

Notes to the Group Financial Statements

1. Authorisation of financial statements & statement of compliance

The consolidated financial statements of The Weir Group PLC (the "Company") and its subsidiaries (together, the "Group") for the 53 weeks ended 1 January 2010 ("2009") were approved and authorised for issue in accordance with a resolution of the directors on 9 March 2010. The comparative information is presented for the 52 weeks ended 26 December 2008 ("2008"). In addition, certain comparative information is presented for the 52 weeks ended 28 December 2007 ("2007") as detailed below. 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 2006.

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

2. Accounting policies

Basis of preparation

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 intangibles 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 & intangibles amortisation" is provided in note 5 to the financial statements.

While updating the valuation of the Group's retirement benefit plans for the purposes of the Group's 2009 interim condensed financial statements, the qualified actuary who advises the Company identified an error in their model used to calculate the actuarial valuation of the Group's UK retirement benefit plans for the periods ended 28 December 2007 and 26 December 2008.

The impact of this was to understate the retirement benefit plan deficits on a cumulative basis by £8.1m at 28 December 2007 and £15.2m at 26 December 2008. There was also a corresponding overstatement of net deferred tax liabilities of £2.3m and £4.3m at those respective period ends.

The impact on the Consolidated Statement of Comprehensive Income was to increase actuarial losses on defined benefit plans by £7.1m and to decrease tax on items taken directly to equity by £2.0m in the 52 weeks ended 26 December 2008.

There was no material impact on the Consolidated Income Statement. The net impact was to overstate Group net assets by £5.8m and £10.9m at 28 December 2007 and 26 December 2008 respectively. All affected balances and amounts have been restated in these financial statements. To this effect, the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and affected notes present restated comparative information for the 52 weeks ended 26 December 2008. In addition, as required by IAS1, the Consolidated Balance Sheet and affected notes also present restated comparative information for the 52 weeks ended 28 December 2007.

The accounting policies which follow are consistent with those of the previous periods except as described below.

IFRS7 (Amendment) Financial Instruments: Disclosures: Improving Disclosure about Financial Instruments: The amended standard requires additional disclosures about fair value measurement in the form of a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. As permitted by the amended standard, comparative information for the disclosures required by the amendments has not been provided in this first year of implementation. The amended disclosures are presented in note 30.

IFRS8 Operating Segments: In adopting IFRS8 the Group concluded that the operating segments were the same as the business segments determined under IAS14 "Segment Reporting". Details of these operating segments are disclosed in note 3, including the new disclosure requirements of IFRS8 and the related revised comparative information.

IAS1 (revised) Presentation of Financial Statements: The adoption of IAS1 (revised) has required the reconciliation of movements in equity, previously disclosed in note 25 to the Group's 2008 annual report, to be presented as a primary statement entitled, "Consolidated Statement of Changes in Equity". In addition the Consolidated Statement of Recognised Income & Expense has been replaced with the Consolidated Statement of Comprehensive Income. In addition to some presentational changes this has resulted in a tax charge of £1.0m in relation to the cost of share-based payments for the 52 weeks ended 26 December 2008 being reclassified from the former Consolidated Statement of Recognised Income & Expense to the Consolidated Statement of Changes in Equity.

IAS23 (revised) Borrowing Costs: In adopting IAS23 (revised) the Group has amended its accounting policy and, from 1 January 2009, now capitalises borrowing costs on qualifying assets. The implementation of this policy has had no material impact on the Group's financial statements.

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

In addition to the above, the following standards and interpretations have been adopted in these financial statements and have not had a material impact on the Group's financial statements in the period of initial application.

IFRS2 (Amendment) Share-based Payment: Vesting Conditions and Cancellations

IAS32 (Amendment) Financial Instruments: Presentation: Puttable Financial Instruments and Obligations Arising on Liquidation

IFRIC13 Customer Loyalty Programmes

IFRIC14 IAS19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Improvements to IFRS

In May 2008, the International Accounting Standards Board issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and to clarify wording. There are separate transitional provisions for each standard. The adoption of the amendments did not have any impact on the financial position or performance of the Group. Some of the key amendments and their impact are detailed below.

IFRS8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. On the basis that the chief operating decision maker reviews segment assets and liabilities the Group discloses this information in note 3.

IAS7 Statement of Cash Flows: explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the cash flow statement of the contingent consideration upon cash settlement in relation to the acquisition of Weir SOS which was completed in 2008 (note 13).

IAS36 Impairment of Assets: when discounted cash flows are used to estimate "fair value less costs to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". This amendment has no impact on the Group because the recoverable amount of its cash generating units is estimated using "value in use". The amendment also clarified that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS8 before aggregation for reporting purposes. This amendment has no impact on the Group as the annual impairment test is performed before aggregation.

The Group has also adopted the following standards which have been issued with an effective date after the date of these financial statements.

IAS27 (Amendment) Consolidated and Separate Financial Statements: The adoption of this standard has resulted in the separate disclosure of each item of other comprehensive income in the Consolidated Statement of Changes in Equity. In addition, minority interests are now referred to as "non-controlling interests".

IFRS3 (revised) Business Combinations: IFRS3 (revised) is applied to business combinations arising from 27 December 2008. This requires recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. In addition, transaction costs are required to be recognised immediately in the income statement. As there have been no business combinations in the 53 weeks ended 1 January 2010 the adoption of this standard has had no impact on the Group's financial statements in the period of initial application.

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 in the Financial review on page 27.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of The Weir Group PLC and its subsidiaries, 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.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented within equity in the Consolidated Balance Sheet, separately from the Company shareholders equity.

2. Accounting policies (continued)

Joint ventures

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.

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 Consolidated Statement of Comprehensive Income.

Any goodwill arising on the acquisition of a joint venture, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the joint venture and is not amortised. To the extent that the net fair value of the joint venture'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'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 and joint ventures 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 recognised in other comprehensive income 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 Consolidated 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 Consolidated 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. Cost includes borrowing costs for qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Prior to this date, the Group recognised all borrowing costs as an expense immediately. 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

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

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.

Goodwill

Business combinations are accounted for using the acquisition 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. Acquisition costs are expensed in the period in which they are incurred. 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.

2. Accounting policies (continued)

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.

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 and 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 & hedge accounting

The Group uses derivative financial instruments, principally forward foreign currency contracts and cross currency swaps, to reduce its exposure to exchange rate movements. The Group also uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. 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 as the present value of the estimated future cash flows based on spot and forward foreign exchange rates. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. 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 that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in other comprehensive income rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in other comprehensive income 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.

Notes to the Group Financial Statements (continued)

2. Accounting policies (continued)

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 other comprehensive income is kept in other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to net profit or loss for the period.

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 Long Term Incentive Plan ("LTIP"). The Group recognises a compensation cost in respect of this plan that is based on the fair value of the awards. 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 and the Group 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 revenue reserves. No gain or loss is recognised in total comprehensive income 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 comprehensive income 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 costs represent the Group's contributions to the plans and these are charged to the income statement in the period in which they fall due.

Leases

Leases which transfer to the Group substantially all of 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:

- i) 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;
- ii) Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future;
- iii) 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.

2. Accounting policies (continued)

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 International Accounting Standards Board and International Financial Reporting Interpretations Committee have issued the following standards and interpretations, which are considered relevant to the Group, with an effective date after the date of these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date for periods commencing
	Improvements to IFRS (issued 16 April 2009)*	1 July 2009
IAS24	Related Party Disclosures (Revised)*	1 January 2011
IAS32	Classification of Rights Issues (Amendment to IAS32 Financial Instruments: Presentation)	1 February 2010
IAS39	Eligible Hedged Items (Amendment to IAS39 Financial Instruments: Recognition and Measurement)	1 July 2009
IFRS2	Group Cash-settled Share-based Payment Transactions (Amendments to IFRS2 Share-based Payment)*	1 January 2010
IFRS9	Financial Instruments*	1 January 2013
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC14	Amendment to IFRIC14 Prepayments of a Minimum Funding Requirement*	1 January 2011
IFRIC16	Hedges of a Net Investment in a Foreign Operation	30 June 2009
IFRIC18	Transfers of Assets from Customers*	1 July 2009
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010

*not yet adopted for use in the European Union

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.

3. Segment information

For management purposes the Group is organised into three operating divisions: Minerals, Oil & Gas and Power & Industrial. These three divisions are organised and managed separately based on the key markets served and each is treated as an operating segment and a reportable segment in accordance with IFRS8. The operating and reportable segments were determined based on the reports reviewed by the Group Executive which are used to make operational decisions.

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

All other segments, which are disclosed as Group companies, include the results of Liquid Gas Equipment which supplies equipment to the liquefied petroleum gas marine and onshore markets. In 2008, it also included the results of the Canadian distribution business and the Materials and Foundries businesses up to the dates of disposal on 29 August, 2 and 3 October 2008 respectively. None of the businesses disposed of were of a sufficient size to meet the definition of a discontinued operation under IFRS5.

The Group Executive assesses the performance of the operating segments based on operating profit from continuing operations before exceptional items and intangibles amortisation, including impairment ("segment result"). Finance income and expenditure and associated interest-bearing liabilities and derivative financial instruments are not allocated to segments as all treasury activity is managed centrally by the Group treasury function. The amounts provided to the Group Executive with respect to assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Group Financial Statements (continued)

3. Segment information (continued)

The segment information provided to the Group Executive for the reportable segments for the 53 weeks ended 1 January 2010 and the 52 weeks ended 26 December 2008 is disclosed below.

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Revenue								
Sales to external customers								
- existing operations	734.5	697.2	287.1	271.7	242.0	222.8	1,263.6	1,191.7
- acquisitions*	78.8	45.2	11.9	8.2	-	-	90.7	53.4
Sales to external customers	813.3	742.4	299.0	279.9	242.0	222.8	1,354.3	1,245.1
Inter-segment sales	2.3	2.5	5.6	0.7	2.8	7.4	10.7	10.6
Segment revenue	815.6	744.9	304.6	280.6	244.8	230.2	1,365.0	1,255.7
Group companies sales to external customers								
- ongoing operations							35.9	74.4
- other disposals*							-	34.1
Group companies inter-segment sales							-	2.6
Eliminations							(10.7)	(13.2)
							1,390.2	1,353.6
Sales to external customers - at 2009 average exchange rates								
- existing operations	734.5	772.8	287.1	313.1	242.0	240.1	1,263.6	1,326.0
- acquisitions*	78.8	52.6	11.9	9.7	-	-	90.7	62.3
Sales to external customers	813.3	825.4	299.0	322.8	242.0	240.1	1,354.3	1,388.3
Group companies sales to external customers								
- ongoing operations							35.9	74.4
- other disposals*							-	36.0
							1,390.2	1,498.7
Result								
Segment result								
- existing operations	118.6	107.1	44.8	55.1	23.0	18.0	186.4	180.2
- acquisitions*	15.0	7.4	2.6	1.5	-	-	17.6	8.9
	133.6	114.5	47.4	56.6	23.0	18.0	204.0	189.1
Share of results of joint ventures	-	-	4.6	4.4	-	-	4.6	4.4
Segment result	133.6	114.5	52.0	61.0	23.0	18.0	208.6	193.5
Group companies								
- ongoing operations							4.9	4.6
- other disposals*							1.9	(2.6)
Unallocated expenses							(10.7)	(10.5)
Operating profit before exceptional items & intangibles amortisation							204.7	185.0
Exceptional items & intangibles amortisation							(16.6)	(16.7)
Net finance costs							(16.2)	(10.6)
Other finance (costs) income - retirement benefits							(1.5)	1.8
Profit before tax from continuing operations							170.4	159.5
Segment result - at 2009 average exchange rates								
- existing operations	118.6	121.0	44.8	65.6	23.0	19.9	186.4	206.5
- acquisitions*	15.0	9.4	2.6	2.0	-	-	17.6	11.4
	133.6	130.4	47.4	67.6	23.0	19.9	204.0	217.9
Share of results of joint ventures	-	-	4.6	5.2	-	-	4.6	5.2
Segment result	133.6	130.4	52.0	72.8	23.0	19.9	208.6	223.1
Group companies								
- ongoing operations							4.9	4.6
- other disposals*							1.9	(2.6)
Unallocated expenses							(10.7)	(10.7)
							204.7	214.4

* Acquisitions include Weir Warman, Weir Mesa and Weir SOS. The results of Weir SPM are no longer included within "acquisitions" as Weir SPM was part of the Group for the whole of 2008. Other disposals include the Materials and Foundries businesses and the Canadian distribution business for 2008.

There are no material revenues derived from a single external customer.

3. Segment information (continued)

	Minerals		Oil & Gas		Power & Industrial		Total continuing operations	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Assets & liabilities								
Property, plant & equipment	129.5	111.9	33.9	37.3	35.7	40.0	199.1	189.2
Working capital assets	276.6	313.9	146.7	170.1	74.1	117.3	497.4	601.3
	406.1	425.8	180.6	207.4	109.8	157.3	696.5	790.5
Investments in joint ventures	-	-	9.7	10.3	-	-	9.7	10.3
Segment assets	406.1	425.8	190.3	217.7	109.8	157.3	706.2	800.8
Group companies assets							4.3	11.2
Unallocated assets							841.0	945.4
Total assets							1,551.5	1,757.4
Working capital liabilities	174.1	192.5	80.4	79.9	53.1	62.4	307.6	334.8
Group companies liabilities							22.5	38.4
Unallocated liabilities							479.0	687.3
Total liabilities							809.1	1,060.5
Other segment information								
Segment additions to non-current assets	29.7	32.2	7.1	10.1	3.7	10.2	40.5	52.5
Group companies additions to non-current assets							-	0.7
Unallocated additions to non-current assets							0.1	0.1
Total additions to non-current assets							40.6	53.3
Segment depreciation & amortisation	19.2	15.0	18.8	15.9	6.3	5.5	44.3	36.4
Group companies depreciation & amortisation							-	0.3
Unallocated depreciation & amortisation							0.5	0.5
Total depreciation & amortisation							44.8	37.2
Segment impairment	1.0	5.1	-	-	-	-	1.0	5.1
Total impairment							1.0	5.1
Segment warranty expense (income) (net)	5.8	6.4	0.7	(0.1)	1.5	0.8	8.0	7.1
Group companies warranty expense (net)							1.0	1.2
Total warranty expense (net)							9.0	8.3

Unallocated assets primarily comprise intangible assets, cash and short-term deposits, derivative financial instruments, income tax receivable and deferred tax assets as well as those assets which are used for general head office purposes. Unallocated liabilities primarily comprise interest-bearing loans and borrowings, derivative financial instruments, income tax payable, provisions, deferred tax liabilities and retirement benefit deficits as well as liabilities relating to general head office activities. Segment additions to non-current assets do not include those additions which have arisen from business combinations (note 13).

Notes to the Group Financial Statements (continued)

3. Segment information (continued)

Geographical information

The geographical information in respect of revenue and non-current assets for the 53 weeks ended 1 January 2010 and the 52 weeks ended 26 December 2008 is disclosed below. Revenues are allocated based on the location to which the product is shipped. Assets are allocated based on the location of the assets and operations. Non-current assets consist of property, plant and equipment, investment property, intangible assets and investments in joint ventures. There are no material revenues from external customers or non-current assets attributable to an individual foreign country included within the categories shown below.

53 weeks ended 1 January 2010

	UK £m	North America £m	Canada £m	Europe & FSU £m	Asia £m	Australasia £m	South America £m	Middle East & Africa £m	Total £m
Revenue									
Sales to external customers	98.3	283.7	119.8	163.4	206.7	126.2	172.3	219.8	1,390.2
Revenue from continuing operations	98.3	283.7	119.8	163.4	206.7	126.2	172.3	219.8	1,390.2
Non-current assets	99.3	433.8	13.9	133.0	6.0	132.4	37.3	97.5	953.2

52 weeks ended 26 December 2008

	UK £m	North America £m	Canada £m	Europe & FSU £m	Asia £m	Australasia £m	South America £m	Middle East & Africa £m	Total £m
Revenue									
Sales to external customers	120.8	299.8	136.1	141.3	201.8	126.5	155.1	189.0	1,370.4
Less sales attributable to discontinued operations	(10.5)	(2.2)	-	(2.5)	-	(1.6)	-	-	(16.8)
Revenue from continuing operations	110.3	297.6	136.1	138.8	201.8	124.9	155.1	189.0	1,353.6
Non-current assets	100.9	490.1	13.5	145.6	6.6	113.4	27.6	98.5	996.2

4. Revenues & expenses

The following disclosures are given in relation to continuing operations.

	2009 £m	2008 £m
An analysis of the Group's revenue is as follows		
Original equipment	588.3	583.7
Aftermarket parts	489.5	450.5
Sales of goods	1,077.8	1,034.2
Aftermarket services	256.1	229.7
Revenue from construction contracts	56.3	89.7
Revenue	1,390.2	1,353.6
Finance income	2.5	6.6
Total revenue	1,392.7	1,360.2

No revenue was derived from exchanges of goods or services (2008: £nil).

	2009 £m	2008 £m
A reconciliation of revenue to operating profit is as follows		
Revenue	1,390.2	1,353.6
Cost of sales	(935.0)	(930.1)
Gross profit	455.2	423.5
Other operating income	3.4	2.5
Selling & distribution costs	(145.8)	(136.1)
Administrative expenses	(129.3)	(126.0)
Share of results of joint ventures	4.6	4.4
Operating profit	188.1	168.3

4. Revenues & expenses (continued)

	2009 £m	2008 £m
Operating profit is stated after charging		
Cost of inventories recognised as an expense	935.0	930.1
Depreciation of property, plant & equipment & investment property	28.2	22.8
Amortisation of intangible assets	16.6	14.4
Impairment of intangible assets (note 12)	-	2.3
Impairment of plant & equipment (note 11)	1.0	2.8
Net foreign exchange losses	1.8	0.3
Net impairment of trade receivables (note 17) (included within administrative expenses)	4.6	5.4
Net loss on other current period disposals	2.6	2.6

The following disclosures are given in relation to total operations.

	2009 £m	2008 £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 & 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	0.8	0.9
Transaction support services	-	0.2
Fees payable in respect of the Group's pension schemes		
Audit	0.1	0.1

Research & development costs

Research & development costs consist of £9.7m (2008: £9.8m) charged directly to cost of sales in the income statement.

Operating leases

Minimum lease payments under operating leases recognised as an expense in the period were £16.8m (2008: £13.3m).

	2009 £m	2008 £m
Employee benefits expense		
Wages & salaries	285.3	270.8
Social security costs	32.3	31.4
Pension costs		
Defined benefit plans	1.3	2.5
Defined benefit plans curtailment (gain) loss	(1.5)	2.4
Defined benefit plans settlement gains	(2.2)	-
Defined contribution plans	10.3	8.1
Share-based payments - equity settled transactions	1.6	2.8
	327.1	318.0

	2009 Number	2008 Number
The average monthly number of persons employed by the Company and its subsidiaries is as follows		
Minerals	5,230	5,320
Oil & Gas	1,601	1,561
Power & Industrial	1,870	1,973
Group companies	104	344
Discontinued operations	-	172
	8,805	9,370

Notes to the Group Financial Statements (continued)

5. Exceptional items & intangibles amortisation

	2009 £m	2008 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	(16.6)	(14.4)
Impairment of intangibles (note 12)	-	(2.3)
	(16.6)	(16.7)
Recognised in arriving at profit for the period from discontinued operations		
Exceptional items (note 8)	-	55.1
Intangibles amortisation (note 8)	-	(0.1)
	-	55.0

6. Finance (costs) income

Finance costs

	2009 £m	2008 £m
Interest payable on bank loans & overdrafts	(4.2)	(14.6)
Losses transferred from equity in respect of interest rate swaps	(4.3)	(0.5)
Ineffective portion of interest rate swaps transferred from equity	(3.7)	-
Losses on financial assets & liabilities at fair value through profit & loss	(5.1)	(1.1)
Finance charges payable under finance leases	(0.1)	(0.1)
Finance charges related to committed loan facilities	(1.3)	(0.9)
	(18.7)	(17.2)

Finance income

	2009 £m	2008 £m
Interest receivable on financial assets	0.9	1.4
Gains on financial assets & liabilities at fair value through profit & loss	1.6	5.2
	2.5	6.6

7. Tax expense

Income tax expense

	2009 £m	2008 £m	2007 £m
Consolidated Income Statement			
Current income tax			
UK corporation tax - continuing operations	(10.3)	(8.4)	(8.3)
- discontinued operations	-	(0.4)	(0.8)
Adjustments in respect of current income tax of previous years	0.7	0.2	4.6
UK corporation tax	(9.6)	(8.6)	(4.5)
Foreign tax - continuing operations	(38.1)	(47.2)	(21.5)
- discontinued operations	-	(0.4)	(0.4)
Adjustments in respect of current income tax of previous years	5.0	1.2	(1.0)
Total current income tax	(42.7)	(55.0)	(27.4)
Deferred income tax			
Origination & reversal of temporary differences			
- continuing operations	(6.9)	3.4	(7.9)
- discontinued operations	-	(2.0)	(0.4)
Adjustment to estimated recoverable deferred tax assets	2.8	4.3	2.8
Effect of changes in tax rates	-	-	0.6
Total deferred tax*	(4.1)	5.7	(4.9)
Total income tax expense in the Consolidated Income Statement	(46.8)	(49.3)	(32.3)

* Includes £4.2m of deferred tax charge relating to foreign tax (2008: a credit of £10.0m; 2007: a charge of £2.6m)

The total income tax expense is disclosed in the Consolidated Income Statement as follows.

	2009 £m	2008 £m	2007 £m
Tax expense - continuing operations before exceptional items & intangibles amortisation	(52.2)	(51.8)	(32.1)
- intangibles amortisation	5.4	5.3	2.0
- within profit from discontinued operations	-	(2.8)	(2.2)
Total income tax expense in the Consolidated Income Statement	(46.8)	(49.3)	(32.3)

Current tax for 2009 has been reduced by £2.8m (2008: £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.

Notes to the Group Financial Statements (continued)

7. Tax expense (continued)

Tax relating to items charged or credited to equity

	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Consolidated Statement of Comprehensive Income			
Current tax on contributions in excess of costs through the income statement	3.8	2.6	-
Deferred tax - origination & reversal of temporary differences	12.4	15.0	(5.7)
Tax credit (charge) on actuarial losses / gains on retirement benefits	16.2	17.6	(5.7)
Deferred tax (charge) credit on hedge gains / losses	(3.5)	4.8	-
Effect of changes in tax rates	-	-	0.1
Tax credit (charge) in the Consolidated Statement of Comprehensive Income	12.7	22.4	(5.6)

	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Consolidated Statement of Changes in Equity			
Deferred tax on share-based payments	0.7	(1.2)	0.4
Current tax on share-based payments	0.5	0.2	0.5
Tax credit (charge) in the Consolidated Statement of Changes in Equity	1.2	(1.0)	0.9

Reconciliation of the total tax charge

The tax expense in the Consolidated Income Statement for the period is less than the weighted average of standard rates of corporation tax across the Group of 29.3% (2008: 31.2%; 2007: 31.3%). The differences are reconciled below.

	2009 £m	2008 £m	2007 £m
Profit from continuing operations before tax	170.4	159.5	109.0
Profit from discontinued operations before tax	5.2	60.6	98.3
Accounting profit before tax	175.6	220.1	207.3
At the weighted average of standard rates of corporation tax across the Group of 29.3% (2008: 31.2%; 2007: 31.3%)	51.5	68.7	64.8
Adjustments in respect of previous years - current tax	(5.7)	(1.4)	(3.6)
- deferred tax	7.8	0.3	(0.5)
Effect of changes in tax rates	-	-	(0.6)
Joint ventures & associate	(0.7)	(1.4)	(2.0)
Unrecognised deferred tax assets	(2.8)	(4.3)	(2.8)
Overseas tax on unremitted earnings	4.2	3.2	1.1
Industrial buildings allowance	-	1.5	-
Permanent differences	(6.0)	(3.8)	0.2
Gains exempt from tax	(1.5)	(13.5)	(24.3)
At effective tax rate of 26.7% (2008: 22.4%; 2007: 15.6%)	46.8	49.3	32.3

8. Discontinued operations

During the 53 weeks ended 1 January 2010 there were no disposals of businesses which were of a sufficient size to meet the definition of a discontinued operation under IFRS5.

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, were recycled to the income statement as part of the gain on sale in accordance with IAS21. In 2009, following the expiry of certain warranty periods, an unutilised amount of £5.2m has been released to the income statement.

In 2008, profits recognised in respect of prior periods disposals related to the negotiated settlement of claims.

The revenue, results and cash flows relating to discontinued operations are shown below.

	2009 £m	2008 £m
Sale of goods	-	1.4
Aftermarket services	-	9.7
Revenue from construction contracts	-	5.7
Revenue	-	16.8
Cost of sales	-	(12.9)
Selling & distribution costs	-	(0.6)
Administrative expenses	-	(1.8)
Operating profit	-	1.5
Income tax	-	(0.4)
Profit after tax	-	1.1
Profits recognised in respect of prior periods disposals (after tax)	5.2	1.6
Profit for the period from discontinued operations*	5.2	2.7
Net gain on current period disposals - exceptional items (before tax)	-	57.5
Taxation	-	(2.4)
Net gain on current period disposals - exceptional items (after tax)	-	55.1
Profit for the period from discontinued operations	5.2	57.8
* Including intangibles amortisation net of tax of £nil (2008: £0.1m)		
Operating profit is stated after charging (crediting)		
Cost of inventories recognised as an expense	-	12.9
Depreciation & amortisation	-	0.4
Net foreign exchange gains	-	(0.4)
The income tax is analysed as follows		
On profit on ordinary activities	-	(0.4)
In respect of prior periods disposals	-	(2.4)
The cash inflow from current period disposals was as follows		
Consideration	-	63.7
Costs associated with the disposals	-	(3.1)
Net cash inflow	-	60.6
Capital expenditure	-	0.3

Notes to the Group Financial Statements (continued)

8. Discontinued operations (continued)

Earnings per share from discontinued operations were as follows.

	2009 pence	2008 pence
Basic	2.5p	27.6p
Diluted	2.5p	27.3p

These earnings per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations of £5.2m (2008: £57.8m) 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.

	2009 £m	2008 £m
Property, plant & equipment	-	5.1
Intangible assets	-	0.9
Inventories	-	0.2
Trade & other receivables	-	13.3
Construction contracts assets	-	1.8
Trade & other payables	-	(12.0)
Construction contracts liabilities	-	(9.6)
Derivative financial instruments	-	(0.1)
Provisions	-	(1.3)
Current tax	-	(0.3)
Deferred tax	-	0.1
	-	(1.9)

9. Earnings per share

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

	2009	2008
Basic earnings per share		
Profit attributable to equity holders of the Company		
Total operations (£m)	128.8	170.8
Continuing operations (£m)	123.6	113.0
Continuing operations before exceptional items & intangibles amortisation (£m)	134.8	124.4
Weighted average share capital (number of shares, million)	210.3	209.9
Diluted earnings per share		
Profit attributable to equity holders of the Company		
Total operations (£m)	128.8	170.8
Continuing operations (£m)	123.6	113.0
Continuing operations before exceptional items & intangibles amortisation (£m)	134.8	124.4
Weighted average share capital (number of shares, million)	212.0	211.0

9. Earnings per share (continued)

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

	2009 Shares Million	2008 Shares Million
Weighted average number of ordinary shares for basic earnings per share	210.3	209.9
Effect of dilution: share options	-	0.1
LTIP awards	1.7	0.6
conditional share award	-	0.4
Adjusted weighted average number of ordinary shares for diluted earnings per share	212.0	211.0

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.

	2009 £m	2008 £m
Net profit attributable to equity holders from continuing operations	123.6	113.0
Exceptional items & intangibles amortisation net of tax	11.2	11.4
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation	134.8	124.4

There have been no share options (2008: nil) exercised between the reporting date and the date of signing of these financial statements.

10. Dividends paid & proposed

	2009 £m	2008 £m
Declared & paid during the period		
Equity dividends on ordinary shares		
Final dividend for 2008: 13.85p (2007: 12.35p)	29.1	25.9
Interim dividend for 2009: 4.80p (2008: 4.65p)	10.1	9.8
	39.2	35.7
Proposed for approval by shareholders at the annual general meeting		
Final dividend for 2009: 16.20p (2008: 13.85p)	34.1	29.1

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.

Notes to the Group Financial Statements (continued)

11. Property, plant & equipment & investment property

	Land & buildings £m	Plant & equipment £m	Total property, plant & equipment £m	Investment property £m
Cost				
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
Additions	2.8	35.2	38.0	-
Disposals	(0.7)	(9.7)	(10.4)	-
Reclassifications to intangible assets	(1.1)	(2.2)	(3.3)	-
Exchange adjustment	(0.2)	4.9	4.7	-
At 1 January 2010	87.2	268.3	355.5	11.8
Accumulated depreciation & impairment				
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
Depreciation charge for the period	2.5	25.4	27.9	0.3
Impairment	-	1.0	1.0	-
Disposals	(0.1)	(8.2)	(8.3)	-
Reclassifications to intangible assets	(0.1)	(2.2)	(2.3)	-
Exchange adjustment	(0.6)	1.5	0.9	-
At 1 January 2010	24.5	131.6	156.1	7.6
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
Net book value at 1 January 2010	62.7	136.7	199.4	4.2

The carrying value of buildings held under finance leases is £1.7m (2008: £2.0m). The carrying value of plant and equipment held under finance leases is £0.3m (2008: £0.4m). Leased assets are pledged as security for the related finance lease liabilities.

The carrying amount of assets under construction included in plant and equipment is £6.3m (2008: £6.9m).

Following the disposal of the Glasgow-based pump manufacturing operation 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. The rental income included in the income statement amounts to £1.8m (2008: £1.0m). A three year lease was entered with Clyde Union Ltd effective from 1 April 2009. This lease provides £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 £1.0m (2008: £2.8m) 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.

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 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
Additions	-	-	-	2.0	1.1	-	3.1
Disposals	(2.9)	-	-	(0.9)	-	-	(3.8)
Reclassifications from property, plant & equipment	-	-	-	3.3	-	-	3.3
Exchange adjustment	(15.2)	(8.1)	(12.8)	1.2	(1.7)	(0.5)	(37.1)
At 1 January 2010	494.1	90.2	150.5	22.3	22.5	12.7	792.3
Accumulated amortisation & impairment							
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
Amortisation charge for the period	-	-	9.9	2.8	2.2	1.7	16.6
Disposals	-	-	-	(0.6)	-	-	(0.6)
Reclassifications from property, plant & equipment	-	-	-	2.3	-	-	2.3
Exchange adjustment	-	-	(0.8)	1.0	(0.4)	(0.7)	(0.9)
At 1 January 2010	-	-	20.5	14.8	7.7	9.4	52.4
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
Net book value at 1 January 2010	494.1	90.2	130.0	7.5	14.8	3.3	739.9

The impairment charge in 2008 of £2.3m 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 carrying value of £90.2m is tested annually for impairment (note 14). The brand name value comprises the brands of Weir Warman, Weir SPM, Weir Gabbioneta, Weir Mesa and Weir Multiflo, 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 market and is considered to be a market leader. Weir SPM and Weir Gabbioneta brands both have long histories in the oil and gas markets where they are both considered to be market leaders.

Notes to the Group Financial Statements (continued)

12. Intangible assets (continued)

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

	Remaining amortisation period		Customer relationships	
	2009 Years	2008 Years	2009 £m	2008 £m
Weir SPM	22	23	96.4	111.6
Weir Gabbioneta	21	22	16.4	18.6
Weir Warman	8	9	10.3	10.7
Other	Up to 6	Up to 9	6.9	11.0
			130.0	151.9

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

	2009 £m	2008 £m
Cost of sales	1.9	0.7
Selling & distribution costs	0.3	0.2
Administrative expenses	14.4	13.5
Profit for the period from discontinued operations	-	0.1
Amortisation charge for the period	16.6	14.5
Impairment of intangibles (included within administrative expenses)	-	2.3
Intangibles amortisation & impairment charge for the period	16.6	16.8

13. Business combinations

There were no business combinations during the 53 weeks ended 1 January 2010.

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 family 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% within the next three years. The total cash consideration payable was £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 non-controlling 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.

From the date of 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 of goodwill recognised above 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.

Notes to the Group Financial Statements (continued)

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 amounts allocated as "Other" are not considered significant in comparison to their respective total carrying amounts.

	Year acquired	2009 Goodwill £m	2009 Intangibles* £m	2008 Goodwill £m	2008 Intangibles* £m
Weir SPM	2007	220.0	28.5	242.5	31.5
Warman companies	1999	116.5	-	102.9	-
Weir Gabbioneta	2005	63.9	6.0	69.1	6.6
Weir Warman	2008	55.8	51.4	55.7	56.7
Other	various	37.9	4.3	42.0	3.5
		494.1	90.2	512.2	98.3

* Intangible assets with indefinite lives (brand names)

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	14.2% (2008: 13.4%)	1.2% (2008: 1.2%)	Revenue growth ⁴ EBIT margins ³	External forecast Historic experience
Warman companies	Value in use	5 Years	15.2% (2008: 14.6%)	1.2% (2008: 1.2%)	Revenue growth ⁵ EBIT margins ³	External forecast Historic experience
Weir Gabbioneta	Value in use	5 Years	12.9% (2008: 14.6%)	1.2% (2008: 1.2%)	Revenue growth ⁶ EBIT margins ³	External forecast Historic experience
Weir Warman	Value in use	5 years	19.3% (2008: 17.8%)	4.0% (2008: 4.0%)	Revenue growth ⁷ EBIT margins ³	External forecast Historic experience

¹ Discount rate

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. In the main there has been an increase in the WACC relative to 2008 largely due to an increase in government bond yields partially offset by a reduction in lending margins that banks place on borrowing costs. The WACC in relation to Weir Gabbioneta has decreased relative to 2008 as Italian government bond yields have remained broadly in line with 2008 while bank lending margins have reduced.

² Real growth

Real growth beyond the five 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 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.

⁴ 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 take 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 of 2009.

⁵ 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 of 2009.

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

⁶Weir Gabbioneta

Weir Gabbioneta is a supplier of heavy duty process applications to oil and gas refinery, petro-chemical 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 of 2009.

⁷Weir 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 of 2009.

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

The significant investments in joint ventures are as follows.

	Total £m
At 28 December 2007	7.2
Share of results	4.4
Share of dividends	(3.5)
Exchange adjustment	2.2
At 26 December 2008	10.3
Share of results	4.6
Share of dividends	(5.9)
Exchange adjustment	0.7
At 1 January 2010	9.7

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

	2009 £m	2008 £m
Share of joint ventures balance sheets		
Goodwill	3.3	3.6
Current assets	8.0	11.0
Non-current assets	3.1	2.9
Current liabilities	(3.8)	(5.2)
Non-current liabilities	(0.9)	(2.0)
Net assets	9.7	10.3
Share of joint ventures revenue & profits		
Revenue	17.0	17.5
Cost of sales	(9.5)	(10.5)
Selling & distribution costs	(0.5)	(0.4)
Administrative expenses	(1.6)	(1.4)
Income tax expense	(0.8)	(0.8)
Profit after tax	4.6	4.4
Carrying value of investments in joint ventures	9.7	10.3

The Group's significant investments in joint ventures are listed on page 123.

Notes to the Group Financial Statements (continued)

16. Inventories

	2009 £m	2008 £m
Raw materials	57.4	87.3
Work in progress	76.4	69.6
Finished goods	101.5	112.7
	235.3	269.6

The carrying amount of inventory at fair value less costs to sell is £18.8m (2008: £17.8m). During the period, £5.2m (2008: £8.6m) was recognised as an expense within cost of sales resulting from the write down of inventory.

17. Trade & other receivables

	2009 £m	2008 £m
Trade receivables	221.5	274.2
Allowance for doubtful debts	(13.1)	(11.7)
	208.4	262.5
Other debtors	14.1	20.4
Sales tax receivable	7.9	10.6
Accrued income	2.2	6.6
Prepayments	7.9	9.1
	240.5	309.2

The average credit period on sales of goods is 47 days (2008: 52 days).

Analysis of trade receivables

	2009 £m	2008 £m
Neither impaired nor past due	166.7	217.5
Past due but not impaired	41.7	45.0
Impaired	13.1	11.7
	221.5	274.2

Ageing of past due but not impaired trade receivables

	2009 £m	2008 £m
Up to 3 months	32.7	32.1
Between 3 & 6 months	4.9	9.0
More than 6 months	4.1	3.9
	41.7	45.0

Movement in the allowance for doubtful debts

	2009 £m	2008 £m
Balance at the beginning of the period	(11.7)	(4.2)
Impairment losses recognised on receivables	(6.3)	(5.6)
Amounts written off as uncollectable	2.0	0.1
Amounts recovered during the period	0.9	0.1
Impairment losses reversed	1.7	0.2
Exchange adjustment	0.3	(2.3)
Balance at the end of the period	(13.1)	(11.7)

17. Trade & other receivables (continued)

Ageing of impaired trade receivables

	2009 £m	2008 £m
Up to 3 months	1.3	0.4
Between 3 & 6 months	1.8	0.8
More than 6 months	10.0	10.5
	13.1	11.7

18. Construction contracts

	2009 £m	2008 £m
Gross amount due from customers for contract work (included in current assets)	25.9	30.6
Gross amount due to customers for contract work (included in current liabilities)	(23.2)	(46.7)
	2.7	(16.1)
Contract costs incurred plus recognised profits less recognised losses to date	183.3	185.8
Less: progress billings	(180.6)	(201.9)
	2.7	(16.1)

The amount of retentions held by customers for contract work amounted to £0.2m (2008: £0.6m) and the amount of advances received from customers for contract work amounted to £nil (2008: £nil).

19. Cash & short-term deposits

	2009 £m	2008 £m
Cash at bank & in hand	54.5	72.9
Short-term deposits	2.5	1.2
	57.0	74.1
For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following		
Cash & short-term deposits	57.0	74.1
Bank overdrafts & short-term borrowings (note 20)	(1.3)	(20.5)
	55.7	53.6

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.

Notes to the Group Financial Statements (continued)

20. Interest-bearing loans & borrowings

	2009 £m	2008 £m
Current		
Bank overdrafts	1.3	18.1
Short-term borrowings	-	2.4
	1.3	20.5
Bank loans	0.3	50.4
Obligations under finance leases (note 27)	0.4	0.5
	2.0	71.4
Non-current		
Bank loans	173.7	241.8
Obligations under finance leases (note 27)	0.5	0.8
	174.2	242.6

	Maturity	Interest basis	Weighted average interest rate		2009 £m	2008 £m
			2009 %	2008 %		
Bank loans comprise the following						
Bilateral						
Canadian dollar variable rate loans	2009	CAD\$ LIBOR	-	2.93	-	50.3
Canadian dollar variable rate loans	2011	CAD\$ LIBOR	0.90	3.13	65.0	20.7
United States dollar variable rate loans	2011	US\$ LIBOR	0.89	2.18	108.1	206.1
Sterling variable rate loans	2011	LIBOR	-	2.81	-	15.0
Other						
Euro fixed rate loans	2009	FIXED	-	5.40	-	0.1
Indian rupee term loan	2013	FIXED	13.75	-	0.9	-
					174.0	292.2
Less current instalments due on bank loans						
Canadian dollar variable rate loans					-	(50.3)
Euro fixed rate loans					-	(0.1)
Indian rupee term loan					(0.3)	-
Non-current bank loans					173.7	241.8

CAD\$ LIBOR is the Canadian dollar London Inter Bank Offer Rate. US\$ LIBOR is the United States dollar London Inter Bank Offer Rate. LIBOR is the sterling London Inter Bank Offer Rate. The weighted average interest rates include an applicable margin over and above the interest basis.

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

During 2008, the Group entered into a series of bilateral facilities with nine banks totalling £625.0m. As at 1 January 2010, £173.1m (2008: £241.8m) was drawn under these bilateral facilities. In 2008, the Group also had a CAD\$90.0m facility and a £20.0m multi-currency facility both of which matured in 2009. In 2009, the Group entered into a new Indian rupee 79.0m (£1.0m) term loan. As at 1 January 2010, £0.9m was outstanding on the term loan.

In 2008, the Group entered into a series of interest rate swaps to fix the rate of interest that it would pay on US\$200.0m variable rate borrowings. During 2009, this was reduced to US\$50.0m. The interest rate swaps fixed the whole term of interest at a weighted average of 3.26% (2008: 3.43%) plus the applicable margin for this element of the Group's debt.

Events after the balance sheet date

On 11 January 2010, the Group issued the equivalent of US\$250.0m of five year (US\$110.0m) and eight year (US\$140.0m) fixed rate notes. Resulting from this, the Group repaid US\$145.0m and CAD\$110.0m of its variable rate borrowings.

21. Trade & other payables

	2009 £m	2008 £m
Trade payables	171.8	194.1
Other creditors	18.3	30.5
Other taxes & social security costs	12.1	14.0
Accruals	60.1	63.0
Deferred consideration (note 13)	2.7	2.7
Deferred income	71.3	49.3
	336.3	353.6

22. Provisions

	Warranties £m	Employee related £m	Discontinued operations warranty & indemnity £m	Onerous sales contracts £m	Other £m	Total £m
At 26 December 2008	24.5	19.9	11.9	4.6	6.0	66.9
Additions	12.5	7.3	-	0.3	4.0	24.1
Utilised	(5.3)	(3.7)	-	(0.6)	(1.8)	(11.4)
Unutilised	(3.5)	(0.1)	(5.2)	(0.1)	(0.1)	(9.0)
Exchange adjustment	(0.8)	0.6	-	(0.2)	0.3	(0.1)
At 1 January 2010	27.4	24.0	6.7	4.0	8.4	70.5
Current 2009	18.9	4.2	1.5	3.9	5.3	33.8
Non-current 2009	8.5	19.8	5.2	0.1	3.1	36.7
	27.4	24.0	6.7	4.0	8.4	70.5
Current 2008	17.2	4.1	1.6	4.6	3.0	30.5
Non-current 2008	7.3	15.8	10.3	-	3.0	36.4
	24.5	19.9	11.9	4.6	6.0	66.9

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 estimate 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. Following the expiry of certain warranty periods, an unutilised amount of £5.2m has been released to the income statement. The provision as at 1 January 2010 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.

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 exceed 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 to an environmental clean up programme in the United States for a company acquired in 1992 and various other legal claims and exposures across the Group. 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.

Notes to the Group Financial Statements (continued)

23. Deferred tax

	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Deferred income tax assets			
Post-employment benefits	21.1	9.3	3.2
Decelerated depreciation for tax purposes	2.8	1.3	0.2
United States deferred interest deductions	-	-	0.4
Untaxed reserves	37.8	29.3	20.1
Offset against liabilities	(33.0)	(19.1)	(20.8)
Gross deferred income tax assets	28.7	20.8	3.1
Deferred income tax liabilities			
Post-employment benefits	-	-	(10.5)
Accelerated depreciation for tax purposes	(10.0)	(3.8)	(3.0)
Overseas tax on unremitted earnings	(18.9)	(8.6)	(9.1)
Intangible assets	(60.9)	(68.5)	(47.8)
Other temporary differences	(3.6)	(1.2)	(1.4)
Offset against assets	33.0	19.1	20.8
Gross deferred income tax liabilities	(60.4)	(63.0)	(51.0)
Net deferred income tax liability	(31.7)	(42.2)	(47.9)

The movement in deferred income tax assets and liabilities during the period was as follows.

	Post employment benefits £m	Accelerated depreciation for tax purposes £m	United States deferred interest deductions £m	Overseas tax on unremitted earnings £m	Intangible assets £m	Untaxed reserves £m	Total £m
At 28 December 2007 (as restated - note 2)	(7.3)	(2.8)	0.4	(9.1)	(47.8)	18.7	(47.9)
Credited (charged) to the income statement	0.3	0.9	(0.4)	0.9	3.3	0.7	5.7
Credited to equity	15.0	-	-	-	-	3.6	18.6
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 (as restated - note 2)	9.3	(2.5)	-	(8.6)	(68.5)	28.1	(42.2)
(Charged) credited to the income statement	-	(5.4)	-	(10.4)	1.6	10.1	(4.1)
Credited (charged) to equity	12.4	-	-	-	-	(2.8)	9.6
Exchange adjustment	(0.6)	0.7	-	0.1	6.0	(1.2)	5.0
At 1 January 2010	21.1	(7.2)	-	(18.9)	(60.9)	34.2	(31.7)

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 £4.8m (2008: £5.1m; 2007: £8.2m) and deductible temporary differences of £3.6m (2008: £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 £12.0m (2008: £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

A deferred tax liability of £18.9m (2008: £8.6m; 2007: £9.1m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries. As at 1 January 2010, 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 £762.1m (2008: £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 defined benefit plans are closed to new members. The most significant of the defined benefit plans are the two UK plans. Contribution salary in respect of the Group's main UK plan is capped and will increase in line with RPI up to a maximum of 5% per annum. The wind up of the Canadian plan was completed in 2009 and the United States plans are frozen. 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.

	UK pensions			North American pensions & post-retirement healthcare			Total		
	2009	2008 (as restated - note 2)	2007 (as restated - note 2)	2009	2008	2007	2009	2008 (as restated - note 2)	2007 (as restated - note 2)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Plans in surplus	-	-	35.9	-	-	1.5	-	-	37.4
Plans in deficit	(60.5)	(13.6)	(1.1)	(10.5)	(16.3)	(7.5)	(71.0)	(29.9)	(8.6)
	(60.5)	(13.6)	34.8	(10.5)	(16.3)	(6.0)	(71.0)	(29.9)	28.8
Plan assets at fair value									
Equities	137.2	118.6	208.5	5.5	4.4	4.6	142.7	123.0	213.1
Bonds	101.0	91.8	159.2	5.3	23.8	33.9	106.3	115.6	193.1
Insurance policy	301.6	277.3	218.5	-	17.9	18.3	301.6	295.2	236.8
Other	-	-	-	1.6	15.1	0.7	1.6	15.1	0.7
Fair value of plan assets	539.8	487.7	586.2	12.4	61.2	57.5	552.2	548.9	643.7
Present value of plan liabilities	(600.3)	(501.3)	(551.4)	(22.9)	(77.5)	(63.5)	(623.2)	(578.8)	(614.9)
Net pension (liability) asset	(60.5)	(13.6)	34.8	(10.5)	(16.3)	(6.0)	(71.0)	(29.9)	28.8

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.

The amounts recognised in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income for the period are analysed as follows.

	UK pensions			North American pensions & post-retirement healthcare			Total		
	2009	2008 (as restated - note 2)	2007 (as restated - note 2)	2009	2008	2007	2009	2008 (as restated - note 2)	2007 (as restated - note 2)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Recognised in the income statement									
Current service cost	1.0	1.6	2.9	0.3	0.9	1.1	1.3	2.5	4.0
Expected return on plan assets	(29.0)	(34.5)	(33.1)	(1.6)	(2.6)	(3.0)	(30.6)	(37.1)	(36.1)
Interest cost on plan liabilities	29.5	31.4	29.8	2.6	3.9	3.1	32.1	35.3	32.9
Other finance costs (income)	0.5	(3.1)	(3.3)	1.0	1.3	0.1	1.5	(1.8)	(3.2)
Curtailment (gain) loss recognised*	-	-	-	(1.5)	2.4	-	(1.5)	2.4	-
Settlement gain recognised*	(1.5)	-	-	(0.7)	-	-	(2.2)	-	-
Taken to the statement of comprehensive income									
Actual return on plan assets	93.4	(84.7)	13.5	1.4	(1.0)	2.9	94.8	(85.7)	16.4
Less: expected return on plan assets	(29.0)	(34.5)	(33.1)	(1.6)	(2.6)	(3.0)	(30.6)	(37.1)	(36.1)
	64.4	(119.2)	(19.6)	(0.2)	(3.6)	(0.1)	64.2	(122.8)	(19.7)
Other actuarial (losses) gains	(122.2)	60.7	42.1	0.3	0.1	(1.0)	(121.9)	60.8	41.1
Actuarial (losses) gains recognised in the statement of comprehensive income	(57.8)	(58.5)	22.5	0.1	(3.5)	(1.1)	(57.7)	(62.0)	21.4

*The curtailment gain of £1.5m in respect of the North American pensions & post-retirement healthcare relates to the freezing of benefits in the Atwood & Morrill Salaried Employee plan. The settlement gain of £0.7m relates to the wind up of the Canadian plan (2008: £2.5m curtailment loss was recognised in relation to the wind up of the Canadian plan and £0.1m curtailment gain was recognised in relation to post-retirement healthcare). The £1.5m settlement gain in respect of UK pensions relates to an enhanced transfer exercise completed in 2009 for deferred members of the main UK plan.

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 £11.1m in 2009 (2008: £6.5m; 2007: £6.5m) in addition to the employers regular contributions, of which £1.8m related to the wind up of the Canadian plan. The total contributions to the defined benefit plans in 2010 are expected to be £12.1m. 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.

Notes to the Group Financial Statements (continued)

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

	UK pensions			North American pensions			Post-retirement healthcare		
	2009 %	2008 %	2007 %	2009 %	2008 %	2007 %	2009 %	2008 %	2007 %
Main assumptions									
Rate of salary increase	3.6	2.7	3.3	3.8	3.6	3.1	n/a	n/a	n/a
Rate of increase in pensions in payment									
Pre 6 April 2006 service	3.3	2.7	3.3	n/a	n/a	n/a	n/a	n/a	n/a
Post 6 April 2006 service	2.1	2.4	2.5	n/a	n/a	n/a	n/a	n/a	n/a
Discount rate	5.7	6.2	5.9	5.9	4.7	5.7	5.9	6.3	6.4
Expected rates of return on plan assets									
Equities	8.0	7.2	7.7	6.8	6.3	8.0	n/a	n/a	n/a
Bonds	4.7	4.2	4.3	5.3	5.0	4.2	n/a	n/a	n/a
Insurance policy	5.7	6.2	5.9	n/a	5.0	5.5	n/a	n/a	n/a
Other	n/a	n/a	n/a	3.8	1.2	2.5	n/a	n/a	n/a
Inflation assumption	3.6	2.7	3.3	2.5	2.1	2.3	2.1	2.1	2.5
Rate of increase in healthcare costs	n/a	n/a	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

** 9.67% per annum decreasing to 5% per annum and remaining static at that level from 2014 onwards

	UK pensions			North American pensions			Post-retirement healthcare		
	2009 Years	2008 Years	2007 Years	2009 Years	2008 Years	2007 Years	2009 Years	2008 Years	2007 Years
Post-retirement mortality									
Current pensioners at 65 - male	20.9	18.1	18.1	18.5	19.2	19.2	18.1	18.1	18.1
Current pensioners at 65 - female	23.7	20.9	20.9	20.7	21.7	21.7	20.5	20.5	20.5
Future pensioners at 65 - male	23.8	19.6	19.6	18.7	22.4	22.4	18.1	18.1	18.1
Future pensioners at 65 - female	26.6	22.3	22.3	20.8	22.5	22.5	20.5	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 2039 (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 2010. 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 2010	5.4	(5.4)
Discount rate		
Effect on income statement in 2010	1.9	(1.4)
Effect on retirement benefit obligation at 1 January 2010	56.1	(68.9)

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

	Increase 2009 £m	Decrease 2009 £m	Increase 2008 £m	Decrease 2008 £m
Effect on defined benefit obligation	0.6	(0.4)	0.5	(0.4)

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

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

	UK pensions			North American pensions & post-retirement healthcare			Total		
	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m	2009 £m	2008 £m	2007 £m	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Opening defined benefit obligations	501.3	551.4	582.2	77.5	63.5	54.9	578.8	614.9	637.1
Current service cost	1.0	1.6	2.9	0.3	0.9	1.1	1.3	2.5	4.0
Interest cost	29.5	31.4	29.8	2.6	3.9	3.1	32.1	35.3	32.9
Benefits paid	(26.8)	(23.6)	(23.3)	(1.3)	(4.4)	(3.3)	(28.1)	(28.0)	(26.6)
Contributions by employees	0.9	1.2	1.9	-	0.5	0.5	0.9	1.7	2.4
Curtailment (gain) loss	-	-	-	(1.5)	2.4	-	(1.5)	2.4	-
Settlements	(27.8)	-	-	(52.7)	-	-	(80.5)	-	-
Actuarial losses (gains)	122.2	(60.7)	(42.1)	(0.3)	(0.1)	1.0	121.9	(60.8)	(41.1)
Exchange adjustment	-	-	-	(1.7)	10.8	6.2	(1.7)	10.8	6.2
Closing defined benefit obligations	600.3	501.3	551.4	22.9	77.5	63.5	623.2	578.8	614.9

The defined benefit obligations comprise £7.2m (2008: £7.4m; 2007: £5.5m) arising from unfunded plans and £616.0m (2008: £571.4m; 2007: £609.4m) from plans that are wholly or partially funded.

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

	UK pensions			North American pensions & post-retirement healthcare			Total		
	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m	2009 £m	2008 £m	2007 £m	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m
Opening plan assets	487.7	586.2	584.7	61.2	57.5	48.5	548.9	643.7	633.2
Expected return on plan assets	29.0	34.5	33.1	1.6	2.6	3.0	30.6	37.1	36.1
Employer contributions	10.9	8.6	9.4	3.6	1.5	2.3	14.5	10.1	11.7
Contributions by employees	0.9	1.2	1.9	-	0.5	0.5	0.9	1.7	2.4
Benefits paid	(26.8)	(23.6)	(23.3)	(1.3)	(4.4)	(3.3)	(28.1)	(28.0)	(26.6)
Settlements	(26.3)	-	-	(52.0)	-	-	(78.3)	-	-
Actuarial gains (losses)	64.4	(119.2)	(19.6)	(0.2)	(3.6)	(0.1)	64.2	(122.8)	(19.7)
Exchange adjustment	-	-	-	(0.5)	7.1	6.6	(0.5)	7.1	6.6
Closing plan assets	539.8	487.7	586.2	12.4	61.2	57.5	552.2	548.9	643.7

Notes to the Group Financial Statements (continued)

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

History of experience gains & losses

	2009 £m	2008 (as restated - note 2) £m	2007 (as restated - note 2) £m	2006 £m	2005 £m
UK pensions					
Fair value of plan assets	539.8	487.7	586.2	584.7	548.0
Present value of defined benefit obligations	(600.3)	(501.3)	(551.4)	(582.2)	(596.5)
(Deficit) surplus in the plans	(60.5)	(13.6)	34.8	2.5	(48.5)
Experience adjustments arising on plan liabilities	(10.6)	(10.0)	(7.2)	(0.4)	1.1
Changes in assumptions underlying plan liabilities	(111.6)	70.7	49.3	17.3	(37.1)
Experience adjustments arising on plan assets	64.4	(119.2)	(19.6)	12.1	60.2
North American pensions & post-retirement healthcare					
Fair value of plan assets	12.4	61.2	57.5	48.5	50.1
Present value of defined benefit obligations	(22.9)	(77.5)	(63.5)	(54.9)	(63.2)
Deficit in the plans	(10.5)	(16.3)	(6.0)	(6.4)	(13.1)
Experience adjustments arising on plan liabilities	1.5	-	(2.0)	(0.1)	(0.3)
Changes in assumptions underlying plan liabilities	(1.2)	0.1	1.0	2.2	(4.7)
Experience adjustments arising on plan assets	(0.2)	(3.6)	(0.1)	1.9	2.9

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since 28 December 2003 is a loss of £46.6m (2008: a gain of £11.1m; 2007: a gain of £73.1m).

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 other comprehensive income before 27 December 2003.

25. Share capital & reserves

	2009 Number Million	2008 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.		
Issued & fully paid share capital		
At the beginning of the period	212.6	212.1
Issued during the period for cash on exercise of share options	-	0.2
Issued during the period in respect of LTIP awards	0.1	0.3
At the end of the period	212.7	212.6
	2009 £m	2008 £m
Shares allotted		
Aggregate nominal value of share options exercised	-	0.1
Share premium	-	0.3
Consideration received on exercise of share options	-	0.4
	2009 Number Million	2008 Number Million
Treasury shares		
At the beginning of the period	2.5	2.9
Issued during the period in respect of LTIP awards	-	(0.4)
At the end of the period	2.5	2.5

As at 1 January 2010, 148,075 shares (2008: 98,600 shares) were held in trust with a market value of £1.1m (2008: £0.3m).

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.

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 (losses) gains transferred from equity into profit or loss during the period are included in the following line items in the Consolidated Income Statement.

	2009 £m	2008 £m
Revenue	(0.4)	0.2
Cost of sales	(4.5)	5.8
Finance costs	(8.0)	(0.5)
	(12.9)	5.5

Notes to the Group Financial Statements (continued)

26. Additional cash flow information

	2009 £m	2008 £m
Continuing operations		
Net cash generated from operations		
Operating profit	188.1	168.3
Share of results of joint ventures	(4.6)	(4.4)
Depreciation & amortisation of property, plant & equipment & intangible assets	44.8	37.2
Impairment of plant & equipment & intangible assets	1.0	5.1
Gains on disposal of property, plant & equipment	(0.1)	(0.1)
Defined benefit plans curtailments & settlements	(3.7)	2.4
Funding of pension & post-retirement costs	(2.1)	(1.1)
Employee share schemes	1.6	2.8
Net foreign exchange including derivative financial instruments	1.8	0.3
Increase in provisions	9.3	12.9
Decrease (increase) in inventories	30.8	(42.8)
Decrease (increase) in trade & other receivables & construction contracts	68.2	(10.1)
(Decrease) increase in trade & other payables & construction contracts	(32.8)	43.9
Cash generated from operations	302.3	214.4
Additional pension contributions paid	(11.1)	(6.5)
Income tax paid	(43.6)	(49.0)
Net cash generated from operating activities	247.6	158.9
Acquisitions of subsidiaries		
Current period acquisitions (note 13)	-	(140.9)
Previous periods acquisitions deferred consideration paid	(0.1)	-
	(0.1)	(140.9)
Disposals of subsidiaries		
Discontinued operations disposals (note 8)	-	60.6
Other current period disposals	1.2	20.4
Previous periods disposals	(2.6)	(0.4)
	(1.4)	80.6
Reconciliation of net increase in cash & cash equivalents to movement in net debt		
Net increase in cash & cash equivalents from continuing operations	2.8	6.6
Net decrease in cash & cash equivalents from discontinued operations	-	(2.5)
Net decrease (increase) in debt	136.8	(6.2)
Change in net debt resulting from cash flows	139.6	(2.1)
Leases acquired	-	(0.6)
Loans acquired	-	(2.4)
Foreign currency translation differences	(18.9)	(63.5)
Change in net debt during the period	120.7	(68.6)
Net debt at the beginning of the period	(239.9)	(171.3)
Net debt at the end of the period	(119.2)	(239.9)
Net debt comprises the following		
Cash & short-term deposits (note 19)	57.0	74.1
Current interest-bearing loans & borrowings (note 20)	(2.0)	(71.4)
Non-current interest-bearing loans & borrowings (note 20)	(174.2)	(242.6)
	(119.2)	(239.9)

26. Additional cash flow information (continued)

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

	2009 £m	2008 £m
Goodwill	2.9	-
Property, plant & equipment	0.6	2.8
Inventories	-	9.2
Trade & other receivables	-	9.7
Trade & other payables	0.3	(3.6)
Net assets disposed	3.8	18.1

27. Commitments & legal claims

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 two and ten years, motor vehicles leases have an average term of between two and four years and plant and equipment leases have an average term of between three and five 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 shown in the table below.

	2009 £m	2008 £m
Less than one year	12.5	8.2
After one year but not more than five years	32.3	22.0
More than five years	8.7	8.5
	53.5	38.7

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 shown in the table below.

	2009 Minimum payments £m	2009 Present value of payments £m	2008 Minimum payments £m	2008 Present value of payments £m
Less than one year	0.4	0.4	0.5	0.5
After one year but not more than five years	0.6	0.5	0.9	0.8
Total minimum lease payments	1.0		1.4	
Less amounts representing finance charges	(0.1)		(0.1)	
Present value of minimum lease payments	0.9	0.9	1.3	1.3

The weighted average outstanding lease term is 1.92 years (2008: 2.78 years). For the 53 weeks ended 1 January 2010, the weighted average effective borrowing rate was 9.70% (2008: 9.40%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Capital commitments

	2009 £m	2008 £m
Outstanding capital commitments contracted but not provided for - property, plant & equipment	3.0	4.0

The Group's share of the capital commitments of its joint ventures amounted to £0.1m (2008: £0.2m).

Notes to the Group Financial Statements (continued)

27. Commitments & legal claims (continued)

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.

In 2004, an announcement was made to the London Stock Exchange in connection with the Group's involvement in the UN sanctioned Oil for Food Programme. The Group continues to co-operate fully with the on-going investigations by UK authorities in this connection. In addition, the Company is subject to a claim relating to an action for damages arising from the UN Oil for Food Programme which has been raised in the United States against just under 100 companies. 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.

28. Equity settled share-based payments

LTIP

There are three types of award which may be made under the LTIP to senior executives: performance shares, matching shares and investment shares. Details of each award are outlined in the Remuneration report on pages 40 to 46.

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

	2009 Number Million	2009 WASP	2008 Number Million	2008 WASP
Outstanding at the beginning of the period	1.9	£6.41	1.9	£4.75
Awarded during the period	1.6	£4.00	0.8	£7.47
Exercised during the period	(0.4)	£4.46	(0.7)	£7.86
Forfeited during the period	(0.7)	£5.55	(0.1)	£6.77
Outstanding at the end of the period	2.4	£5.54	1.9	£6.41

An amount of £2.4m (2008: £2.0m) has been charged to the Consolidated 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 (2008: £1.4m) in respect of parent company employees and £1.0m (2008: £0.6m) in respect of employees of subsidiaries. Subsidiary companies made a cash contribution to the parent company of £1.1m (2008: £0.9m) in the period in respect of their LTIP awards.

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

Year of award	2009 Number Million	2009 Remaining contractual life	2008 Number Million	2008 Remaining contractual life
2006	-	-	0.6	3 months
2007	0.5	6 months	0.5	18 months
2008	0.6	16 months	0.8	27 months
2009	1.3	27 months	-	-

Conditional share award

In 2008, the shareholders approved a one-off conditional award of 405,953 shares at a market price of 900.5p to Mark Selway, the previous chief executive, which would have vested on 8 May 2011 subject to specified performance conditions being achieved. In 2009, the conditional share award was forfeited as the vesting conditions of the award were not satisfied. As a result, a credit of £0.8m (2008: a charge of £0.8m) has been recorded in the Consolidated Income Statement in respect of the forfeited conditional share award. The number of shares outstanding at 1 January 2010 is nil (2008: 405,953).

28. Equity settled share-based payments (continued)

Share option scheme

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.

	2009 Number Million	2009 WAEP	2008 Number Million	2008 WAEP
Outstanding at the beginning of the period	-	£2.01	0.2	£2.03
Lapsed during the period	-	£2.01	-	-
Exercised during the period	-	-	(0.2)	£2.01
Outstanding at the end of the period	-	-	-	£2.01
Exercisable at the end of the period	-	-	-	£2.01

The weighted average share price during the period was 543.2p (2008: 708.4p). There were no share options outstanding at 1 January 2010.

Fair value of equity settled share-based payments

The fair value of the conditional awards under the LTIP and the conditional share award have been estimated using the Monte Carlo simulation model. The following table gives the assumptions made during the 53 weeks ended 1 January 2010 and the 52 weeks ended 26 December 2008.

	Conditional share award		LTIP	
	2009	2008	2009	2008
Weighted average dividend yield (%)	-	1.83	4.62	2.22
Weighted average expected volatility (%)	-	29.00	30.00	29.00
Weighted average expected life (years)	-	3.00	3.00	3.00
Weighted average risk free rate (%)	-	4.25	1.90	4.02
Weighted average share price (pence)	-	901p	400p	747p
Weighted average fair value (pence)	-	901p	244p	378p

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

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		Sales to related parties - goods £m	Purchases from related parties - goods £m	Amounts owed to related parties £m
Joint ventures	2009	1.3	0.4	-
	2008	0.2	0.2	-
Group pension plans	2009	-	-	0.2
	2008	-	-	0.2

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

Notes to the Group Financial Statements (continued)

29. Related party disclosures (continued)

Terms & conditions of transactions with related parties

Sales to and from related parties are made at normal market prices. Outstanding balances at the period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party balances. For the 53 weeks ended 1 January 2010, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2008: £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

	2009 £m	2008 £m
Short-term employee benefits	5.0	5.0
Share-based payments	0.8	2.2
Post-employment benefits	0.1	0.1
	5.9	7.3

Key management comprises the Board and the Group Executive. Further details of the Board remuneration can be found in the Remuneration report on pages 40 to 46.

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 derivative financial instruments, 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 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 United States dollar ("US\$") net assets exposure. This is achieved through designating an element of US dollar borrowings, forward foreign currency contracts and 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, bank loans and fixed rate notes. 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 debts. 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 and by only trading with counterparties that have a strong credit standing based upon ratings provided by the major agencies.

Interest rate risk policy

The Group's borrowings are in a combination of fixed and 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 1 January 2010, 18% (2008: 47%) of the Group's debt was at fixed rates of interest through the use of floating to fixed interest rate swaps. On 11 January 2010, the Group issued the equivalent of US\$250.0m of five year (US\$110.0m) and eight year (US\$140.0m) fixed rate notes. This will increase the proportion of fixed rate borrowings from the level as at 1 January 2010.

30. Financial assets & liabilities (continued)

Net investment in foreign operations

As at 1 January 2010, US dollar variable rate loans included in interest-bearing loans and borrowings, amounting to US\$175.0m (2008: US\$190.0m), cross currency swaps of US\$324.0m (2008: US\$404.0m) and net forward foreign currency liability contracts of US\$90.0m (2008: assets of US\$6.0m) 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.

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 2009 £m	Fair value 2009 £m	Carrying amount 2008 £m	Fair value 2008 £m
Financial assets				
Derivative financial instruments recognised at fair value through profit or loss	4.7	4.7	47.1	47.1
Derivative financial instruments in designated hedge accounting relationships	2.8	2.8	8.5	8.5
Trade & other receivables excluding statutory assets & prepayments	224.7	224.7	289.5	289.5
Cash & short-term deposits	57.0	57.0	74.1	74.1
	289.2	289.2	419.2	419.2
Financial liabilities				
Derivative financial instruments recognised at fair value through profit or loss	(4.4)	(4.4)	(62.9)	(62.9)
Derivative financial instruments in designated hedge accounting relationships	(43.4)	(44.2)	(97.8)	(97.8)
Amortised cost				
Bank overdrafts & short-term borrowings	(1.3)	(1.3)	(20.5)	(20.5)
Trade & other payables excluding statutory liabilities & deferred income	(252.9)	(252.9)	(290.3)	(290.3)
Obligations under finance leases	(0.9)	(0.9)	(1.3)	(1.3)
Floating rate borrowings	(173.1)	(173.1)	(292.1)	(292.1)
Fixed rate borrowings	(0.9)	(0.9)	(0.1)	(0.1)
	(476.9)	(477.7)	(765.0)	(765.0)

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The derivative financial instruments are valued using valuation techniques with market observable inputs including spot and forward foreign exchange rates and interest rate curves. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves and spot foreign exchange rates. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates.

Effective 1 January 2009, the Group adopted the amendment to IFRS7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements in the form of a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 1 January 2010, the Group held all financial instruments at level 2 fair value measurement. During the 53 weeks ended 1 January 2010, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

The fair value of cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amount due to the short-term maturities of these instruments. The fair value of borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

Derivative financial instruments

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

	2009 £m	2008 £m
Included in non-current assets		
Forward foreign currency contracts designated as cash flow hedges	0.1	2.3
Other forward foreign currency contracts	0.2	5.8
	0.3	8.1
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	2.3	5.4
Forward foreign currency contracts designated as net investment hedges	0.4	0.8
Other forward foreign currency contracts	4.5	41.3
	7.2	47.5
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	1.6	10.9
Forward foreign currency contracts designated as net investment hedges	-	1.4
Interest rate swaps designated as cash flow hedges	0.6	2.2
Cross currency swaps designated as net investment hedges	10.4	15.5
Other forward foreign currency contracts	4.2	60.6
	16.8	90.6
Included in non-current liabilities		
Forward foreign currency contracts designated as cash flow hedges	0.1	3.0
Interest rate swaps designated as cash flow hedges	-	3.5
Cross currency swaps designated as net investment hedges	30.7	61.3
Other forward foreign currency contracts	0.2	2.3
	31.0	70.1
Net derivative financial liabilities	40.3	105.1

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 following tables 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. On 11 January 2010, the Group issued US\$250.0m fixed rate notes with maturities of five and eight years significantly increasing the maturity profile of borrowings.

30. Financial assets & liabilities (continued)

53 weeks ended 1 January 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	224.7	-	-	224.7
Cash & short-term deposits	57.0	-	-	57.0
Non-derivative financial assets	281.7	-	-	281.7
Trade & other payables excluding statutory liabilities & deferred income	(252.9)	-	-	(252.9)
Obligations under finance leases	(0.4)	(0.3)	(0.3)	(1.0)
Bank overdrafts & short-term borrowings	(1.3)	-	-	(1.3)
Bank loans	(1.9)	(175.9)	(0.7)	(178.5)
Non-derivative financial liabilities	(256.5)	(176.2)	(1.0)	(433.7)
Net non-derivative financial assets (liabilities)	25.2	(176.2)	(1.0)	(152.0)

52 weeks ended 26 December 2008

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Total £m
Trade & other receivables excluding statutory assets & prepayments	289.5	-	-	289.5
Cash & short-term deposits	74.1	-	-	74.1
Non-derivative financial assets	363.6	-	-	363.6
Trade & other payables excluding statutory liabilities & deferred income	(290.3)	-	-	(290.3)
Obligations under finance leases	(0.5)	(0.2)	(0.7)	(1.4)
Bank overdrafts & short-term borrowings	(20.5)	-	-	(20.5)
Bank loans	(57.0)	(2.5)	(245.6)	(305.1)
Non-derivative financial liabilities	(368.3)	(2.7)	(246.3)	(617.3)
Net non-derivative financial liabilities	(4.7)	(2.7)	(246.3)	(253.7)

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

53 weeks ended 1 January 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	Total £m
Interest rate swaps - outflow	(0.7)	-	-	-	(0.7)
Interest rate swaps - inflow	0.1	-	-	-	0.1
Interest rate swaps - net outflow	(0.6)	-	-	-	(0.6)
Cross currency swaps - outflow	(108.3)	(55.1)	(113.3)	(62.7)	(339.4)
Cross currency swaps - inflow	98.9	44.8	93.0	62.1	298.8
Cross currency swaps - net outflow	(9.4)	(10.3)	(20.3)	(0.6)	(40.6)
Forward foreign currency contracts - outflow	(558.3)	(15.4)	(14.8)	-	(588.5)
Forward foreign currency contracts - inflow	559.6	15.4	15.1	-	590.1
Forward foreign currency contracts - net inflow	1.3	-	0.3	-	1.6
Derivative financial instruments - outflow	(667.3)	(70.5)	(128.1)	(62.7)	(928.6)
Derivative financial instruments - inflow	658.6	60.2	108.1	62.1	889.0
Derivative financial instruments - net outflow	(8.7)	(10.3)	(20.0)	(0.6)	(39.6)
Effect of discounting					(0.7)
Net derivative financial liabilities					(40.3)

52 weeks ended 26 December 2008

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	Total £m
Interest rate swaps - outflow	(5.3)	(4.0)	(1.5)	-	(10.8)
Interest rate swaps - inflow	3.1	1.2	1.0	-	5.3
Interest rate swaps - net outflow	(2.2)	(2.8)	(0.5)	-	(5.5)
Cross currency swaps - outflow	(60.5)	(56.1)	(172.3)	-	(288.9)
Cross currency swaps - inflow	45.0	42.4	127.0	-	214.4
Cross currency swaps - net outflow	(15.5)	(13.7)	(45.3)	-	(74.5)
Forward foreign currency contracts - outflow	(779.9)	(44.0)	(2.1)	-	(826.0)
Forward foreign currency contracts - inflow	752.7	47.1	2.0	-	801.8
Forward foreign currency contracts - net (outflow) inflow	(27.2)	3.1	(0.1)	-	(24.2)
Derivative financial instruments - outflow	(845.7)	(104.1)	(175.9)	-	(1,125.7)
Derivative financial instruments - inflow	800.8	90.7	130.0	-	1,021.5
Derivative financial instruments - net outflow	(44.9)	(13.4)	(45.9)	-	(104.2)
Effect of discounting					(0.9)
Net derivative financial liabilities					(105.1)

30. Financial assets & liabilities (continued)

Interest rate risk & 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 derivative financial instruments, by maturity, exposed to interest rate risk.

53 weeks ended 1 January 2010

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Fixed rate net debt					
Bank loans	-	-	(0.9)	-	(0.9)
Obligations under finance leases	(0.4)	(0.3)	(0.2)	-	(0.9)
Notional interest rate swaps	(31.0)	-	-	-	(31.0)
	(31.4)	(0.3)	(1.1)	-	(32.8)
Fixed rate derivative financial instruments					
Notional cross currency swaps US dollar leg	55.4	-	-	(55.4)	-
Notional cross currency swaps sterling leg	(55.0)	-	-	55.0	-
	0.4	-	-	(0.4)	-
Net fixed rate financial instruments	(31.0)	(0.3)	(1.1)	(0.4)	(32.8)
Floating rate net debt					
Cash & short-term deposits	57.0	-	-	-	57.0
Bank overdrafts & short-term borrowings	(1.3)	-	-	-	(1.3)
Bank loans	-	(173.1)	-	-	(173.1)
Notional interest rate swaps	31.0	-	-	-	31.0
	86.7	(173.1)	-	-	(86.4)
Floating rate derivative financial instruments					
Notional cross currency swaps US dollar leg	(49.5)	(49.5)	(101.9)	-	(200.9)
Notional cross currency swaps sterling leg	39.1	39.1	81.6	-	159.8
	(10.4)	(10.4)	(20.3)	-	(41.1)
Net floating rate financial instruments	76.3	(183.5)	(20.3)	-	(127.5)

52 weeks ended 26 December 2008

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Fixed rate net debt					
Bank loans	(0.1)	-	-	-	(0.1)
Obligations under finance leases	(0.5)	(0.2)	(0.6)	-	(1.3)
Notional interest rate swaps	-	(68.3)	(68.3)	-	(136.6)
Net fixed rate financial instruments	(0.6)	(68.5)	(68.9)	-	(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 derivative financial instruments					
Notional cross currency swaps US dollar leg	(54.6)	(54.6)	(166.5)	-	(275.7)
Notional cross currency swaps sterling leg	39.1	39.1	120.7	-	198.9
	(15.5)	(15.5)	(45.8)	-	(76.8)
Net floating rate financial instruments	(12.2)	52.8	(219.3)	-	(178.7)

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.

Notes to the Group Financial Statements (continued)

30. Financial assets & 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
2009			
Australian dollar	+ 100	-	-
Canadian dollar	+ 100	(0.6)	-
US dollar	+ 100	(2.1)	0.2
UK sterling	+ 100	1.1	-
2008			
Australian dollar	+ 100	-	-
Canadian dollar	+ 100	(0.7)	-
US dollar	+ 100	(3.4)	2.8
UK sterling	+ 100	2.0	-

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

Effect of hedging & derivative financial instruments included in the income statement & 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 period. 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.

30. Financial assets & liabilities (continued)

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.

53 weeks ended 1 January 2010

	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	0.7	2010 to 2013	(4.9)	2.6
Interest rate swaps designated as cash flow hedges	(0.6)	2010	(8.0)	(2.8)
Forward foreign currency contracts designated as net investment hedges	0.4	2010	-	2.9
Cross currency swaps designated as net investment hedges	(41.1)	2010 to 2018	0.9	25.9
Other forward foreign currency contracts at fair value through profit or loss	0.3	2010 to 2015	6.0	-
	(40.3)		(6.0)	28.6

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 £0.9m gain (2008: £5.4m) 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. The Group's forward foreign currency contracts subject to cash flow hedge accounting which were deemed to be ineffective during the period resulted in a net charge to the income statement of £nil (2008: £1.2m). A portion of the Group's interest rate swaps subject to cash flow hedge accounting were deemed to be ineffective during the period as a result of a forecast repayment of variable rate debt. This resulted in a net charge to the income statement of £3.7m (2008: £nil).

Notes to the Group Financial Statements (continued)

30. Financial assets & liabilities (continued)

Foreign exchange risk

The Group considers the most significant foreign exchange risks relate to the Australian dollar, Canadian dollar, Euro and United States 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
2009			
Australian dollar	+25%	(0.1)	-
Canadian dollar	+25%	0.2	-
Euro	+25%	3.4	1.0
US dollar	+25%	0.8	76.1
2008			
Australian dollar	+25%	0.1	-
Canadian dollar	+25%	0.1	-
Euro	+25%	1.3	(0.5)
US dollar	+25%	5.2	91.5

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 intangibles amortisation was denominated in the following currencies.

	2009 £m	2008 £m
US dollar	88.7	90.9
Australian dollar	20.5	22.3
Euro	51.7	38.0
Canadian dollar	8.6	14.7
Other	35.2	19.1
Operating profit from continuing operations before exceptional items & intangibles amortisation	204.7	185.0

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains robust 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 (note 26).

	2009	2008 (as restated - note 2)
Net debt (£m)	119.2	239.9
Total equity (£m)	742.4	696.9
Gearing ratio (%)	16	34

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.

	2009	2008
Net debt (£m)	119.2	239.9
Operating profit (£m)	188.1	168.3
Depreciation, intangibles amortisation & impairment (£m)	45.8	42.3
EBITDA (£m)	233.9	210.6
Net debt to EBITDA cover (ratio)	0.5	1.1

Interest cover

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

	2009	2008
Operating profit before exceptional items & intangibles amortisation (£m)	204.7	185.0
Net finance costs (excluding other finance costs / income) (£m)	16.2	10.6
Interest cover (ratio)	12.6	17.5

32. Exchange rates

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

	2009	2008
Average rate (per £)		
US dollar	1.57	1.85
Australian dollar	1.99	2.17
Euro	1.12	1.25
Canadian dollar	1.78	1.96
Closing rate (per £)		
US dollar	1.61	1.46
Australian dollar	1.80	2.14
Euro	1.13	1.04
Canadian dollar	1.69	1.79