result before exceptional items and intangibles amortisation, including acquisitions, for the 52 weeks ended 28 December 2007 have been restated to reflect the divisional reorganisation noted above.

	Oil & Gas		Minerals		Power & Industrial		Total continuing operations	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Revenue								
Sales to external customers								
- existing operations	**122.5**	103.0	**697.2**	522.8	**222.8**	190.7	**1,042.5**	816.5
- acquisitions*	**157.4**	78.7	**45.2**	-	**-**	-	**202.6**	78.7
Sales to external customers	**279.9**	181.7	**742.4**	522.8	**222.8**	190.7	**1,245.1**	895.2
Inter-segment sales	**0.7**	0.2	**2.5**	1.5	**7.4**	8.2	**10.6**	9.9
Segment revenue	**280.6**	181.9	**744.9**	524.3	**230.2**	198.9	**1,255.7**	905.1
Group companies sales to external customers								
- ongoing operations							**74.4**	65.8
- other current year disposals*							**34.1**	47.8
Group companies inter-segment sales							**2.6**	3.6
Eliminations							**(13.2)**	(13.5)
							1,353.6	1,008.8
Sales to external customers - at 2008 average exchange rates								
- existing operations	**122.5**	114.7	**697.2**	570.1	**222.8**	201.4	**1,042.5**	886.2
- acquisitions*	**157.4**	85.2	**45.2**	-	**-**	-	**202.6**	85.2
Sales to external customers	**279.9**	199.9	**742.4**	570.1	**222.8**	201.4	**1,245.1**	971.4
Group companies sales to external customers								
- ongoing operations							**74.4**	65.8
- other current year disposals*							**34.1**	50.2
							1,353.6	1,087.4

3. Segment information (continued)

	Oil & Gas		Minerals		Power & Industrial		Total continuing operations	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Result								
Segment result before exceptional items & intangibles amortisation								
- existing operations	**16.2**	11.3	**107.1**	74.3	**18.0**	12.5	**141.3**	98.1
- acquisitions*	**40.4**	19.1	**7.4**	-	**-**	-	**47.8**	19.1
Intangibles amortisation								
- existing operations	**(1.2)**	(0.8)	**(3.1)**	(0.6)	**(0.8)**	(0.8)	**(5.1)**	(2.2)
- acquisitions*	**(9.6)**	(3.7)	**(1.9)**	-	**-**	-	**(11.5)**	(3.7)
	45.8	25.9	**109.5**	73.7	**17.2**	11.7	**172.5**	111.3
Share of results of joint ventures	**4.4**	3.4	**-**	-	**-**	-	**4.4**	3.4
	50.2	29.3	**109.5**	73.7	**17.2**	11.7	**176.9**	114.7
Group companies*								
- ongoing operations							**4.6**	5.5
- other current year disposals*							**(2.6)**	(0.3)
Unallocated expenses*							**(10.6)**	(9.0)
Operating profit							**168.3**	110.9
Segment result before exceptional items & intangibles amortisation - at 2008 average exchange rates								
- existing operations	**16.2**	13.3	**107.1**	82.3	**18.0**	13.4	**141.3**	109.0
- acquisitions*	**40.4**	20.6	**7.4**	-	**-**	-	**47.8**	20.6
Segment result before exceptional items & intangibles amortisation	**56.6**	33.9	**114.5**	82.3	**18.0**	13.4	**189.1**	129.6
Share of results of joint ventures	**4.4**	3.7	**-**	-	**-**	-	**4.4**	3.7
	61.0	37.6	**114.5**	82.3	**18.0**	13.4	**193.5**	133.3
Group companies								
- ongoing operations							**4.6**	5.5
- other current year disposals*							**(2.6)**	(0.3)
Unallocated expenses							**(10.5)**	(8.8)
							185.0	129.7

* Group companies include intangibles amortisation of £nil (2007: £nil). Unallocated expenses include intangibles amortisation of £0.1m (2007: £0.1m). Acquisitions for 2008 include Weir SPM, Weir Warman, Weir Mesa and Weir SOS. Acquisitions for 2007 include Weir SPM. The results of Weir Multiflo are not considered significant for 2007 and 2008. Other current year disposals include the Materials and Foundries businesses and the Canadian distribution business for 2007 and 2008.

Notes to the Group Financial Statements (Continued)

3. Segment information (continued)

	Oil & Gas		Minerals		Power & Industrial		Total operations	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Assets & liabilities								
Segment assets	**731.0**	524.5	**617.6**	410.8	**181.3**	81.1	**1,529.9**	1,016.4
Investment in joint ventures & associate	**10.3**	7.2	**-**	-	**-**	-	**10.3**	7.2
	741.3	531.7	**617.6**	410.8	**181.3**	81.1	**1,540.2**	1,023.6
Segment assets now classified as discontinued operations							**-**	20.2
Group companies assets							**18.9**	64.9
Unallocated assets							**197.9**	120.7
Total assets							**1,757.0**	1,229.4
Segment liabilities	**83.1**	48.9	**221.1**	140.6	**72.2**	60.0	**376.4**	249.5
Segment liabilities now classified as discontinued operations							**-**	25.8
Group companies liabilities							**52.4**	42.0
Unallocated liabilities							**620.4**	366.9
Total liabilities							**1,049.2**	684.2
Other segment information								
Segment capital expenditure	**10.1**	5.9	**32.2**	23.8	**10.2**	11.8	**52.5**	41.5
Group companies capital expenditure							**0.7**	0.6
Unallocated capital expenditure							**0.1**	0.1
Total capital expenditure							**53.3**	42.2
Segment depreciation & amortisation	**15.9**	7.5	**15.0**	9.7	**5.5**	5.1	**36.4**	22.3
Group companies depreciation & amortisation							**0.3**	0.3
Unallocated depreciation & amortisation							**0.5**	0.3
Total depreciation & amortisation							**37.2**	22.9
Segment impairment	**-**	-	**5.1**	-	**-**	-	**5.1**	-
Total impairment							**5.1**	-
Segment warranty (income) / expense (net)	**(0.1)**	1.7	**6.4**	3.3	**0.8**	1.0	**7.1**	6.0
Group companies warranty expense (net)							**1.2**	1.3
Total warranty expense (net)							**8.3**	7.3

Segment assets and liabilities now classified as discontinued operations were previously included within the former Defence, Nuclear & Gas segment. Further details of the Group's discontinued operations can be found in note 8.

3. Segment information (continued)

Geographical segments

The following tables present revenue, certain asset and capital expenditure information regarding the Group's geographical segments for the 52 weeks ended 26 December 2008 and the 52 weeks ended 28 December 2007.

The Group has also amended its geographical segments to better reflect the revised organisation and reporting structure as well as the acquisition of Weir Warman.

2007 sales to external customers, segment assets and capital expenditure of £9.2m, £0.2m and £0.4m respectively, previously included in the Other geographical segment, are now included in the Europe segment together with the former UK and Other EU segments. 2007 sales to external customers, segment assets and capital expenditure of £24.8m, £3.2m and £nil respectively, previously included in the Other geographical segment, are now included in the Asia segment together with the former Far East & Asia segment. 2007 sales to external customers, segment assets and capital expenditure of £42.1m, £14.6m and £0.7m respectively, previously included in the Other geographical segment, are now included in the Middle East and Africa segment together with the former Middle East segment. The North America, Australasia and South America segments are unchanged.

52 weeks ended 26 December 2008	North America £m	Europe £m	Asia £m	Australasia £m	South America £m	Middle East & Africa £m	Total Operations £m
Revenue							
Sales to external customers	**435.9**	**262.1**	**201.8**	**126.5**	**155.1**	**189.0**	**1,370.4**
Less sales attributable to discontinued operations	**(2.2)**	**(13.0)**	-	**(1.6)**	-	-	**(16.8)**
Revenue from continuing operations	**433.7**	**249.1**	**201.8**	**124.9**	**155.1**	**189.0**	**1,353.6**
Other segment information							
Segment assets	**708.9**	**433.2**	**22.1**	**170.6**	**76.6**	**163.6**	**1,575.0**
Investments in joint ventures	-	-	-	-	-	**10.2**	**10.2**
	708.9	**433.2**	**22.1**	**170.6**	**76.6**	**173.8**	**1,585.2**
Unallocated assets							**171.8**
Total assets							**1,757.0**
Total capital expenditure including discontinued operations	**16.8**	**13.1**	**1.0**	**8.6**	**8.8**	**5.3**	**53.6**

52 weeks ended 28 December 2007	North America £m	Europe £m	Asia £m	Australasia £m	South America £m	Middle East & Africa £m	Total Operations £m
Revenue							
Sales to external customers	323.9	253.5	148.4	114.2	117.2	125.4	1,082.6
Less sales attributable to discontinued operations	(6.8)	(49.0)	(8.3)	(5.4)	(0.2)	(4.1)	(73.8)
Revenue from continuing operations	317.1	204.5	140.1	108.8	117.0	121.3	1,008.8
Other segment information							
Segment assets	506.2	352.9	10.7	144.6	63.4	35.6	1,113.4
Investment in joint ventures & associate	-	-	-	-	-	7.2	7.2
	506.2	352.9	10.7	144.6	63.4	42.8	1,120.6
Unallocated assets							108.8
Total assets							1,229.4
Total capital expenditure including discontinued operations	15.5	15.1	1.6	4.4	4.9	2.5	44.0

Unallocated assets primarily comprise cash and short-term deposits, income tax receivable, deferred tax assets and retirement benefit plan surpluses as well as those assets which are used for general head office purposes. Unallocated liabilities primarily comprise interest-bearing loans and borrowings, income tax payable, deferred tax liabilities and retirement benefit deficits as well as liabilities relating to general head office activities. The difference between unallocated assets in the business and geographical segments arises as a result of different inter-segment eliminations.

Notes to the Group Financial Statements (Continued)

4. Revenues & expenses

The following disclosures are given in relation to continuing operations.

	2008 £m	2007 £m
An analysis of the Group's revenue is as follows		
Sales of goods	**1,034.2**	750.6
Rendering of services	**229.7**	176.9
Revenue from construction contracts	**89.7**	81.3
Revenue	**1,353.6**	1,008.8
Finance income	**6.6**	7.6
Total revenue	**1,360.2**	1,016.4

No revenue was derived from exchanges of goods or services (2007: £nil).

	2008 £m	2007 £m
A reconciliation of revenue to operating profit is as follows		
Revenue	**1,353.6**	1,008.8
Cost of sales	**(930.1)**	(709.0)
Gross profit	**423.5**	299.8
Other operating income	**2.5**	2.4
Selling & distribution costs	**(136.1)**	(113.6)
Administrative expenses	**(126.0)**	(81.1)
Share of results of joint ventures	**4.4**	3.4
Operating profit	**168.3**	110.9

	2008 £m	2007 £m
Operating profit is stated after charging		
Costs of inventories recognised as an expense	**930.1**	709.0
Depreciation of property, plant & equipment	**22.8**	16.9
Amortisation of intangibles	**14.4**	6.0
Impairment of intangibles (note 12)	**2.3**	-
Impairment of plant & equipment (note 11)	**2.8**	-
Net foreign exchange losses	**0.3**	0.1
Net impairment of trade receivables (note 17) (included within administrative expenses)	**5.4**	1.5
Net loss on other current year disposals	**2.6**	-

The following disclosures are given in relation to total operations.

	2008 £m	2007 £m
Auditors remuneration		
The total fees payable by the Group to Ernst & Young LLP and their associates for work performed in respect of the audit and other services provided to the Company and its subsidiary companies during the period are disclosed below		
Fees payable to the Company's auditor for the audit of the Company and Group financial statements	**0.3**	0.3
Fees payable to the Company's auditor and its associates for other services		
- The audit of the Company's subsidiaries pursuant to legislation	**0.9**	0.8
- Other services pursuant to legislation	**-**	0.5
- Transaction support services	**0.2**	0.7
Fees payable in respect of the Group's pension schemes		
- Audit	**0.1**	0.1

4. Revenues & expenses (continued)

Research & development costs

Research & development costs consist of £9.8m (2007: £8.9m) charged directly to cost of sales in the income statement.

Operating leases

Minimum lease payments under operating leases recognised as an expense in the year were £13.3m (2007: £10.0m).

	2008 £m	2007 £m
Employee benefits expense		
Wages & salaries	**270.8**	234.5
Social security costs	**31.4**	29.4
Pension costs - defined benefit plans	**2.5**	4.0
Pension costs - defined benefit plan curtailment	**2.4**	-
Pension costs - defined contribution plans	**8.1**	6.6
Share-based payments - equity settled transactions	**2.8**	1.4
	318.0	275.9

	2008 Number	2007 Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows		
Oil & Gas	**1,561**	952
Minerals	**5,320**	4,384
Power & Industrial	**1,973**	1,914
Group companies	**344**	402
Discontinued operations	**172**	707
	9,370	8,359

5. Exceptional items & intangibles amortisation

	2008 £m	2007 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	**(14.4)**	(6.0)
Impairment of intangibles (note 12)	**(2.3)**	-
	(16.7)	(6.0)
Recognised in arriving at profit for the period from discontinued operations		
Exceptional items (note 8)	**55.1**	80.9
Intangibles amortisation (note 8)	**(0.1)**	(0.1)
	55.0	80.8

Notes to the Group Financial Statements (Continued)

6. Net finance costs

(a) Finance costs

	2008 £m	2007 £m
Interest payable on bank loans & overdrafts	**(16.2)**	(12.3)
Finance charges payable under finance leases	**(0.1)**	-
Finance charges related to committed loan facilities	**(0.9)**	(0.4)
	(17.2)	(12.7)

(b) Finance income

	2008 £m	2007 £m
Interest receivable on financial assets	**6.6**	7.6

7. Tax expense

(a) Income tax expense

	2008 £m	2007 £m
Consolidated income statement		
Current income tax		
UK corporation tax - continuing operations	**(8.4)**	(8.3)
- discontinued operations	**(0.4)**	(0.8)
Adjustments in respect of current income tax of previous years	**0.2**	4.6
UK corporation tax	**(8.6)**	(4.5)
Foreign tax - continuing operations	**(47.2)**	(21.5)
- discontinued operations	**(0.4)**	(0.4)
Adjustments in respect of current income tax of previous years	**1.2**	(1.0)
Total current income tax	**(55.0)**	(27.4)
Deferred income tax		
Origination and reversal of temporary differences		
- continuing operations	**3.4**	(7.9)
- discontinued operations	**(2.0)**	(0.4)
Adjustment to estimated recoverable deferred tax assets	**4.3**	2.8
Effect of changes in tax rates	**-**	0.6
Total deferred tax*	**5.7**	(4.9)
Total income tax expense in the consolidated income statement	**(49.3)**	(32.3)

* Includes £10.8m of deferred tax credit relating to foreign tax (2007: £2.6m).

The total income tax expense is disclosed in the consolidated income statement as follows

	2008 £m	2007 £m
Tax expense - continuing operations before exceptional items & intangibles amortisation	**(51.8)**	(32.1)
- intangibles amortisation	**5.3**	2.0
- within profit from discontinued operations	**(2.8)**	(2.2)
Total income tax expense in the consolidated income statement	**(49.3)**	(32.3)

Current tax for 2008 has been reduced by £4.3m (2007: £2.8m) due to the utilisation of deferred tax assets previously not recognised.

The total deferred tax included in the income tax expense is detailed in note 23.

7. Tax expense (continued)

(b) Tax relating to items charged or credited to equity

	2008 £m	2007 £m
Tax credit (charge) on actuarial loss (gain) on retirement benefits		
Current tax on contributions in excess of costs through the income statement	**2.6**	-
Deferred tax - origination and reversal of temporary differences	**13.0**	(8.0)
	15.6	(8.0)
Deferred tax on hedge gains / losses	**4.8**	-
Deferred tax on share-based payments	**(1.2)**	0.4
Current tax on share-based payments	**0.2**	0.5
Effect of changes in tax rates	**-**	0.1
Tax credit (charge) in the statement of recognised income and expense	**19.4**	(7.0)

(c) Reconciliation of the total tax charge

The tax expense in the consolidated income statement for the year is less than the weighted average of standard rates of corporation tax across the Group of 31.2% (2007: 31.3%). The differences are reconciled below

	2008 £m	2007 £m
Profit from continuing operations before tax	**159.5**	109.0
Profit from discontinued operations before tax	**60.6**	98.3
Accounting profit before tax	**220.1**	207.3
At the weighted average of standard rates of corporation tax across the Group of 31.2% (2007: 31.3%)	**68.7**	64.8
Adjustments in respect of previous years - current tax	**(1.4)**	(3.6)
- deferred tax	**0.3**	(0.5)
Effect of changes in tax rates	**-**	(0.6)
Joint ventures & associate	**(1.4)**	(2.0)
Unrecognised deferred tax assets	**(4.3)**	(2.8)
Overseas tax on unremitted earnings	**3.2**	1.1
Industrial buildings allowance	**1.5**	-
Permanent differences	**(3.8)**	0.2
Gains exempt from tax	**(13.5)**	(24.3)
At effective tax rate of 22.4% (2007: 15.6%)	**49.3**	32.3

8. Discontinued operations

On 21 April 2008, the Group disposed of Weir Strachan & Henshaw for a net cash consideration of £63.7m resulting in a gain on disposal of £55.1m after a tax charge of £2.4m. The net liabilities disposed of amounted to £1.9m and direct disposal costs and provisions amounted to £8.5m. Foreign exchange gains suspended in equity on the retranslation of the overseas operations disposed of, amounting to £0.4m, have been recycled to the income statement as part of the gain on sale in accordance with IAS21.

On 8 May 2007, the Group disposed of its Glasgow-based pump manufacturing operation Weir Pumps for a total cash consideration of £45.5m resulting in a gain on disposal of £26.0m after a tax charge of £nil. Of the disposal proceeds, £1.7m was allocated to the ongoing lease of the Cathcart site by the purchaser and was deferred. The net assets disposed of amounted to £13.7m and direct disposal costs and provisions amounted to £8.4m, including estimated costs of £2.6m associated with separating the discontinued operations of Weir Pumps from the remaining Weir Engineering Services and Materials and Foundries operations. The net gain suspended in equity on cash flow hedges, amounting to £4.3m, has been recycled to the income statement as part of the gain on sale in accordance with IAS39.

On 28 June 2007, the Group completed the sale of its 24.5% interest in its associate, Devonport Management Limited ("DML"), for a total cash consideration of £85.7m. Approval of the sale was obtained from the Ministry of Defence on 26 June 2007, at which time the investment became held for sale. The carrying value of the investment at the date of sale was £26.8m. Costs and provisions associated with the disposal amounted to £4.0m resulting in a gain on disposal of £54.9m after a tax charge of £nil.

Profits recognised in respect of prior periods disposals relate to the negotiated settlement of claims connected to prior period disposals.

The results of Weir Strachan & Henshaw, previously included in the former Defence, Nuclear & Gas segment, Weir Pumps, previously included within the former Engineering Products segment and the Group's share of the results of Devonport Management Limited, previously included in the former Engineering Services segment, have been included in the consolidated income statement as discontinued operations for all periods presented. The net gains of £55.1m (2007: £80.9m) made on these disposals have been recorded as an exceptional item in the consolidated income statement.

The revenue, results and cash flows relating to discontinued operations are as follows

	2008 £m	2007 £m
Sale of goods	**1.4**	14.0
Rendering of services	**9.7**	26.0
Revenue from construction contracts	**5.7**	33.8
Revenue	**16.8**	73.8
Cost of sales	**(12.9)**	(51.3)
Other operating income	**-**	1.2
Selling & distribution costs	**(0.6)**	(5.0)
Administrative expenses	**(1.8)**	(8.5)
Share of results of associate (after tax)	**-**	3.3
Operating profit	**1.5**	13.5
Income tax	**(0.4)**	(1.6)
Profit after tax	**1.1**	11.9
Profits recognised in respect of prior years disposals (after tax)	**1.6**	3.3
Profit for the period from discontinued operations*	**2.7**	15.2
Net gain on current year disposals - exceptional items (before tax)	**57.5**	81.5
Taxation	**(2.4)**	(0.6)
Net gain on current year disposals - exceptional items (after tax)	**55.1**	80.9
Profit for the period from discontinued operations	**57.8**	96.1

* Including intangibles amortisation net of tax of £0.1m (2007: £0.1m).

	2008 £m	2007 £m
Operating profit is stated after charging (crediting)		
Costs of inventories recognised as an expense	**12.9**	51.3
Depreciation & amortisation	**0.4**	1.5
Net foreign exchange (gains) losses	**(0.4)**	0.1
The income tax is analysed as follows		
On profit on ordinary activities	**(0.4)**	(1.6)
In respect of prior year disposals	**(2.4)**	(0.6)
The cash inflow from current year disposals was as follows		
Consideration	**63.7**	129.5
Costs associated with the disposals	**(3.1)**	(4.3)
Net cash inflow	**60.6**	125.2
Inter-segment sales	**-**	4.2
Capital expenditure	**0.3**	1.8
Net warranty expense	**-**	0.4

8. Discontinued operations (continued)

Earnings per share from discontinued operations

	2008 pence	2007 pence
Basic	**27.6p**	46.0p
Diluted	**27.3p**	45.5p

These earnings per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations of £57.8m (2007: £96.1m) by the weighted average number of ordinary shares for both basic and diluted amounts shown in note 9.

The major classes of assets and liabilities disposed of were as follows

	2008 £m	2007 £m
Property, plant & equipment	**5.1**	9.7
Other intangible assets	**0.9**	0.4
Investment in associate	**-**	26.8
Inventories	**0.2**	6.7
Trade & other receivables	**13.3**	13.6
Construction contracts assets	**1.8**	9.7
Derivative financial assets	**-**	2.9
Trade & other payables	**(12.0)**	(17.7)
Construction contracts liabilities	**(9.6)**	(7.5)
Derivative financial liabilities	**(0.1)**	(0.1)
Provisions	**(1.3)**	(4.0)
Current tax	**(0.3)**	-
Deferred tax	**0.1**	-
	(1.9)	40.5

9. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and other share awards).

The following reflects the profit and share data used in the calculation of earnings per share.

	2008 £m	2007 £m
Basic earnings per share		
Profit attributable to equity holders of the Company		
- Total operations*	**170.8**	174.9
- Continuing*	**113.0**	78.8
- Continuing (before exceptional items & intangibles amortisation)*	**124.4**	82.8
Weighted average share capital (number of shares, million)	**209.9**	208.6
Diluted earnings per share		
Profit attributable to equity holders of the Company		
- Total operations*	**170.8**	174.9
- Continuing*	**113.0**	78.8
- Continuing (before exceptional items & intangibles amortisation)*	**124.4**	82.8
Weighted average share capital (number of shares, million)	**211.0**	210.9

Notes to the Group Financial Statements (Continued)

9. Earnings per share (continued)

The difference between the weighted average share capital for the purposes of the basic and diluted earnings per share calculations is analysed as follows

	2008 Shares Million	2007 Shares Million
Weighted average number of ordinary shares for basic earnings per share	**209.9**	208.6
Effect of dilution: share options	**0.1**	0.4
LTIP awards	**0.6**	1.9
conditional share award	**0.4**	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	**211.0**	210.9

The profit attributable to equity holders of the Company used in the calculation of both basic and diluted earnings per share on continuing operations before exceptional items and intangibles amortisation is calculated as follows

	2008 £m	2007 £m
Net profit attributable to ordinary shareholders from continuing operations*	**113.0**	78.8
Exceptional items & intangibles amortisation net of tax	**11.4**	4.0
Net profit attributable to ordinary shareholders from continuing operations before exceptional items & intangibles amortisation*	**124.4**	82.8

There have been no share options (2007: 7,200) exercised between the reporting date and the date of signing of these financial statements.

* Adjusted for £nil (2007: £0.1m) attributable to minority interests.

10. Dividends paid & proposed

	2008 £m	2007 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2007: 12.35p (2006: 10.75p)	**25.9**	22.4
Interim dividend for 2008: 4.65p (2007: 4.15p)	**9.8**	8.7
	35.7	31.1
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2008: 13.85p (2007: 12.35p)	**29.1**	25.8

The proposed dividend is based on the number of shares in issue, excluding treasury shares held, at the date the financial statements were approved and authorised for issue. The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of the report and financial statements and the record date for the final dividend.

11. Property, plant & equipment & investment property

	Land & buildings £m	Plant & equipment £m	Total property plant & equipment £m	Investment property £m
Cost				
At 29 December 2006	64.6	181.9	246.5	-
Additions	8.7	31.4	40.1	-
Acquisitions	2.4	8.7	11.1	-
Disposals	(1.7)	(9.9)	(11.6)	-
Discontinued operations	-	(35.4)	(35.4)	-
Reclassification	(11.8)	-	(11.8)	11.8
Exchange adjustment	3.3	8.5	11.8	-
At 28 December 2007	65.5	185.2	250.7	11.8
Additions	9.5	42.0	51.5	-
Acquisitions	3.7	5.7	9.4	-
Disposals	(2.1)	(16.3)	(18.4)	-
Discontinued operations	(4.8)	(9.6)	(14.4)	-
Exchange adjustment	14.6	33.1	47.7	-
At 26 December 2008	**86.4**	**240.1**	**326.5**	**11.8**
Accumulated depreciation & impairment				
At 29 December 2006	23.2	106.7	129.9	-
Depreciation charge for the period	1.8	16.3	18.1	0.2
Disposals	(1.4)	(5.3)	(6.7)	-
Discontinued operations	-	(25.7)	(25.7)	-
Reclassification	(6.8)	-	(6.8)	6.8
Exchange adjustment	1.0	4.6	5.6	-
At 28 December 2007	17.8	96.6	114.4	7.0
Depreciation charge for the period	3.0	19.8	22.8	0.3
Impairment	-	2.8	2.8	-
Disposals	(1.1)	(12.5)	(13.6)	-
Discontinued operations	(1.5)	(7.8)	(9.3)	-
Exchange adjustment	4.6	15.2	19.8	-
At 26 December 2008	**22.8**	**114.1**	**136.9**	**7.3**
Net book value at 29 December 2006	41.4	75.2	116.6	-
Net book value at 28 December 2007	47.7	88.6	136.3	4.8
Net book value at 26 December 2008	**63.6**	**126.0**	**189.6**	**4.5**

The carrying value of buildings held under finance leases is £2.0m (2007: £1.6m). The carrying value of plant and equipment held under finance leases is £0.1m (2007: £0.1m). Leased assets are pledged as security for the related finance lease liabilities. The carrying amount of assets under construction included in plant & equipment is £6.9m (2007: £4.3m). The amount of compensation received from third parties for items of property, plant and equipment that were impaired or lost included in the income statement is £nil (2007: £1.2m).

Following the disposal of Weir Pumps in 2007, a property held by the Company meets the definition of investment property and rental income is generated from Clyde Union Ltd (formerly Clyde Pumps Ltd). The rental income included in the income statement amounts to £1.0m (2007: £0.6m). A new three year lease was signed with Clyde Union Ltd on 15 January 2009 effective from 1 April 2009. This lease will provide £2.25m rental income per annum and includes an option for Clyde Union Ltd to purchase the property for £28.5m.

The impairment charge of £2.8m (2007: £nil) relates to specific assets in a number of locations across the Group where associated product lines have been changed or updated to reflect changing market conditions.

Notes to the Group Financial Statements (Continued)

12. Intangible assets

	Goodwill £m	Brand names £m	Customer relationships £m	Purchased software £m	Intellectual property & trade marks £m	Other £m	Total £m
Cost							
At 29 December 2006	153.9	4.6	14.8	15.5	-	0.6	189.4
Additions	-	-	-	1.8	2.1	-	3.9
Acquisitions	178.1	25.1	85.1	0.2	11.0	4.4	303.9
Disposals	-	-	-	(0.2)	-	-	(0.2)
Discontinued operations	-	-	-	(1.6)	-	-	(1.6)
Reclassification	-	-	-	(0.5)	0.5	-	-
Exchange adjustment	16.6	1.1	3.5	0.2	0.7	0.2	22.3
At 28 December 2007	348.6	30.8	103.4	15.4	14.3	5.2	517.7
Additions	-	-	-	2.4	0.2	-	2.6
Acquisitions	54.6	42.1	18.3	0.5	3.1	5.0	123.6
Disposals	-	-	-	(0.3)	-	-	(0.3)
Discontinued operations	-	-	-	(3.6)	-	-	(3.6)
Exchange adjustment	109.0	25.4	41.6	2.3	5.5	3.0	186.8
At 26 December 2008	**512.2**	**98.3**	**163.3**	**16.7**	**23.1**	**13.2**	**826.8**
Accumulated amortisation & impairment							
At 29 December 2006	-	-	0.8	8.4	-	0.1	9.3
Amortisation charge for the period	-	-	2.3	1.8	0.4	1.6	6.1
Disposals	-	-	-	(0.1)	-	-	(0.1)
Discontinued operations	-	-	-	(1.2)	-	-	(1.2)
Reclassification	-	-	-	(0.5)	0.5	-	-
Exchange adjustment	-	-	-	0.2	0.2	-	0.4
At 28 December 2007	-	-	3.1	8.6	1.1	1.7	14.5
Amortisation charge for the period	-	-	6.0	2.1	1.6	4.8	14.5
Impairment	-	-	-	-	2.3	-	2.3
Disposals	-	-	-	(0.3)	-	-	(0.3)
Discontinued operations	-	-	-	(2.7)	-	-	(2.7)
Exchange adjustment	-	-	2.3	1.6	0.9	1.9	6.7
At 26 December 2008	**-**	**-**	**11.4**	**9.3**	**5.9**	**8.4**	**35.0**
Net book value at 29 December 2006	153.9	4.6	14.0	7.1	-	0.5	180.1
Net book value at 28 December 2007	348.6	30.8	100.3	6.8	13.2	3.5	503.2
Net book value at 26 December 2008	**512.2**	**98.3**	**151.9**	**7.4**	**17.2**	**4.8**	**791.8**

The impairment charge of £2.3m (2007: £nil) relates to previously recognised development costs and reflects changing market outlook in respect of those specific products.

Brand names have been assigned an indefinite useful life and as such are not amortised. The brand name value of £98.3m (2007: £30.8m) comprises the brands of Weir Warman £56.5m (2007: £nil), Weir Mesa £0.9m (2007: £nil), Weir Gabbioneta £6.6m (2007: £5.0m), Weir SPM £31.4m (2007: £23.1m) and Weir Multiflo £2.9m (2007: £2.7m), all of which were recognised at fair value at their respective dates of acquisition. Weir Warman has a long history in the minerals and mining markets and is considered to be a market leader. Weir Gabbioneta and Weir SPM brands both have long histories in the oil and gas markets where they are both considered to be market leaders. The carrying value of brand names is tested annually for impairment.

The allocation of customer relationships and the remaining amortisation period of these assets is as follows

	Remaining amortisation period		Customer relationships	
	2008 Years	2007 Years	**2008 £m**	2007 £m
Weir SPM	23	24	**111.6**	85.4
Weir Gabbioneta	22	23	**18.6**	14.9
Weir Warman	9	-	**10.7**	-
Weir Mesa	9	-	**9.4**	-
Weir SOS	7	-	**1.6**	-
			151.9	100.3

12. Intangible assets (continued)

The amortisation and impairment charge for the period is included in the income statement as follows

	2008 £m	2007 £m
Cost of sales	**0.7**	0.4
Selling & distribution costs	**0.2**	0.1
Administrative expenses	**13.5**	5.5
Profit for the period from discontinued operations	**0.1**	0.1
Amortisation charge for the period	**14.5**	6.1
Impairment of intangibles (included within administrative expenses)	**2.3**	-
Intangibles amortisation and impairment charge for the period	**16.8**	6.1

13. Business combinations

On 18 March 2008, following receipt of regulatory clearance from the South African competition authorities, the Group acquired 100% of the CH Warman Pump Group ("Weir Warman"), a specialist pump business primarily focused on serving the mining and minerals processing industry throughout Africa. The total cash consideration was £113.8m. On 24 June 2008, the Group acquired 100% of Mesa Manufacturing Inc. ("Weir Mesa"), a privately owned business based in Texas specialising in the manufacture of cementing pumps and other products for the oil and gas drilling and well service industries. The total cash consideration was £23.1m.

On 4 July 2008, the Group acquired 75% of the share capital of Standard Oilfield Services Limited ("Weir SOS"), a privately owned oil equipment services business registered in the Bahamas, based in Baku, Azerbaijan, with an obligation to acquire the remaining 25% over the next three years. The total cash consideration payable is £10.9m, including deferred consideration of £2.7m in relation to the remaining 25%. In accordance with IFRS3, the acquisition has been accounted for on the basis that a 100% interest has been acquired with no minority interest.

The fair values of the identifiable assets and liabilities at the relevant dates of acquisition are as follows

	2008 Carrying values Weir SOS £m	2008 Recognised on acquisition Weir SOS £m	2008 Carrying values Weir Mesa £m	2008 Recognised on acquisition Weir Mesa £m	2008 Carrying values Weir Warman £m	2008 Recognised on acquisition Weir Warman £m	2008 Recognised on acquisition Total £m
Property, plant & equipment	1.3	0.9	3.4	2.8	2.0	5.7	9.4
Intangible assets	-	6.0	-	8.2	-	54.8	69.0
Inventories	0.8	0.4	2.6	3.4	13.2	14.1	17.9
Trade & other receivables	1.4	1.4	1.5	1.2	9.4	8.4	11.0
Cash & cash equivalents	0.6	0.6	1.9	1.9	2.3	2.3	4.8
Interest-bearing loans & borrowings	-	-	-	-	(3.0)	(3.0)	(3.0)
Trade & other payables	(0.5)	(0.6)	(0.6)	(0.5)	(4.1)	(5.1)	(6.2)
Provisions	-	-	-	(0.2)	(2.3)	(3.2)	(3.4)
Income tax	-	-	(0.3)	(0.1)	(0.1)	0.2	0.1
Deferred tax	-	(0.6)	-	(3.1)	0.5	(2.7)	(6.4)
Fair value of net assets	3.6	8.1	8.5	13.6	17.9	71.5	93.2
Goodwill arising on acquisition		2.8		9.5		42.3	54.6
Total consideration		**10.9**		**23.1**		**113.8**	**147.8**
Cash consideration		8.1		22.9		113.4	144.4
Costs associated with the acquisitions		0.1		0.2		0.4	0.7
Deferred consideration		2.7		-		-	2.7
Total consideration		**10.9**		**23.1**		**113.8**	**147.8**
The cash outflow on acquisition was as follows							
Cash & cash equivalents acquired		0.6		1.9		2.3	4.8
Cash paid		(8.2)		(23.1)		(113.8)	(145.1)
Net cash outflow		**(7.6)**		**(21.2)**		**(111.5)**	**(140.3)**

On 13 February 2008 the Group acquired the remaining 26% of Weir Engineering Services (India) Limited for a cash consideration of £0.6m.

13. Business combinations (continued)

From the date of the acquisition Weir Warman, Weir Mesa and Weir SOS contributed £4.8m, £0.6m and £1.4m respectively to the 2008 profit for the period from continuing operations of the Group. The combined continuing operations revenue and profit of the Group, assuming that Weir Warman, Weir Mesa and Weir SOS had been acquired at the start of 2008, would have been £1,371.7m and £116.2m respectively.

Included in the £54.6m (2007: £178.1m) of goodwill recognised are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

On 19 July 2007, the Group acquired 100% of the share capital of SPM Flow Control Inc. ("Weir SPM"), a company based in Fort Worth, Texas, specialising in the manufacture of high-pressure well service pumps and related flow control equipment which operate in abrasive, high-wear applications in oil and gas drilling and extraction. The total cash consideration was £321.9m.

On 21 August 2007, the Company acquired Weir Multiflo, a privately owned specialist mine dewatering pump business based in Caloundra, Australia. The total cash consideration was £9.3m.

The provisional fair values of the identifiable assets and liabilities at the relevant dates of acquisition, which were not changed following their final determination in 2008, were as follows

	2007 Carrying values Weir Multiflo £m	2007 Recognised on acquisition Weir Multiflo £m	2007 Carrying values Weir SPM £m	2007 Recognised on acquisition Weir SPM £m	2007 Recognised on acquisition Total £m
Property, plant & equipment	0.1	0.2	11.5	10.9	11.1
Intangible assets	-	4.4	-	121.4	125.8
Inventories	1.3	0.3	29.6	37.2	37.5
Trade & other receivables	1.5	1.5	36.8	35.6	37.1
Cash & cash equivalents	-	-	13.5	13.5	13.5
Interest-bearing loans & borrowings	-	-	(0.2)	(0.2)	(0.2)
Trade & other payables	(2.1)	(1.4)	(21.7)	(21.9)	(23.3)
Provisions	(0.1)	(0.1)	(1.0)	(2.7)	(2.8)
Income tax	-	-	(0.2)	(4.2)	(4.2)
Deferred tax	-	-	0.8	(41.4)	(41.4)
Fair value of net assets	0.7	4.9	69.1	148.2	153.1
Goodwill arising on acquisition		4.4		173.7	178.1
Total consideration		9.3		321.9	331.2
Consideration		9.2		319.3	328.5
Costs associated with the acquisition		0.1		2.6	2.7
Total consideration		9.3		321.9	331.2
The cash outflow on acquisition was as follows					
Cash & cash equivalents acquired		-		13.5	13.5
Cash paid		(9.3)		(321.9)	(331.2)
Net cash outflow		(9.3)		(308.4)	(317.7)

From the date of the acquisition, Weir SPM contributed £9.8m to the 2007 profit for the period from continuing operations of the Group. The results of Weir Multiflo were not significant. The combined continuing operations revenue and profit of the Group, assuming that Weir SPM and Weir Multiflo had been acquired at the start of 2007, would have been £1,164.9m and £98.5m respectively.

14. Impairment testing of goodwill & intangible assets with indefinite lives

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill and intangible assets with indefinite lives has been allocated as per the table below. The amount allocated as "Other" is not considered significant in comparison to the total carrying amount of goodwill.

	Year acquired	2008 Goodwill £m	2008 Intangibles* £m	2007 Goodwill £m	2007 Intangibles* £m
Weir SPM	2007	**242.5**	**31.5**	178.0	23.1
Warman companies	1999	**102.9**	**-**	94.7	-
Weir Gabbioneta	2005	**69.1**	**6.6**	52.7	5.0
Weir Warman	2008	**55.7**	**56.7**	-	-
Other	various	**42.0**	**3.5**	23.2	2.7
		512.2	**98.3**	348.6	30.8

* Intangible assets with indefinite lives.

The Group tests goodwill and intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that these might be impaired. The basis of these impairment tests including key assumptions are set out in the table below.

CGU	Basis of valuation	Period of forecast	Discount rate[1]	Real growth[2]	Key assumptions	Source
Weir SPM	Value in use	5 years	13.4% (2007: 14.8%)	1.2% (2007: nil)	Revenue growth[3] EBIT margins[7]	External forecast Historic experience
Warman companies	Value in use	5 years	14.6% (2007: 15.5%)	1.2% (2007: nil)	Revenue growth[6] EBIT margins[7]	External forecast Historic experience
Weir Gabbioneta	Value in use	5 years	14.6% (2007: 14.3%)	1.2% (2007: nil)	Revenue growth[5] EBIT margins[7]	External forecast Historic experience
Weir Warman	Value in use	5 years	17.8% (2007: n/a)	4.0% (2007: n/a)	Revenue growth[4] EBIT margins[7]	External forecast Historic experience

[1] Discount rates

The discount rates presented above reflect the pre-tax nominal weighted average cost of capital (WACC) in the most appropriate geographic region. The WACC is the weighted average of the pre-tax cost of debt financing and the pre-tax cost of equity finance. On average there has been a moderate decline in the WACC relative to 2007 largely driven by the reduction in benchmark interest rates. This reduction in benchmark interest rates has been partly offset by an increase in lending margins that banks are now placing on borrowings.

[2] Real growth

Real growth beyond the 5 year forecast period of 1.2% to 4.0% reflects the increasingly global nature of these businesses and the fact that they sell a significant proportion of their products to emerging markets which have long-term stronger growth prospects than their home markets.

[3] Weir SPM

Weir SPM is a supplier of gas well service pumps, associated flow control equipment and services to the oil and gas production industry. A large proportion of the business's revenues are generated in North America with demand being closely related to the number of gas well drilling rigs in operation which is in turn dependent upon natural gas prices and gas storage levels. Independent forecasts of North American gas well drilling activity, which takes into account forecast natural gas prices and gas storage levels have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter 2008.

14. Impairment testing of goodwill & intangible assets with indefinite lives (continued)

[4] Weir Warman

Weir Warman is a supplier of pumps and associated equipment and services to the African mining industry. The key drivers for revenues are (i) levels of mining capital expenditure across Africa which drives demand for original equipment and (ii) levels of actual mining activity which drives demand for spare parts and service. Independent forecasts of mining activity have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter 2008.

[5] Weir Gabbioneta

Weir Gabbioneta is a supplier of heavy duty process applications to oil and gas refinery, petrochemical and power generation industries. The key drivers for revenues are capital expenditure within oil refinery and petro-chemical industries. Independent forecasts of expenditure in these sectors have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter 2008.

[6] Warman companies

The Warman companies supply pumps and associated equipment and services to all global markets outside Africa. The key drivers for revenues are (i) levels of mining capital expenditure which drives demand for original equipment and (ii) levels of actual mining activity which drives demand for spare parts and service. Independent forecasts of mining activity have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter 2008.

[7] EBIT margins

EBIT margins have been forecast based on historic levels taking cognisance of the likely impact of changing economic environments and competitive landscapes on volumes and revenues and the impact of associated management actions on costs.

Sensitivity analysis

Base case forecasts show significant headroom above carrying value for each of the CGUs. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

15. Investments in joint ventures & associate

The significant investments in joint ventures and associate are as follows

	Joint ventures £m	Associate £m	Total £m
At 29 December 2006	7.5	26.0	33.5
Share of results	3.4	3.3	6.7
Share of dividends	(3.7)	(2.5)	(6.2)
Discontinued operations	-	(26.8)	(26.8)
At 28 December 2007	7.2	-	7.2
Share of results	4.4	-	4.4
Share of dividends	(3.5)	-	(3.5)
Exchange adjustment	2.2	-	2.2
At 26 December 2008	**10.3**	**-**	**10.3**

15. Investments in joint ventures & associate (continued)

Details of the Group's share of the balance sheets, revenue and profits of its joint ventures and associate are given below.

	2008 £m	2007 £m
Share of joint ventures balance sheet		
Goodwill	**3.6**	2.6
Current assets	**11.0**	6.8
Non-current assets	**2.9**	2.0
Current liabilities	**(5.2)**	(3.7)
Non-current liabilities	**(2.0)**	(0.5)
Net assets	**10.3**	7.2
Share of joint ventures revenue & profit		
Revenue	**17.5**	13.7
Cost of sales	**(10.5)**	(8.7)
Selling & distribution costs	**(0.4)**	(0.4)
Administrative expenses	**(1.4)**	(0.6)
Income tax expense	**(0.8)**	(0.6)
Profit after tax	**4.4**	3.4
Carrying value of investments in joint ventures	**10.3**	7.2
Share of associate's revenue & profit		
Revenue	**-**	55.0
Profit after tax	**-**	3.3

The Group's significant investments in joint ventures are listed on page 112. The Group's interest in DML was sold on 28 June 2007 and as such there are no net assets in respect of associates at 2007 or 2008.

16. Inventories

	2008 £m	2007 £m
Raw materials	**87.3**	46.8
Work in progress	**69.6**	48.3
Finished goods	**112.7**	78.4
	269.6	173.5

The carrying amount of inventory at fair value less costs to sell is £17.8m (2007: £43.8m). Write downs of inventory occur regularly in the general course of business. These write downs are considered to be insignificant and are included in cost of sales in the income statement.

17. Trade & other receivables

	2008 £m	2007 £m
Trade receivables	**274.2**	220.7
Allowance for doubtful debts	**(11.7)**	(4.2)
	262.5	216.5
Other debtors	**20.4**	21.5
Sales tax receivable	**10.6**	6.8
Accrued income	**6.6**	2.8
Prepayments	**9.1**	7.6
	309.2	255.2

The average credit period on sales of goods is 52 days (2007: 61 days).

17. Trade & other receivables (continued)

Analysis of trade receivables

	2008 £m	2007 £m
Neither impaired nor past due	**217.5**	172.5
Past due but not impaired	**45.0**	44.0
Impaired	**11.7**	4.2
	274.2	220.7

Ageing of past due but not impaired trade receivables

	2008 £m	2007 £m
Up to 3 months	**32.1**	36.6
Between 3 and 6 months	**9.0**	5.7
More than 6 months	**3.9**	1.7
	45.0	44.0

Movement in the allowance for doubtful debts

	2008 £m	2007 £m
Balance at beginning of period	**(4.2)**	(3.2)
Impairment losses recognised on receivables	**(5.6)**	(2.0)
Discontinued operations	**-**	0.3
Amounts written off as uncollectible	**0.1**	0.3
Amounts recovered during the year	**0.1**	0.3
Impairment losses reversed	**0.2**	0.2
Exchange adjustment	**(2.3)**	(0.1)
Balance at end of period	**(11.7)**	(4.2)

Ageing of impaired trade receivables

	2008 £m	2007 £m
Up to 3 months	**0.4**	0.1
Between 3 and 6 months	**0.8**	0.3
More than 6 months	**10.5**	3.8
	11.7	4.2

18. Construction contracts

	2008 £m	2007 £m
Gross amount due from customers for contract work (included in current assets)	**30.6**	32.8
Gross amount due to customers for contract work (included in current liabilities)	**46.7**	55.9

For contracts in progress at the balance sheet date, the amount of contract costs incurred plus recognised profits less recognised losses to date was £185.8m (2007: £188.2m). The amount of retentions held by customers for contract work amounted to £0.6m (2007: £0.1m) and the amount of advances received from customers for contract work amounted to £202.5m (2007: £152.5m).

19. Cash & short-term deposits

	2008 £m	2007 £m
Cash at bank & in hand	**72.9**	51.6
Short-term deposits	**1.2**	2.6
	74.1	54.2

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprises the following

	2008 £m	2007 £m
Cash & short-term deposits	**74.1**	54.2
Bank overdrafts & short-term borrowings (note 20)	**(20.5)**	(8.1)
	53.6	46.1

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

20. Interest-bearing loans & borrowings

	2008 £m	2007 £m
Current		
Bank overdrafts	**18.1**	2.7
Short-term borrowings	**2.4**	5.4
	20.5	8.1
Bank loans	**50.4**	0.1
Obligations under finance leases (note 27)	**0.5**	0.3
	71.4	8.5
Non-current		
Bank loans	**241.8**	216.5
Obligations under finance leases (note 27)	**0.8**	0.5
	242.6	217.0

	Maturity	Interest basis	Weighted average interest rate 2008 %	Weighted average interest rate 2007 %	2008 £m	2007 £m
Bank loans comprise the following						
Bilateral						
Canadian dollar variable rate loans	2009	CAD$ LIBOR	**2.93**	5.46	**50.3**	89.5
Australian dollar variable rate loans	2008	A$ LIBOR, BBSW	**-**	7.72	**-**	76.9
United States dollar variable rate loans	2008	US$ LIBOR	**-**	5.42	**-**	50.1
Canadian dollar variable rate loans	2011	CAD$ LIBOR	**3.13**	-	**20.7**	-
United States dollar variable rate loans	2011	US$ LIBOR	**2.18**	-	**206.1**	-
Sterling variable rate loans	2011	LIBOR	**2.81**	-	**15.0**	-
Other						
Euro fixed rate loans		FIXED	**5.40**	5.40	**0.1**	0.1
					292.2	216.6
Less current instalments due on bank loans						
Canadian dollar variable rate loans					**(50.3)**	-
Euro 5.4% fixed rate loans					**(0.1)**	(0.1)
					241.8	216.5

CAD$ LIBOR is the Canadian dollar London Inter Bank Offer Rate. US$ LIBOR is the United States dollar London Inter Bank Offer Rate. A$ LIBOR is the Australian dollar London Inter Bank Offer Rate. BBSW is the Australian Bank Bill Rate. LIBOR is the Sterling London Inter Bank Offer Rate.

The disclosures above represent the interest profile and currency profile of financial liabilities before the impact of derivative financial instruments.

Notes to the Group Financial Statements (Continued)

20. Interest-bearing loans & borrowings (continued)

During 2008, the Group entered into a series of bilateral facilities with nine banks totalling £625m. As at 26 December 2008, £241.8m was drawn under these facilities in Canadian dollars, United States dollars and Sterling.

In addition, the Group has a CAD$90m facility and a £20m multi-currency facility both of which mature in 2009. As at 26 December 2008, the Canadian dollar facility was fully drawn and the multi-currency facility was unutilised.

In 2008, the Group entered into a series of interest rate swaps to fix the rate of interest that it would pay on US$200m variable rate borrowings. The interest rate swaps fixed the whole term of interest at a weighted average of 3.43% plus the applicable margin for this element of the Group's debt.

21. Trade & other payables

	2008 £m	2007 £m
Trade payables	**194.1**	142.1
Other creditors	**30.5**	14.0
Other taxes & social security costs	**14.0**	14.2
Accruals	**63.0**	61.4
Deferred consideration (note 13)	**2.7**	-
Deferred income	**49.3**	26.1
	353.6	257.8

22. Provisions

	Warranties £m	**Employee related £m**	**Discontinued operations warranty & indemnity £m**	**Rationalisation £m**	**Onerous sales contracts £m**	**Other £m**	**Total £m**
At 28 December 2007	17.6	11.1	8.7	2.4	1.8	3.8	45.4
Additions	10.0	7.8	5.4	0.5	3.6	0.7	28.0
Acquisitions	1.1	1.4	-	-	0.2	0.7	3.4
Discontinued operations	-	(0.1)	-	-	(1.2)	-	(1.3)
Utilised	(5.0)	(1.4)	(0.6)	(1.8)	(0.3)	(0.9)	(10.0)
Unutilised	(1.7)	(0.1)	(1.6)	-	(0.2)	(0.3)	(3.9)
Exchange adjustment	2.5	1.2	-	0.3	0.7	0.6	5.3
At 26 December 2008	**24.5**	**19.9**	**11.9**	**1.4**	**4.6**	**4.6**	**66.9**
Current 2008	17.2	4.1	1.6	1.4	4.6	1.6	30.5
Non-current 2008	7.3	15.8	10.3	-	-	3.0	36.4
	24.5	**19.9**	**11.9**	**1.4**	**4.6**	**4.6**	**66.9**
Current 2007	12.7	2.1	2.7	2.3	1.8	1.2	22.8
Non-current 2007	4.9	9.0	6.0	0.1	-	2.6	22.6
	17.6	**11.1**	**8.7**	**2.4**	**1.8**	**3.8**	**45.4**

22. Provisions (continued)

Warranties

Provision has been made in respect of actual warranty and contract penalty claims on goods sold and services provided and allowance has been made for potential warranty claims based on past experience for goods and services sold with a warranty guarantee. It is expected that all costs related to such claims will have been incurred within five years of the balance sheet date.

Employee related

Employee related provisions arise from legal obligations and asbestosis claims and are based on management's best estimates of the likely costs. It is expected that the costs will be incurred in the period up to 2021.

Discontinued operations warranty & indemnity

Provisions in respect of discontinued operations include provision for warranty and indemnity exposures under asset and share sale agreements. In addition, provision is included for costs associated with the Group's involvement in the UN sanctioned Oil for Food programme, in respect of which, investigations by UK authorities are ongoing. Provisions amounting to £0.6m were utilised during 2008 and following the expiry of certain warranty periods, an amount of £1.6m has been released to the income statement as it is no longer required. Provisions have increased by £5.4m during 2008 in respect of the current year disposals (note 8).

The provision as at 26 December 2008 is based on management's current best estimate of the remaining liabilities. The actual outcome may differ, and in some cases, this may be dependent on the outcome of legal proceedings. It is expected that the majority of these costs will be incurred within two years of the balance sheet date with the remaining costs expected to be incurred within five years of the balance sheet date.

Rationalisation

Rationalisation provisions relate primarily to costs associated with various ongoing restructuring activities across the Group. It is expected that the provision will be utilised in 2009.

Onerous sales contracts

Provision has been made in respect of sales contracts entered into for the sale of goods in the normal course of business where the unavoidable costs of meeting the obligations under the contracts exceeds the economic benefits expected to be received from the contracts. Provision is made immediately when it becomes apparent that expected costs will exceed the expected benefits of the contract. It is expected that the costs will be incurred within one year of the balance sheet date.

Other

Other provisions relate principally to an environmental clean up programme in the United States, for a company acquired in 1992. The environmental provision is based on management's current best estimate of the expected costs under the programme. It is expected that these costs will be incurred in the period up to 2019.

23. Deferred tax

	2008 £m	2007 £m
Consolidated balance sheet		
Deferred income tax assets		
Post-employment benefits	**5.0**	3.2
Decelerated depreciation for tax purposes	**1.3**	0.2
US deferred interest deductions	**-**	0.4
Untaxed reserves	**29.3**	20.1
Offset against liabilities	**(19.1)**	(20.8)
Gross deferred income tax assets	**16.5**	3.1
Deferred income tax liabilities		
Post-employment benefits	**-**	(12.8)
Accelerated depreciation for tax purposes	**(3.8)**	(3.0)
Overseas tax on unremitted earnings	**(8.6)**	(9.1)
Intangible assets	**(68.5)**	(47.8)
Other temporary differences	**(1.2)**	(1.4)
Offset against assets	**19.1**	20.8
Gross deferred income tax liabilities	**(63.0)**	(53.3)
Net deferred income tax liability	**(46.5)**	(50.2)

The movement in deferred income tax asset and liabilities during the year is as follows

	Post employment benefits £m	Accelerated depreciation for tax purposes £m	Tax losses £m	US deferred interest deductions £m	Overseas tax on unremitted earnings £m	Intangible assets £m	Untaxed reserves £m	Total £m
At 29 December 2006	1.8	(2.4)	2.6	3.2	(7.6)	(4.8)	12.6	5.4
(Charged) credited to the income statement	(3.4)	(0.4)	(2.7)	(2.7)	(1.1)	2.1	3.3	(4.9)
(Charged) credited to equity	(7.9)	-	-	-	-	-	0.4	(7.5)
Acquisitions	-	-	-	-	-	(43.7)	2.3	(41.4)
Exchange adjustment	(0.1)	-	0.1	(0.1)	(0.4)	(1.4)	0.1	(1.8)
At 28 December 2007	(9.6)	(2.8)	-	0.4	(9.1)	(47.8)	18.7	(50.2)
Credited (charged) to the income statement	0.3	0.9	-	(0.4)	0.9	3.3	0.7	5.7
Credited to equity	13.0	-	-	-	-	-	3.6	16.6
Acquisitions	-	(0.2)	-	-	-	(6.2)	-	(6.4)
Disposals	-	0.1	-	-	-	-	-	0.1
Exchange adjustment	1.3	(0.5)	-	-	(0.4)	(17.8)	5.1	(12.3)
At 26 December 2008	**5.0**	**(2.5)**	**-**	**-**	**(8.6)**	**(68.5)**	**28.1**	**(46.5)**

Untaxed reserves primarily relate to temporarily disallowed inventory/debtor provisions and accruals/provisions for liabilities where the tax allowance is deferred until the cash expense occurs.

Deferred tax asset balances for unused tax losses of £5.1m (2007: £8.2m) and deductible temporary differences of £4.7m (2007: £4.0m) have not been recognised on the grounds that there is insufficient evidence that these assets will be recoverable. These assets will be recovered when future tax charges are sufficient to absorb these tax benefits. Deferred tax asset balances for capital losses in the UK amounting to £10.9m (2007: £16.1m) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

Temporary differences associated with Group investments

The Group extracts dividends from its operations in South America and accordingly, a deferred tax liability of £8.6m (2007: £9.1m) has been recognised in respect of taxes on the unremitted earnings of the South American subsidiaries. As at 26 December 2008, this is the only recognised deferred tax liability in respect of taxes on unremitted earnings as the Group does not foresee a distribution of unremitted earnings from other subsidiaries or joint ventures which would result in a reversal of deferred tax.

The temporary differences associated with investments in subsidiaries and joint ventures, for which a deferred tax liability has not been recognised aggregate to £758.4m (2007: £465.8m).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

24. Pensions & other post-employment benefit plans

The Group has five defined benefit pension plans in the UK and North America, all of which, with the exception of the main UK plan, are final salary pension plans. Contribution salary in respect of the Group's main UK plan will increase in line with RPI up to a maximum of 5% per annum. The most significant of the defined benefit plans are the two UK plans and the Canadian plan. All defined benefit plans are closed to new members. The wind up of the Canadian plan has commenced and is expected to be completed in 2009. For these closed plans, the current service cost is expected to increase under the projected unit method as the members of the plan approach retirement. The Group also provides certain additional post-retirement healthcare benefits to senior employees in the United States. These benefits are unfunded.

The assets and liabilities of the plans are as follows

52 weeks ended 26 December 2008

	UK pensions £m	**North American pensions £m**	**Post retirement healthcare £m**	**Total £m**
Plans in surplus at 26 December 2008	**3.9**	**-**	**-**	**3.9**
Plans in deficit at 26 December 2008	**(2.3)**	**(9.9)**	**(6.4)**	**(18.6)**
	1.6	**(9.9)**	**(6.4)**	**(14.7)**
Plan assets at fair value				
Equities	**118.6**	**4.4**	**-**	**123.0**
Bonds	**91.8**	**23.8**	**-**	**115.6**
Insurance policy	**272.9**	**17.9**	**-**	**290.8**
Other	**-**	**15.1**	**-**	**15.1**
Fair value of plan assets	**483.3**	**61.2**	**-**	**544.5**
Present value of plan liabilities	**(481.7)**	**(71.1)**	**(6.4)**	**(559.2)**
Net pension asset (liability)	**1.6**	**(9.9)**	**(6.4)**	**(14.7)**

52 weeks ended 28 December 2007

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Plans in surplus at 28 December 2007	44.0	1.5	-	45.5
Plans in deficit at 28 December 2007	(1.1)	(3.1)	(4.4)	(8.6)
	42.9	(1.6)	(4.4)	36.9
Plan assets at fair value				
Equities	208.5	4.6	-	213.1
Bonds	159.2	33.9	-	193.1
Insurance policy	218.5	18.3	-	236.8
Other	-	0.7	-	0.7
Fair value of plan assets	586.2	57.5	-	643.7
Present value of plan liabilities	(543.3)	(59.1)	(4.4)	(606.8)
Net pension asset (liability)	42.9	(1.6)	(4.4)	36.9

The pension plans have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

24. Pensions & other post-employment benefit plans (continued)

The amounts recognised in the Group income statement and in the Group statement of recognised income and expense for the year are analysed as follows

52 weeks ended 26 December 2008

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Recognised in the income statement				
Current service cost	**1.6**	**0.9**	**-**	**2.5**
Expected return on plan assets	**(34.5)**	**(2.6)**	**-**	**(37.1)**
Interest cost on plan liabilities	**31.4**	**3.6**	**0.3**	**35.3**
Other finance (income) cost	**(3.1)**	**1.0**	**0.3**	**(1.8)**
Curtailment loss (gain) recognised*	**-**	**2.5**	**(0.1)**	**2.4**
Taken to the statement of recognised income & expense				
Actual return on plan assets	**(89.1)**	**(1.0)**	**-**	**(90.1)**
Less: expected return on plan assets	**(34.5)**	**(2.6)**	**-**	**(37.1)**
	(123.6)	**(3.6)**	**-**	**(127.2)**
Other actuarial gains (losses)	**72.2**	**0.4**	**(0.3)**	**72.3**
Actuarial losses recognised in the statement of recognised income & expense	**(51.4)**	**(3.2)**	**(0.3)**	**(54.9)**

* The curtailment loss of £2.5m in respect of North American pensions relates to the wind up of the Canadian plan.

52 weeks ended 28 December 2007

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
Recognised in the income statement				
Current service cost	2.9	1.1	-	4.0
Expected return on plan assets	(33.1)	(3.0)	-	(36.1)
Interest cost on plan liabilities	29.8	2.8	0.3	32.9
Other finance (income) cost	(3.3)	(0.2)	0.3	(3.2)
Taken to the statement of recognised income & expense				
Actual return on plan assets	13.5	2.9	-	16.4
Less: expected return on plan assets	(33.1)	(3.0)	-	(36.1)
	(19.6)	(0.1)	-	(19.7)
Other actuarial gains (losses)	50.2	(1.4)	0.4	49.2
Actuarial gains (losses) recognised in the statement of recognised income & expense	30.6	(1.5)	0.4	29.5

24. Pensions & other post-employment benefit plans (continued)

Pension contributions are determined with the advice of independent qualified actuaries on the basis of annual valuations using the projected unit method. The Group made contributions of £6.5m in 2008 (2007: £6.5m) in addition to the employers regular contributions. The total contributions to the defined benefit plans in 2009 are expected to be £8.4m. Plan assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers forecasts to each category of plan assets and allowing for plan expenses.

	UK pensions		North American pensions		Post-retirement healthcare	
	2008 %	2007 %	**2008 %**	2007 %	**2008 %**	2007 %
Main assumptions						
Rate of salary increase	**2.7**	3.3	**3.6**	3.1	**n/a**	n/a
Rate of increase in pensions in payment						
Pre 6 April 2006 service	**2.7**	3.3	**n/a**	n/a	**n/a**	n/a
Post 6 April 2006 service	**2.4**	2.5	**n/a**	n/a	**n/a**	n/a
Discount rate	**6.2**	5.9	**4.7**	5.7	**6.3**	6.4
Expected rates of return on plan assets						
Equities	**7.2**	7.7	**6.3**	8.0	**n/a**	n/a
Bonds	**4.2**	4.3	**5.0**	4.2	**n/a**	n/a
Insurance policy	**6.2**	5.9	**5.0**	5.5	**n/a**	n/a
Other	**n/a**	n/a	**1.2**	2.5	**n/a**	n/a
Inflation assumption	**2.7**	3.3	**2.1**	2.3	**2.1**	2.5
Rate of increase in healthcare costs	**n/a**	n/a	**n/a**	n/a	*****	*

* 9.65% per annum decreasing to 5% per annum and remaining static at that level from 2013 onwards.

	UK pensions		North American pensions		Post-retirement healthcare	
	2008 Years	2007 Years	**2008 Years**	2007 Years	**2008 Years**	2007 Years
Post-retirement mortality						
Current pensioners at 65 - male	**18.1**	18.1	**19.2**	19.2	**18.1**	18.1
Current pensioners at 65 - female	**20.9**	20.9	**21.7**	21.7	**20.5**	20.5
Future pensioners at 65 - male	**19.6**	19.6	**22.4**	22.4	**18.1**	18.1
Future pensioners at 65 - female	**22.3**	22.3	**22.5**	22.5	**20.5**	20.5

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).

The assumed investment return and discount rate have a significant effect on the reported retirement benefit obligation and the income statement expense for 2009. The effect of a one percentage point change in those assumptions is set out in the table below.

	One percentage point Increase £m	Decrease £m
Expected investment return		
Effect on income statement in 2009	**5.0**	**(5.0)**
Discount rate		
Effect on income statement in 2009	**0.5**	**(0.1)**
Effect on retirement benefit obligation at 26 December 2008	**34.3**	**(42.3)**

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects.

	Increase 2008 £m	**Decrease 2008 £m**	Increase 2007 £m	Decrease 2007 £m
Effect on defined benefit obligation	**0.5**	**(0.4)**	0.4	(0.3)

24. Pensions & other post-employment benefit plans (continued)

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

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
As at 29 December 2006	582.2	50.0	4.9	637.1
Current service cost	2.9	1.1	-	4.0
Interest cost	29.8	2.8	0.3	32.9
Benefits paid	(23.3)	(3.0)	(0.3)	(26.6)
Contributions by employees	1.9	0.5	-	2.4
Actuarial gains & losses	(50.2)	1.4	(0.4)	(49.2)
Exchange adjustment	-	6.3	(0.1)	6.2
As at 28 December 2007	543.3	59.1	4.4	606.8
Current service cost	1.6	0.9	-	2.5
Interest cost	31.4	3.6	0.3	35.3
Benefits paid	(23.6)	(4.1)	(0.3)	(28.0)
Contributions by employees	1.2	0.5	-	1.7
Curtailment loss (gain)	-	2.5	(0.1)	2.4
Actuarial gains & losses	(72.2)	(0.4)	0.3	(72.3)
Exchange adjustment	-	9.0	1.8	10.8
As at 26 December 2008	**481.7**	**71.1**	**6.4**	**559.2**

The defined benefit obligation comprises £7.4m (2007: £5.5m) arising from unfunded plans and £551.8m (2007: £601.3m) from plans that are wholly or partially funded.

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

	UK pensions £m	North American pensions £m	Post retirement healthcare £m	Total £m
As at 29 December 2006	584.7	48.5	-	633.2
Expected return on plan assets	33.1	3.0	-	36.1
Employer contributions	9.4	2.0	0.3	11.7
Contributions by employees	1.9	0.5	-	2.4
Benefits paid	(23.3)	(3.0)	(0.3)	(26.6)
Actuarial gains & losses	(19.6)	(0.1)	-	(19.7)
Exchange adjustment	-	6.6	-	6.6
As at 28 December 2007	586.2	57.5	-	643.7
Expected return on plan assets	34.5	2.6	-	37.1
Employer contributions	8.6	1.2	0.3	10.1
Contributions by employees	1.2	0.5	-	1.7
Benefits paid	(23.6)	(4.1)	(0.3)	(28.0)
Actuarial gains & losses	(123.6)	(3.6)	-	(127.2)
Exchange adjustment	-	7.1	-	7.1
As at 26 December 2008	**483.3**	**61.2**	**-**	**544.5**

24. Pensions & other post-employment benefit plans (continued)

History of experience gains & losses

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
UK pensions					
Fair value of plan assets	**483.3**	586.2	584.7	548.0	463.5
Present value of defined benefit obligations	**(481.7)**	(543.3)	(582.2)	(596.5)	(548.2)
Surplus (deficit) in the plans	**1.6**	42.9	2.5	(48.5)	(84.7)
Experience adjustments arising on plan liabilities	**4.4**	1.6	(0.4)	1.1	0.4
Changes in financial assumptions underlying plan liabilities	**67.8**	48.6	17.3	(37.1)	(19.9)
Experience adjustments arising on plan assets	**(123.6)**	(19.6)	12.1	60.2	14.6
North American pensions					
Fair value of plan assets	**61.2**	57.5	48.5	50.1	38.5
Present value of defined benefit obligations	**(71.1)**	(59.1)	(50.0)	(57.1)	(43.2)
Deficit in the plans	**(9.9)**	(1.6)	(1.5)	(7.0)	(4.7)
Experience adjustments arising on plan liabilities	**(0.3)**	(1.9)	(0.1)	(0.4)	0.5
Changes in financial assumptions underlying plan liabilities	**0.7**	0.5	1.9	(4.8)	(2.1)
Experience adjustments arising on plan assets	**(3.6)**	(0.1)	1.9	2.9	2.3
Post-retirement healthcare					
Present value of defined benefit obligations	**(6.4)**	(4.4)	(4.9)	(6.1)	(5.9)
Experience adjustments arising on plan liabilities	**0.3**	(0.1)	-	0.1	(0.9)
Changes in financial assumptions underlying plan liabilities	**(0.6)**	0.5	0.3	0.1	1.7

The cumulative amount of actuarial gains and losses recognised in the Group statement of recognised income and expense since 28 December 2003 is a gain of £26.3m (2007: £81.2m).

The directors are unable to determine how much of the pension plan deficits are attributable to actuarial gains and losses since inception of those pension plans. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised on an IFRS basis in the Group statements of recognised income and expense before 27 December 2003.

Notes to the Group Financial Statements (Continued)

25. Share capital & reserves

	2008 Number Million	2007 Number Million
Authorised share capital		
Ordinary shares of 12.5p each	**288.0**	288.0

The Company has one class of ordinary share which carries no rights to fixed income.

	2008 Number Million	2007 Number Million
Issued & fully paid share capital		
At beginning of period	**212.1**	211.0
Issued during the year for cash on exercise of share options	**0.2**	0.9
Issued during the year in respect of LTIP awards	**0.3**	0.2
At end of period	**212.6**	212.1

	2008 £m	2007 £m
Shares allotted		
Aggregate nominal value of share options exercised	**0.1**	0.1
Share premium	**0.3**	2.3
Consideration received on exercise of share options	**0.4**	2.4

	2008 Number Million	2007 Number Million
Treasury shares		
At beginning of period	**2.9**	3.3
Issued during the year in respect of LTIP awards	**(0.4)**	(0.4)
At end of period	**2.5**	2.9

As at 26 December 2008, 98,600 shares (2007: 37,794 shares) were held in trust with a market value of £0.3m (2007: £0.3m).

Reconciliation of movements in equity

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital £m	Share premium £m	Treasury shares £m	Reserves £m	Total £m	£m	£m
At 29 December 2006	26.4	35.4	(10.7)	320.4	371.5	0.4	371.9
Total recognised income & expense for the period	-	-	-	200.5	200.5	0.1	200.6
Cost of share-based payments	-	-	-	1.4	1.4	-	1.4
Dividends	-	-	-	(31.1)	(31.1)	-	(31.1)
Exercise of options & LTIP awards	0.1	2.3	1.4	(1.4)	2.4	-	2.4
At 28 December 2007	26.5	37.7	(9.3)	489.8	544.7	0.5	545.2
Total recognised income & expense for the period	-	-	-	195.4	195.4	-	195.4
Acquisition of minority interest	-	-	-	-	-	(0.3)	(0.3)
Cost of share-based payments	-	-	-	2.8	2.8	-	2.8
Dividends	-	-	-	(35.7)	(35.7)	-	(35.7)
Exercise of options & LTIP awards	0.1	0.3	1.4	(1.4)	0.4	-	0.4
At 26 December 2008	**26.6**	**38.0**	**(7.9)**	**650.9**	**707.6**	**0.2**	**707.8**

25. Share capital & reserves (continued)

	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Total reserves £m
At 29 December 2006	0.5	(2.9)	3.5	319.3	320.4
Total recognised income & expense for the period	-	3.1	-	197.4	200.5
Cost of share-based payments	-	-	-	1.4	1.4
Dividends	-	-	-	(31.1)	(31.1)
LTIP awards	-	-	-	(1.4)	(1.4)
At 28 December 2007	0.5	0.2	3.5	485.6	489.8
Total recognised income & expense for the period	-	77.1	(11.8)	130.1	195.4
Exchange differences on disposal of foreign operations - discontinued operations	-	(0.4)	-	0.4	-
Cost of share-based payments	-	-	-	2.8	2.8
Dividends	-	-	-	(35.7)	(35.7)
LTIP awards	-	-	-	(1.4)	(1.4)
At 26 December 2008	**0.5**	**76.9**	**(8.3)**	**581.8**	**650.9**

Capital redemption reserve

The capital redemption reserve was created by a repurchase and cancellation of own shares during the 53 weeks ended 1 January 1999.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and the Group's hedge of its net investment in foreign operations. Included within the £77.1m (2007: £3.1m) movement in the year is an exchange gain on the translation of overseas results and net assets of £204.3m (2007: £11.0m) offset by exchange losses in respect of the Group's net investment hedges of £127.2m (2007: £7.9m).

Hedge accounting reserve

This reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective. Net gains (losses) transferred from equity into profit or loss during the period are included in the following line items in the income statement.

	2008 £m	2007 £m
Revenue	**0.2**	0.6
Cost of sales	**5.8**	1.3
Finance costs	**(0.5)**	-
Profit for the period from discontinued operations (exceptional items)	**-**	4.3
	5.5	6.2

Notes to the Group Financial Statements (Continued)

26. Additional cash flow information

	2008 £m	2007 £m
Continuing operations		
Net cash generated from operations		
Operating profit	**168.3**	110.9
Share of results of joint ventures	**(4.4)**	(3.4)
Depreciation & amortisation of property, plant & equipment & intangibles	**37.2**	22.9
Impairment of plant & equipment & intangibles	**5.1**	-
Gains on disposal of property, plant & equipment & investments	**(0.1)**	(0.6)
Defined benefit plan curtailment	**2.4**	-
Funding of pension & post-retirement costs	**(1.1)**	(1.2)
Employee share schemes	**2.8**	1.4
Net foreign exchange including derivatives*	**0.3**	0.1
Increase in provisions	**12.9**	6.7
Increase in inventories	**(42.8)**	(16.1)
Increase in trade & other receivables & construction contracts*	**(10.1)**	(8.3)
Increase in trade & other payables & construction contracts*	**43.9**	31.1
Cash generated from operations	**214.4**	143.5
Additional pension contributions paid	**(6.5)**	(6.5)
Fundamental restructuring costs paid	**-**	(0.4)
Income tax paid	**(49.0)**	(32.3)
Net cash generated from operating activities	**158.9**	104.3

* A 2007 net inflow amount of £0.7m in relation to gains on derivatives has been reclassified from cash generated from operating activities to cash generated from financing activities.

	2008 £m	2007 £m
Acquisitions of subsidiaries		
Current year acquisitions (note 13)	**(140.9)**	(317.7)
Previous year acquisitions deferred consideration paid	**-**	(0.1)
	(140.9)	(317.8)
Disposals of subsidiaries & associate		
Discontinued operations disposals (note 8)	**60.6**	125.2
Other current year disposals	**20.4**	-
Previous year disposals	**(0.4)**	2.1
	80.6	127.3
Reconciliation of net increase (decrease) in cash & cash equivalents to movement in net debt		
Net increase (decrease) in cash & cash equivalents from continuing operations	**6.6**	(101.5)
Net (decrease) increase in cash & cash equivalents from discontinued operations	**(2.5)**	6.4
Net increase in debt	**(6.2)**	(50.6)
Change in net debt resulting from cash flows	**(2.1)**	(145.7)
Leases acquired	**(0.6)**	(0.2)
Loans acquired	**(2.4)**	-
Foreign currency translation differences	**(63.5)**	(18.3)
Change in net debt during the period	**(68.6)**	(164.2)
Net debt at beginning of period	**(171.3)**	(7.1)
Net debt at end of period	**(239.9)**	(171.3)
Net debt comprises the following		
Cash & short-term deposits (note 19)	**74.1**	54.2
Current interest-bearing loans & borrowings (note 20)	**(71.4)**	(8.5)
Non-current interest-bearing loans & borrowings (note 20)	**(242.6)**	(217.0)
	(239.9)	(171.3)

Other current year disposals had the following effect on the Group's assets and liabilities.

	2008 £m	2007 £m
Property, plant & equipment	**2.8**	-
Inventories	**9.2**	-
Trade & other receivables	**9.7**	-
Trade & other payables	**(3.6)**	-
Net assets disposed	**18.1**	-

27. Commitments & contingencies

Operating lease commitments

The Group has entered into commercial leases for land and buildings, motor vehicles and plant and equipment. Land and building leases have an average term of between three and ten years, motor vehicles leases have an average term of between three and four years and plant and equipment leases have an average term of between five and six years. Certain leases have terms of renewal, at the option of the lessee, but there are no purchase options or escalation clauses. Future minimum rentals payable under non-cancellable operating leases are as follows

	2008 £m	2007 £m
Within one year	**8.2**	8.1
After one year but not more than five years	**22.0**	18.3
More than five years	**8.5**	6.1
	38.7	32.5

Finance lease commitments

The Group has finance leases for buildings and items of plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows

	2008 Minimum payments £m	**2008 Present value of payments £m**	2007 Minimum payments £m	2007 Present value of payments £m
Within one year	**0.5**	**0.5**	0.3	0.3
After one year but not more than five years	**0.9**	**0.8**	0.6	0.5
Total minimum lease payments	**1.4**		0.9	
Less amounts representing finance charges	**(0.1)**		(0.1)	
Present value of minimum lease payments	**1.3**	**1.3**	0.8	0.8

It is the Group's policy to lease certain of its assets under finance leases. The weighted average outstanding lease term is 2.78 years (2007: 3.48 years). For the 52 weeks ended 26 December 2008, the weighted average effective borrowing rate was 9.40% (2007: 5.55%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital commitments

	2008 £m	2007 £m
Outstanding capital commitments contracted but not provided for - property, plant & equipment	**4.0**	6.8

The Group's share of the capital commitments of its joint ventures amounted to £0.2m (2007: £0.3m).

Legal claims

The Company and certain subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the normal course of business. This includes a recent claim relating to an action for damages arising from the UN Oil for Food Programme which has been raised in the US against just under 100 companies, including the Weir Group. This action will be robustly defended. To the extent not already provided for, the directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

Notes to the Group Financial Statements (Continued)

28. Equity settled share-based payments

LTIP

Three types of award may be made under the LTIP to senior executives: performance shares, matching shares and investment shares. All awards vest over a three year period.

Performance shares

Performance shares are conditional awards to acquire free shares subject to Group performance. In 2008, conditional awards of performance shares were made worth 100% (2007: 70%) of salary to the chief executive, 100% (2007: 45%) of salary to the Group finance director and 100% (2007: 80%) to the legal and commercial director. Other conditional awards of performance shares were made in 2008 worth 100% (2007: 40%) of salary to the other members of the Group Operations Executive Committee and 40% (2007: 40%) of salary to other senior executives who participate in the matching share awards and 25% (2007: 25%) of salary to other senior executives who do not participate in that plan. The awards were made in two tranches following the 2008 annual general meeting of the Company, where shareholder approval was obtained to amend the terms of the LTIP to increase the annual limit on performance shares from 80% of salary to 100% of salary.

Matching & investment shares

Matching shares are conditional awards to acquire free shares, subject to Group performance. The chief executive, other executive directors and senior executives are required to compulsorily defer an element of any Group bonus earned for the preceding financial year in exchange for which they are awarded investment shares. They are also allowed to voluntarily invest the balance of the Group bonus (subject to any cap imposed by the Remuneration Committee, currently 20%) in shares. In return, they receive a conditional award of matching shares worth a maximum of 2.5 times the pre-tax value of the bonus invested.

The value of shares for this purpose will be the average published closing price of a share for the three dealing days immediately preceding the date of grant of the award of shares.

The conditional awards of performance shares and matching 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 Company'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, to comprise the following 20 companies: AGA Foodservice Group, Bodycote International, Cookson Group, Domnick Hunter Group, Enodis, FKI, Halma, IMI, Kidde, Meggitt, Mitie Group, Morgan Crucible Company, Rolls-Royce, Rotork, Senior, Smiths Group, Spirax-Sarco Engineering, Tomkins, Wood Group and WS Atkins, except that Domnick Hunter Group and Kidde were not included in the comparator group for the 2006, 2007 and 2008 awards as they were de-listed from the London Stock Exchange in December 2005 and April 2005 respectively. Only if the Company'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 and matching shares to vest, the growth in the Company's earnings per share over the performance period must be equal to or greater than the growth in the UK Retail Price Index (RPI) over the same period.

The following table illustrates the number and weighted average share prices (WASP) of shares awarded under the LTIP.

	2008 Number Million	**2008 WASP**	2007 Number Million	2007 WASP
Outstanding at the beginning of the period	**1.9**	**£4.75**	2.3	£3.55
Awarded during the period	**0.8**	**£7.47**	0.5	£7.27
Exercised during the period	**(0.7)**	**£7.86**	(0.6)	£7.22
Forfeited during the period	**(0.1)**	**£6.77**	(0.3)	£6.01
Outstanding at the end of the period	**1.9**	**£6.41**	1.9	£4.75

An amount of £2.0m (2007: £1.4m) has been charged to the income statement in respect of the number of awards which are expected to be made at the end of the vesting period.

This comprises an amount of £1.4m (2007: £0.5m) in respect of parent company employees and £0.6m (2007: £0.9m) in respect of employees of subsidiaries. Subsidiary companies made a cash contribution to the parent company of £0.9m (2007: £0.9m) in the year in respect of their LTIP awards.

28. Equity settled share-based payments (continued)

The remaining contractual lives of the outstanding LTIP awards at the end of the period are as follows.

Year of award	2008 Number Million	2008 Remaining contractual life	2007 Number Million	2007 Remaining contractual life
2005	-	-	0.7	3 months
2006	**0.6**	**3 months**	0.7	15 months
2007	**0.5**	**18 months**	0.5	30 months
2008	**0.8**	**27 months**	-	-

Conditional share award

In 2008, the shareholders approved a one-off conditional award of 405,953 shares to the chief executive, which will vest on the third anniversary of 8 May 2008 subject to specified performance conditions being achieved. The performance condition is based on earnings per share ("EPS") subject to adjustment on a reasonable basis at the discretion of the Remuneration Committee. 25% of the award will vest if EPS exceeds the UK Retail Prices Index ("RPI") by 7% p.a., increasing on a sliding scale to the full award vesting if EPS exceeds RPI by 13% p.a. In addition, the chief executive is required to retain his current shareholding for the award to vest.

	Date of award	Date of vesting	Number of shares awarded	Market price at date of award
Chief Executive	08 May 2008	08 May 2011	405,953	900.5p

An amount of £0.8m (2007: £nil) has been charged to the income statement in respect of the conditional share award based on the number of shares expected to be awarded at the end of the vesting period. The number of shares outstanding at 26 December 2008 is 405,953 (2007: nil).

Share option scheme

During 2008, the Company operated a savings related share option scheme in the UK which was not subject to performance criteria. This scheme was closed to new entrants in 2004 and the last date for exercising options under the scheme was 1 January 2009.

The following table illustrates the number and weighted average exercise prices (WAEP) of share options.

	2008 Number Million	2008 WAEP	2007 Number Million	2007 WAEP
Outstanding at the beginning of the period	**0.2**	**£2.03**	1.3	£2.45
Expired during the period	-	-	(0.2)	£2.43
Exercised during the period	**(0.2)**	**£2.01**	(0.9)	£2.54
Outstanding at the end of the period*	-	**£2.01**	0.2	£2.03
Exercisable at the end of the period	-	**£2.01**	-	£2.29

* Included within this balance are options over nil (2007: 13,246) shares that have not been recognised in accordance with IFRS2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS2.

The weighted average share price during the period was 708.4p (2007: 707.3p).

Share options outstanding at the end of the period have the following exercise prices.

	Price per share	2008 Number Million	2008 Remaining contractual life	2007 Number Million	2007 Remaining contractual life
Savings Related Share Option Scheme 2001	**201.0p**	-	-	0.2	12 months

28. Equity settled share-based payments (continued)

Fair value of equity settled share-based payments

The fair value of the conditional awards under the LTIP and the conditional share award has been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the 52 weeks ended 26 December 2008 and the 52 weeks ended 28 December 2007.

	Conditional share award		LTIP	
	2008	2007	**2008**	2007
Weighted average dividend yield (%)	**1.83**	-	**2.22**	1.99
Weighted average expected volatility (%)	**29.00**	-	**29.00**	24.00
Weighted average expected life (years)	**3.00**	-	**3.00**	3.00
Weighted average risk free rate (%)	**4.25**	-	**4.02**	5.70
Weighted average share price (pence)	**901p**	-	**747p**	727p
Weighted average fair value (pence)	**901p**	-	**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.

29. Related party disclosures

The following table provides the total amount of significant transactions which have been entered into with related parties for the relevant financial year and outstanding balances at the period end.

Related party		Management charge to related parties £m	Sales to related parties - goods £m	Sales to related parties - services £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Joint ventures	**2008**	**-**	**0.2**	**-**	**-**	**-**
	2007	-	-	0.1	-	-
Associate	**2008**	**-**	**-**	**-**	**-**	**-**
	2007	0.4	0.1	0.7	-	-
Group pension schemes	**2008**	**-**	**-**	**-**	**-**	**0.2**
	2007	-	-	-	-	0.4

Contributions to the Group pension plans are disclosed in note 24.

Terms & conditions of transactions with related parties

Sales to and from related parties are made at normal market prices. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party balances. For the 52 weeks ended 26 December 2008, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2007: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel

	2008 £m	2007 £m
Short-term employee benefits	**3.2**	2.9
Share-based payments	**0.6**	0.5
Post-employment benefits	**0.1**	0.1
	3.9	3.5

Key management comprises the Board of directors. Further details of their remuneration can be found in the Remuneration Committee Report on page 36.

30. Financial assets & liabilities

Financial risk management objectives & policies

The principal financial risks to which the Group is exposed are those relating to foreign currency, liquidity and credit risk. Details of these risks are set out in the Directors Report. In addition, the Group is subject to a degree of interest rate risk on its borrowings. The Group uses financial assets and liabilities, including derivatives, to hedge certain foreign exchange and interest rate risks as set out below.

Foreign exchange risk policy

In respect of transactional foreign exchange risk the Group maintains a policy that all operating units eliminate exposures on material committed transactions, usually by undertaking forward foreign currency contracts through the Group's treasury function. In addition, it is Group policy that those companies where the most significant concentration of foreign exchange risk has been identified also apply hedge accounting. Therefore, some of the Group's forward foreign currency contracts form part of an effective cash flow hedge. Exchange rate fluctuations in respect of the forward foreign currency contracts which form part of a cash flow hedge will have an impact on shareholders equity. Exchange rate fluctuations in respect of the other forward foreign currency contracts will have an impact on profit or loss. It is Group policy not to engage in any speculative transaction of any kind.

In respect of translational risk the Group has a policy to partially hedge US dollar net assets exposure. This is achieved through designating an element of US dollar borrowings, US dollar forward foreign currency contracts and US dollar cross currency swaps as net investment hedges against the Group's US dollar investments. The Group does not hedge the translational exposure arising from profit and loss items.

Liquidity risk policy

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Further details of the Group's borrowing facilities are disclosed in note 20.

Credit risk policy

The Group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments. The Group's credit risk is primarily attributable to its trade receivables with risk spread over a large number of countries and customers, with no significant concentration of risk. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. Credit worthiness checks are also undertaken before entering into contracts with new customers and credit limits are set as appropriate. As shown in note 17, the trade receivables 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. The Group's exposure to the credit risk of financial institutions is limited by the adherence to counterparty limits restricted to counterparties that have a strong credit standing, based upon ratings provided by the major agencies.

Interest rate risk policy

The Group's borrowings 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 Group in the short to medium-term. Interest rate swaps are utilised that have the economic effect of converting borrowings from floating to fixed rates. At the balance sheet date approximately 66% of our US dollar variable rate debt had been converted to fixed rate through the use of floating-to-fixed interest rate swaps.

Net investment in foreign operations

US dollar variable rate loans included in interest-bearing loans and borrowings, amounting to US$190m (2007: US$100m), cross currency swaps of US$404m (2007: US$403m) and net forward foreign currency asset contracts of US$6m (2007: liabilities of US$150m) have been designated as a hedge of the Group's exposure to translational foreign exchange risk on its net investments in Weir SPM and Weir Warman. Gains or losses on the retranslation of the borrowings and the fair value of the cross currency swaps and forward foreign currency contracts are transferred to equity to offset any gains or losses on translation of the net investments in these subsidiaries.

30. Financial assets & liabilities (continued)

Carrying amounts & fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

	Carrying amount 2008 £m	**Fair value 2008 £m**	Carrying amount 2007 £m	Fair value 2007 £m
Financial assets				
Derivative financial instruments recognised at fair value through profit or loss	**47.1**	**47.1**	5.8	5.8
Derivative financial instruments in designated hedge accounting relationships	**8.5**	**8.5**	6.0	6.0
Trade and other receivables excluding statutory assets & prepayments	**289.5**	**289.5**	240.8	240.8
Cash and short term deposits	**74.1**	**74.1**	54.2	54.2
	419.2	**419.2**	306.8	306.8
Financial liabilities				
Derivative financial instruments recognised at fair value through profit or loss	**(62.9)**	**(62.9)**	(10.8)	(10.8)
Derivative financial instruments in designated hedge accounting relationships	**(97.8)**	**(97.8)**	(6.1)	(6.1)
Amortised cost				
Bank overdrafts & short term debt borrowings	**(20.5)**	**(20.5)**	(8.1)	(8.1)
Trade & other payables excluding statutory liabilities & deferred income	**(290.3)**	**(290.3)**	(217.5)	(217.5)
Obligations under finance leases	**(1.3)**	**(1.3)**	(0.8)	(0.8)
Floating rate borrowings	**(292.1)**	**(292.1)**	(216.5)	(216.5)
Fixed rate borrowings	**(0.1)**	**(0.1)**	(0.1)	(0.1)
	(765.0)	**(765.0)**	(459.9)	(459.9)

The fair value of forward foreign currency contracts is calculated by reference to current market rates for contracts with similar maturity profiles. The fair value of cross currency swaps and interest rate swaps is calculated as the present value of the estimated future cash flows. The carrying amount of other financial instruments of the Group, i.e. trade and other receivables and payables that are included in the above table, is a reasonable approximation of fair value. The fair value of all other items has been calculated by discounting the expected future cash flows at prevailing interest rates.

Derivative financial instruments

Set out in the table below is a summary of types of derivative financial instruments included within each balance sheet category.

	2008 £m	2007 £m
Included in non-current assets		
Forward foreign currency contracts designated as cash flow hedges	**2.3**	1.0
Other forward foreign currency contracts	**5.8**	0.2
	8.1	1.2
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	**5.4**	5.0
Forward foreign currency contracts designated as net investment hedges	**0.8**	-
Other forward foreign currency contracts	**41.3**	5.6
	47.5	10.6
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	**10.9**	0.9
Forward foreign currency contracts designated as net investment hedges	**1.4**	0.2
Interest rate swaps designated as cash flow hedges	**2.2**	-
Cross currency swaps designated as net investment hedges	**15.5**	1.0
Other forward foreign currency contracts	**60.6**	9.7
	90.6	11.8
Included in non-current liabilities		
Forward foreign currency contracts designated as cash flow hedges	**3.0**	0.1
Interest rate swaps designated as cash flow hedges	**3.5**	-
Cross currency swaps designated as net investment hedges	**61.3**	3.9
Other forward foreign currency contracts	**2.3**	1.1
	70.1	5.1
Net derivative financial liabilities	**105.1**	5.1

30. Financial assets and liabilities (continued)

Liquidity & credit risk

The maximum exposure to credit risk at the balance sheet date is represented by the carrying value of each financial asset, including derivative financial instruments. The liabilities which could impact liquidity risk are best represented by the carrying value and maturity profile of each financial liability, including derivative financial instruments. The tables below include the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to receive or pay these financial assets or liabilities and include both interest and principal cash flows. In respect of derivative financial instruments the net credit/liquidity risk is best represented by the net inflows (outflows) shown below together with the Group's headroom under the borrowing facilities as disclosed in note 20.

52 weeks ended 26 December 2008

	Less than 1 year £m	**1 to 5 years £m**	**Total £m**
Trade & other receivables excluding statutory assets and prepayments	**289.5**	**-**	**289.5**
Cash & short-term deposits	**74.1**	**-**	**74.1**
Non derivative financial assets	**363.6**	**-**	**363.6**
Trade and other payables excluding statutory liabilities and deferred income	**(290.3)**	**-**	**(290.3)**
Obligations under finance leases	**(0.5)**	**(0.9)**	**(1.4)**
Bank overdrafts & short-term borrowings	**(20.5)**	**-**	**(20.5)**
Bank loans	**(57.0)**	**(248.1)**	**(305.1)**
Non-derivative financial liabilities	**(368.3)**	**(249.0)**	**(617.3)**
Net non-derivative financial liabilities	**(4.7)**	**(249.0)**	**(253.7)**

52 weeks ended 28 December 2007

	Less than 1 year £m	1 to 5 years £m	Total £m
Trade & other receivables excluding statutory assets and prepayments	240.8	-	240.8
Cash & short-term deposits	54.2	-	54.2
Non-derivative financial assets	295.0	-	295.0
Trade and other payables excluding statutory liabilities and deferred income	(217.5)	-	(217.5)
Obligations under finance leases	(0.3)	(0.6)	(0.9)
Bank overdrafts	(8.1)	-	(8.1)
Bank loans	(12.9)	(222.1)	(235.0)
Non-derivative financial liabilities	(238.8)	(222.7)	(461.5)
Net non-derivative financial assets (liabilities)	56.2	(222.7)	(166.5)

30. Financial assets and liabilities (continued)

52 weeks ended 26 December 2008

	Less than 1 year £m	1 to 5 years £m	Total £m
Interest rate swaps - outflow	**(5.3)**	**(5.5)**	**(10.8)**
Interest rate swaps - inflow	**3.1**	**2.2**	**5.3**
Interest rate swaps - net outflow	**(2.2)**	**(3.3)**	**(5.5)**
Cross currency swaps - outflow	**(60.5)**	**(228.4)**	**(288.9)**
Cross currency swaps - inflow	**45.0**	**169.4**	**214.4**
Cross currency swaps - net outflow	**(15.5)**	**(59.0)**	**(74.5)**
Forward foreign currency contracts - outflow	**(779.9)**	**(46.1)**	**(826.0)**
Forward foreign currency contracts - inflow	**752.7**	**49.1**	**801.8**
Forward foreign currency contracts - net (outflow) inflow	**(27.2)**	**3.0**	**(24.2)**
Derivative financial instruments net outflow	**(845.7)**	**(280.0)**	**(1,125.7)**
Derivative financial instruments net inflow	**800.8**	**220.7**	**1,021.5**
Derivative financial instruments net outflow	**(44.9)**	**(59.3)**	**(104.2)**
Effect of discounting			**(0.9)**
Net derivative financial liabilities			**(105.1)**

52 weeks ended 28 December 2007

	Less than 1 year £m	1 to 5 years £m	Total £m
Cross currency swaps - outflow	(48.4)	(175.5)	(223.9)
Cross currency swaps - inflow	49.9	174.2	224.1
Cross currency swaps - net inflow (outflow)	1.5	(1.3)	0.2
Forward foreign currency contracts - outflow	(491.7)	(34.2)	(525.9)
Forward foreign currency contracts - inflow	488.9	35.6	524.5
Forward foreign currency contracts - net (outflow) inflow	(2.8)	1.4	(1.4)
Derivative financial instruments net outflow	(540.1)	(209.7)	(749.8)
Derivative financial instruments net inflow	538.8	209.8	748.6
Derivative financial instruments net (outflow) inflow	(1.3)	0.1	(1.2)
Effect of discounting			(3.9)
Net derivative financial liabilities			(5.1)

30. Financial assets and liabilities (continued)

Interest rate risk and maturity profile

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk and the Group's notional value of derivatives, by maturity, exposed to interest rate risk.

52 weeks ended 26 December 2008

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	Total £m
Fixed rate net debt						
Obligations under finance leases	**(0.5)**	**(0.2)**	**(0.2)**	**(0.2)**	**(0.2)**	**(1.3)**
Bank loans	**(0.1)**	-	-	-	-	**(0.1)**
Notional interest rate swaps	-	**(68.3)**	**(68.3)**	-	-	**(136.6)**
Net fixed rate financial instruments	**(0.6)**	**(68.5)**	**(68.5)**	**(0.2)**	**(0.2)**	**(138.0)**
Floating rate net debt						
Cash & short-term deposits	**74.1**	-	-	-	-	**74.1**
Bank overdrafts & short-term borrowings	**(20.5)**	-	-	-	-	**(20.5)**
Bank loans	**(50.3)**	-	**(241.8)**	-	-	**(292.1)**
Notional interest rate swaps	-	**68.3**	**68.3**	-	-	**136.6**
	3.3	**68.3**	**(173.5)**	-	-	**(101.9)**
Floating rate derivatives						
Notional cross currency swaps US dollar leg	**(54.6)**	**(54.6)**	**(54.6)**	**(56.7)**	**(55.2)**	**(275.7)**
Notional cross currency swaps sterling leg	**39.1**	**39.1**	**39.1**	**40.6**	**41.0**	**198.9**
	(15.5)	**(15.5)**	**(15.5)**	**(16.1)**	**(14.2)**	**(76.8)**
Net floating rate financial instruments	**(12.2)**	**52.8**	**(189.0)**	**(16.1)**	**(14.2)**	**(178.7)**

52 weeks ended 28 December 2007

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	Total £m
Fixed rate net debt						
Obligations under finance leases	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.8)
Bank loans	(0.1)	-	-	-	-	(0.1)
Net fixed rate financial instruments	(0.4)	(0.2)	(0.1)	(0.1)	(0.1)	(0.9)
Floating rate net debt						
Cash & short-term deposits	54.2	-	-	-	-	54.2
Bank overdrafts & short-term borrowings	(8.1)	-	-	-	-	(8.1)
Bank loans	-	(216.5)	-	-	-	(216.5)
	46.1	(216.5)	-	-	-	(170.4)
Floating rate derivatives						
Notional cross currency swaps US dollar leg	(40.1)	(40.1)	(40.1)	(40.1)	(41.6)	(202.0)
Notional cross currency swaps sterling leg	39.1	39.1	39.1	39.1	40.6	197.0
	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(5.0)
Net floating rate financial instruments	45.1	(217.5)	(1.0)	(1.0)	(1.0)	(175.4)

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

30. Financial assets and liabilities (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and equity through the impact on floating rate borrowings, cross currency swaps and interest rate swaps. There is no impact on the Group's equity, with the exception of the Group's interest rate swaps.

	Increase in basis points	Effect on profit before tax gain (loss) £m	Effect on equity gain (loss) £m
2008			
Australian dollar	+ 100	-	-
Canadian dollar	+ 100	(0.7)	-
US dollar	+ 100	(3.4)	2.8
UK sterling	+ 100	2.0	-
2007			
Australian dollar	+ 100	(0.7)	-
Canadian dollar	+ 100	(0.8)	-
US dollar	+ 100	(2.3)	-
UK sterling	+ 100	2.1	-

A decrease of 100 basis points would have an equal and opposite effect.

Effect of hedging and derivative instruments included in the income statement and equity

The Group uses forward foreign currency contracts to hedge currency risk associated with expected future sales or purchases for which the Group has firm commitments. The terms of the forward foreign currency contracts are negotiated to match the terms of the commitments. Within the Group, two subsidiaries apply cash flow hedge accounting to these transactions. Any gains and losses on ineffective hedges were taken to the income statement in the year.

In addition, as noted above, the Group utilises interest rate swaps to convert borrowings from floating to fixed rates of interest. These interest rate swaps are subject to cash flow hedge accounting.

All other forward foreign currency contracts, while representing commercial hedges, are not subject to cash flow hedge accounting with all fair value movements being recognised in the income statement. The net carrying amount, maturity dates and the amounts recognised for the period in profit or loss and equity for each derivative financial instrument are set out below.

52 weeks ended 26 December 2008

	Net carrying amount £m	Maturity dates	Recognised in profit or loss gain (loss) £m	Recognised in equity gain (loss) £m
Forward foreign currency contracts designated as cash flow hedges	**(6.2)**	**2009 to 2011**	**6.0**	**(5.0)**
Interest rate swaps designated as cash flow hedges	**(5.7)**	**2010 to 2011**	**(0.5)**	**(6.1)**
Forward foreign currency contracts designated as net investment hedges	**(0.6)**	**2009**	**-**	**(28.0)**
Cross currency swaps designated as net investment hedges	**(76.8)**	**2009 to 2013**	**5.4**	**(73.8)**
Other forward foreign currency contracts at fair value through profit or loss	**(15.8)**	**2009 to 2012**	**(8.4)**	**-**
	(105.1)		**2.5**	**(112.9)**

The £5.4m gain (2007: £0.7m) recognised in profit or loss in respect of cross currency swaps designated as net investment hedges reflects the benefit of US dollar/Sterling interest rate differential. Certain of the Group's forward foreign currency contracts subject to cash flow hedge accounting were deemed to be ineffective during the year resulting in a net charge to the income statement of £1.2m (2007: credit of £4.6m).

30. Financial assets and liabilities (continued)

52 weeks ended 28 December 2007

	Net carrying amount £m	Maturity dates	Recognised in profit or loss gain (loss) £m	Recognised in equity gain (loss) £m
Forward foreign currency contracts designated as cash flow hedges	5.0	2008 to 2009	6.2	6.2
Forward foreign currency contracts designated as net investment hedges	(0.2)	2008	-	(1.8)
Cross currency swaps designated as net investment hedges	(4.9)	2008 to 2013	0.7	(4.9)
Other forward foreign currency contracts at fair value through profit or loss	(5.0)	2008 to 2012	1.1	-
	(5.1)		8.0	(0.5)

Included in the 2007 net gain of £6.2m was £4.3m in respect of Weir Pumps which was recycled to the income statement in accordance with IAS39 on disposal of the business and this is included within profit from the period from discontinued operations.

Foreign exchange risk

The Group considers the most significant foreign exchange risk relates to the Australian dollar, Canadian dollar, Euro and US dollar. The following table demonstrates the sensitivity to a reasonably possible change in these foreign currency exchange rates with all other variables held constant. The sensitivity analysis shows the effect on profit or loss in respect of financial assets and liabilities denominated in foreign currency, including payables, receivables, borrowings and forward foreign currency contracts but excluding all financial assets and liabilities qualified as either cash flow or net investment hedges. The sensitivity analysis also shows the effect on equity in respect of financial assets and liabilities denominated in foreign currency qualified as either cash flow or net investment hedges including forward foreign currency contracts, borrowings and cross currency swaps. The sensitivity analysis adjusts the translation of each respective financial asset or liability at the year end for a 25% strengthening of sterling against the relevant exchange rates.

	Increase in currency rate	**Effect on profit gain (loss) £m**	**Effect on equity gain (loss) £m**
2008			
Australian dollar	**+25%**	**0.1**	**-**
Canadian dollar	**+25%**	**0.1**	**-**
Euro	**+25%**	**1.3**	**(0.5)**
US dollar	**+25%**	**5.2**	**91.5**
2007			
Australian dollar	+25%	0.2	-
Canadian dollar	+25%	1.6	-
Euro	+25%	0.7	(3.1)
US dollar	+25%	4.9	78.9

As noted above, the Group does not hedge translational exposure arising from profit and loss items. The Group's operating profit from continuing operations before exceptional items and intangible amortisation was denominated in the following currencies: United States dollar £90.9m (2007: £47.4m), Australian dollar £22.3m (2007: £15.8m), Euro £38.0m (2007: £27.5m), Canadian dollar £14.7m (2007: £7.6m), other £19.1m (2007: £18.6m).

Notes to the Group Financial Statements (Continued)

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using the following indicators.

Gearing ratio

Gearing comprises net debt divided by total equity. Net debt comprises cash and short-term deposits and interest-bearing loans and borrowings (see note 26).

	2008	2007
Net debt (£m)	**239.9**	171.3
Total equity (£m)	**707.8**	545.2
Gearing ratio (%)	**34**	31

Net debt to EBITDA cover

Net debt to EBITDA comprises net debt divided by operating profit from continuing operations before exceptional items, depreciation, intangibles amortisation and impairment.

	2008	2007
Net debt (£m)	**239.9**	171.3
Operating profit (£m)	**168.3**	110.9
Depreciation, amortisation & impairment of assets (£m)	**42.3**	22.9
EBITDA (£m)	**210.6**	133.8
Net debt to EBITDA cover (ratio)	**1.1**	1.3

Interest cover

Interest cover comprises operating profit from continuing operations before exceptional items and intangibles amortisation divided by net finance costs (excluding other finance income).

	2008	2007
Operating profit before exceptional items & intangibles amortisation (£m)	**185.0**	116.9
Net finance costs (£m)	**10.6**	5.1
Interest cover (ratio)	**17.5**	22.9

32. Exchange rates

The principal exchange rates applied in the preparation of these financial statements were as follows

	2008	2007
Average rate (per £)		
US dollar	**1.85**	2.01
Australian dollar	**2.17**	2.39
Euro	**1.25**	1.46
Canadian dollar	**1.96**	2.14
Closing rate (per £)		
US dollar	**1.46**	2.00
Australian dollar	**2.14**	2.27
Euro	**1.04**	1.37
Canadian dollar	**1.79**	1.96