Excellent
Engineering
Solutions

# Financial highlights
## 2010
### Results for the 26 weeks ended 2 July 2010

- Original equipment input up 28%, aftermarket input increased 22%;
- Strong aftermarket contributed 58% of revenues;
- Pre-tax profits up 58% and margins up 5.5pts;
- Strong cashflow resulted in 18% reduction in net debt;
- 25% increase in interim dividend to 6.0p;
- Positive original equipment trends benefited Minerals and SPM;
- Nuclear contract successes in Power & Industrial;
- Increased revenue expectations at SPM;
- Continued confidence in full year 2010 outlook.

| **Continuing Operations** | 2010 | 2009 | Change |
|---|---|---|---|
| Order input[1] | £863m | £694m | +24% |
| Revenue | £775m | £710m | +9% |
| Operating profit[2] | £151.0m | £99.2m | +52% |
| Operating margin[2] | 19.5% | 14.0% | +5.5pts |
| Profit before tax[2] | £144.0m | £91.4m | +58% |
| Cash from operations | £120.6m | £123.9m | -3% |
| Earnings per share[2] | 48.5p | 31.2p | +55% |
| Dividend per share | 6.0p | 4.8p | +25% |
| Net debt | £97.7m | £119.2m[3] | |

1 2009 restated at 2010 average exchange rates

2 Adjusted to exclude intangibles amortisation. Reported operating profit, profit before tax and earnings per share were £142.6m (2009: £90.7m); £135.6m (2009: £82.9m) and 45.7p (2009: 28.4p) respectively

3 1 January 2010 net debt

# Chief Executive's Comment

Against the background of an uncertain global economic recovery, the Weir Group has again delivered an excellent set of results with all divisions recording profit and margin progression.

Our growth plan is well on track across all our divisions and the strong increase in orders demonstrates our robust business model and ability to respond quickly to the changing economic environment.

Strong trading reinforces our confidence for the remainder of 2010 and we continue to expect profit for the second half of 2010 to be significantly ahead of the prior year in constant currency terms.

**Keith Cochrane**
Chief Executive
3 August 2010

# General Overview

The Group has delivered another record set of results with significant growth in shorter cycle aftermarket revenues across Minerals and upstream Oil & Gas. Together with a continued focus on the cost base, this has benefited operating profits and margins. Enquiry levels remain strong with positive emerging original equipment trends across each division and a record performance from the Canadian Minerals business following the award of a C$50 million oil sands contract.

Good progress has been made in delivering on our strategic growth plan. Investment in new product and service initiatives is well underway at each division; third party collaboration agreements have been signed to broaden the product portfolio; and our emerging market presence was extended. In addition, a number of functional initiatives have been launched to extend operational excellence beyond the factory floor. The acquisitions of Linatex and Petroleum Certification Services (PCS) were announced in the period, building on our organic growth plans.

# Financial Highlights

***Order input*** in constant currency was 24% higher at £863m (2009: £694m). Original equipment orders were up 28% (16% excluding the impact of the C$50m oil sands order) with improving confidence across most of our end markets. Aftermarket orders were up 22% resulting from increased activity levels across the Minerals and upstream Oil & Gas markets and represented 58% (2009: 59%) of total orders. Emerging markets input was 29% higher at £338m (2009: £262m) and orders from other Group Companies increased to £17m (2009: £4m) due to several contract wins.

***Revenue*** in constant currency terms was 4% higher than the prior year period reflecting a weaker opening order book, offset by increased aftermarket revenues. Reported revenue grew by 9% to £775m (2009: £710m), with a net currency benefit of £34m, principally due to the weakening of sterling relative to the average Australian and Canadian dollar rates in the prior year period. Aftermarket sales represented 58% (2009: 54%) of revenues and emerging market revenues were broadly in line with the prior year at £310m (2009: £319m). Revenues from other Group companies fell to £14m (2009: £20m) due to a lower opening order book.

***Operating Profit*** from continuing operations before intangibles amortisation increased by 52% to £151.0m (2009: £99.2m) including a net foreign exchange benefit of £3.7m. On a constant currency basis operating profit increased by 47%, principally due to the flow through effects of higher aftermarket volumes at Weir SPM and across the Minerals division. The profit contribution from other Group companies was £1.7m (2009: £2.2m).

***Operating margin*** in constant currency increased from 13.8% to 19.5% reflecting the favourable impact of a higher proportion of aftermarket revenues, pricing discipline and benefits from operating efficiencies and lower raw material costs.

***Net finance costs*** fell to £7.0m (2009: £7.8m) due to lower average net debt partly offset by the higher fixed coupon on private placement debt relative to our floating rate bank facilities.

***Profit before tax*** from continuing operations before intangibles amortisation increased by 58% to £144.0m (2009: £91.4m). Reported profit before tax from continuing operations increased by 64% to £135.6m (2009: £82.9m) reflecting intangibles amortisation of £8.4m (2009: £8.5m).

***Tax charge*** for the period of £41.6m (2009: £25.8m) on profit before tax from continuing operations before intangibles amortisation represents an underlying effective tax rate of 28.9% (2009: 28.2%) reflecting a higher proportion of US profits which are taxed at a higher rate.

***Earnings per share*** from continuing operations before intangibles amortisation increased by 55% to 48.5p (2009: 31.2p). Reported earnings per share including intangibles amortisation were 45.7p (2009: 28.4p).

***Cash generated*** from operations was 3% lower at £120.6m (2009: £123.9m), with higher operating profits offset by working capital outflows of £45.4m (2009: £12.6m inflow) which were principally due to increased activity levels and the unwind of advance payments on major contracts. Overall working capital on a constant currency basis was 12.7% of revenues (2009: 13.0%) Net capital expenditure was slightly higher than the prior year period at £18.1m (2009: £17.0m), with the timing of projects and increased investment plans resulting in 2010 expenditure being weighted to the second half. Settlement of derivative financial instruments resulted in cash inflows of £0.9m (2009: £6.7m outflows). Net free cashflow after all financing costs, tax and dividends was £31.0m (2009: £40.2m). Cash outflows of £4.2m (2009: £0.8m) were attributable to acquisitions and disposals, primarily PCS which, taken together with free cash flow and the adverse impact of the translation of foreign currency borrowings of £5.3m (2009: £0.5m favourable), resulted in a £21.5m reduction in net debt to £97.7m when compared to December 2009 (£119.2m).

***Dividend*** – an interim dividend of 6.0p (2009: 4.8p) is declared, a 25% increase. The dividend will be paid on 5 November 2010 to shareholders on the register on 8 October 2010.

# Weir Minerals Division
## Divisional Highlights

### Divisional results

Order Input[1]
£483m
Up 21%

Revenue[1]
£422m
Down 8%

Operating profit[1, 2]
£84.3m
Up 16%

Operating margin[1, 2]
20.0%
Up 4.1 pts

1 2009 restated at 2010 average exchange rates
2 Adjusted to exclude intangibles amortisation

Weir Minerals is the global leader in the provision of slurry handling equipment and associated aftermarket for abrasive high wear applications used in mining, oil sands and flue gas desulphurisation markets.

Project enquiries and activity across the mining and oil sands markets increased, driven by strong demand for commodities from emerging markets. These trends have benefited the Minerals division which performed strongly in the period. Aftermarket activity exceeded our expectations with a clear restocking effect contributing to revenues and profits. The first signs of a pick up in original equipment orders were also evident towards the end of the period.

The division has continued to make good progress in extending its market presence and product portfolio. The Canadian business was awarded a C$50m order, for delivery in 2011, to supply barges and an integrated package of Weir products to a major oil sands project. In Chile, our operations have successfully extended their presence into the mill circuit spools market with a number of significant contract wins. In April, agreement was reached with KHD to act as their exclusive agent to sell and provide aftermarket support for high pressure grinding roller products to the mining sector. In June, we announced the conditional US$200m acquisition of Linatex, a global leader in wear resistant natural rubber products. The purchase is on track to complete in the third quarter of 2010. Both transactions will further extend the division's mill circuit product portfolio and support future growth initiatives. Customer trials of our entire range of mill circuit products continue to be a focus with our new patented core slurry pump range delivering material performance improvements. The global sales launch will take place in the second half of 2010.

## Operational performance

***Order input*** increased by 21% with growth of 29% in original equipment and 16% in aftermarket orders. Excluding the C$50m contract award at our Canadian business, original equipment orders were 9% higher than the prior year period with an improving trend through the second quarter as increased project enquiries started to convert into firm orders. Good progress was also made in growing orders across the broader product portfolio. All regions showed growth in the period with our Netherlands business, which is largely driven by major greenfield mining developments and as such an early indicator of market activity, increasing input by 47%. Aftermarket input benefited from a restocking effect, larger installed base and higher activity levels in the mining and oil sands markets and represented 61% of total order input after excluding the exceptional Canadian contract. Our global footprint continues to drive growth with emerging markets representing 49% of input (2009: 45%), up 32% in the period with particularly good continued progress in South America and Asia.

***Revenue*** decreased by 8% reflecting the lower opening order book offset by strong growth in shorter cycle aftermarket revenues.

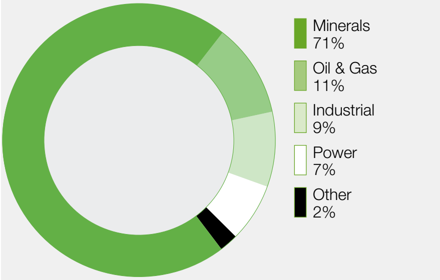
***Operating profit*** increased by 16% reflecting the increased aftermarket mix, improved operating efficiencies and raw material pricing benefits.

***Operating margins*** improved to 20.0% reflecting a higher proportion of aftermarket sales, improved operating efficiencies and continuing benefits of cost reduction programmes, including continued development of lean best practices across our facilities worldwide.

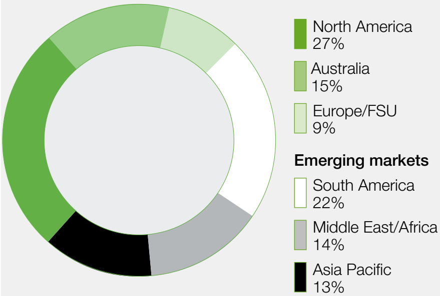
***Capital expenditure*** totalled £8.8m (2009: £12.6m) and included the opening of service centres in Indonesia and Russia. New plants for the Brasilian operations and Weir Multiflo were completed in the period.

## Divisional results continued

### Input by sector %




### Input by geography %



# Weir Oil & Gas Division
## Divisional Highlights

### Divisional results

Order Input[1]
£224m
Up 47%

Revenue[1]
£224m
Up 52%

Operating profit[1, 2]
£60.9m
Up 140%

Operating margin[1, 2]
27.2%
Up 9.9 pts

1 2009 restated at 2010 average exchange rates
2 Adjusted to exclude intangibles amortisation

Weir Oil & Gas designs and manufactures high pressure well service pumps and related flow control equipment focused on unconventional oil and gas markets and highly engineered centrifugal pumps for use in the refining industry. Weir Oil & Gas Services provides comprehensive engineering services focused on the upstream oil & gas sector.

Market conditions for our North American focused upstream business significantly improved with a substantial increase in onshore unconventional drilling causing horizontal rig counts to reach record levels for much of the period. Together with increased activity levels in the more aggressive gas shale environments this translated into strong revenue growth and a pick up in original equipment orders in May and June. As expected, the downstream market for original equipment orders continues to be challenging, with significant pricing pressure evident, and we commenced planning for reduced activity levels in 2011.

Good progress has been made delivering the division’s strategic growth plan. Upstream operations were expanded through the acquisition of PCS in Australia, the opening of the first SPM service centre in Brasil and we added capacity at Weir Mesa to meet market needs. Field testing of our new pressure pump for the upstream market is underway with early positive results and further product development initiatives have commenced supported by an enlarged engineering team.

## Operational performance

***Order input*** was 47% higher. Weir SPM benefited from materially improved trading conditions and market share gains due to our best in class delivery times enabled by the Weir Production System. As a result, order input at SPM was up 165% to £146m (US$224m) (2009: £55m (US$84m)). The UK and Middle East service operations also benefited from improving market conditions in the second quarter with input showing good progress over the prior year period. These increases were offset by our downstream business, Weir Gabbioneta, where input fell to £39m (2009: £64m), primarily as a result of lower original equipment orders. Increased activity levels at SPM resulted in an increase in the proportion of total orders derived from the aftermarket to 64% (2009: 56%).

***Revenue*** increased by 52%. Revenue at SPM followed the input trend with revenues up 108% to £131m (US$200m) (2009: £63m (US$96m)), with good progress in extending product sales at a number of major customers. A strong opening order book and positive aftermarket trends ensured Gabbioneta progressed over the period, with revenues increasing to £60m (2009: £46m).

***Operating profit*** including joint ventures increased by 140%, benefiting from substantially higher activity levels at SPM and higher revenues at Gabbioneta.

***Operating margins*** were 27.2% (2009: 17.3%) reflecting the operating leverage effect of increased volumes at SPM and an increased aftermarket mix at Gabbioneta.

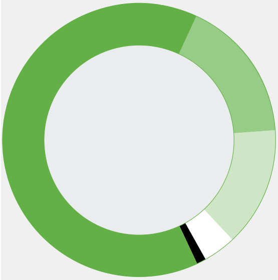
***Capital expenditure*** totalled £6.5m (2009: £3.6m). Investment to support the growth of SPM included the opening of new SPM service centres in Australia and Brasil. In addition the AUS$8m acquisition of PCS, an Australian based specialist inspection and recertification business, was completed in the period and is already creating incremental revenue opportunities across the Asia Pacific region.

## Divisional results continued

### Input by sector %

Upstream
68%
Downstream
18%
Services
14%

### Input by geography %



North America
64%
Europe/FSU
17%
**Emerging markets**
Middle East/Africa
14%
Asia Pacific
4%
South America
1%

# Weir Power & Industrial Division
## Divisional Highlights

### Divisional results

Order Input[1]
£139m
Down 1%

Revenue[1]
£116m
Down 2%

Operating profit[1, 2]
£9.8m
Up 21%

Operating margin[1, 2]
8.5%
Up 1.7 pts

1 2009 restated at 2010 average exchange rates
2 Adjusted to exclude intangibles amortisation

Weir Power & Industrial designs, manufactures and provides aftermarket support for specialist and critical-service rotating and flow control equipment, focused on the global power markets.

The global nuclear market continued to be active providing a number of opportunities, particularly in China and the US and quotation activity in the hydro and steam turbine markets was encouraging. However, conditions in the Canadian and UK general industrial markets remained challenging.

The division has made further progress in extending its market presence with a clear focus on global power markets and on growing oil and gas opportunities. A number of new contract awards were achieved in the Chinese nuclear market and in July we received a US$15m order from the first US nuclear plants to be built in over 25 years. Work is ongoing to extend our nuclear product approvals and we also reached agreement with Mitsubishi Heavy Industries to jointly market and service nuclear pumps for the UK nuclear market. Recruitment of additional sales and application engineers is well underway.

## Operational performance

***Order input*** reduced by 1%, with original equipment orders 9% higher across the valve plants and aftermarket down 6% reflecting reduced power outage support requirements. This resulted in an increase in the proportion of total orders derived from original equipment to 41% (2009: 37%). Input trends are influenced by the timing of nuclear new build orders and hydro outage work and some £11m (2009: £17m) of specialist valve input was achieved from nuclear new build programmes to end the period with a record nuclear order book for delivery in 2011 onwards.

***Revenue*** reduced by 2% due to order book phasing with the power sector now accounting for 59% of divisional revenues (2009: 51%). The proportion of revenues generated from emerging markets increased to 29% (2009: 21%), with strong growth in North Africa and China.

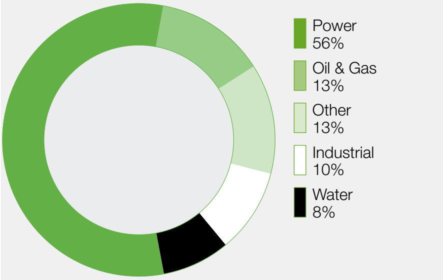
***Operating profit*** increased by 21% reflecting underlying margin improvement as a result of improved plant utilisation and cost reduction activities offset by the impact of ongoing restructuring of our Canadian service operations.

***Operating margins*** increased to 8.5% driven by the developing supply chain in China and India, lower product costs and improved manufacturing efficiencies.

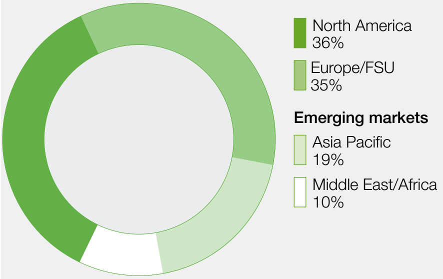
***Capital expenditure*** was £3.0m (2009: £1.7m). Investment included expenditure on a new facility in Southern France to enhance efficiency and support our growing nuclear business and on facilities in the UK to enable Weir to play a growing role in support and service for the rapidly growing renewable energy market.

## Divisional results continued

### Input by sector %




### Input by geography %



# Risks & Uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain those detailed on pages 30 to 32 of the Annual Report 2009, a copy of which is available on the Group website at www.weir.co.uk. The Board considers that these remain a current reflection of the risks and uncertainties facing the business for the remaining 26 weeks of the financial year.

# Outlook

## Minerals

Market conditions in the mining and oil sands sectors are expected to remain positive. Planned increases in customer capital spending plans are translating into increased enquiry levels and a positive emerging trend in original equipment orders which we expect to continue over the balance of the year. Aftermarket orders in the second half will benefit from increases in commodity production activity and the ongoing increase in our installed base, although we expect the impact of restocking will be less evident than in the first half. As a result, we expect that second half revenues will be higher compared to the prior year period with a larger proportion of original equipment revenues than in the first half. We continue to expect second half operating profits in constant currency terms to be higher than the prior year.

### Oil & Gas
The immediate outlook for our upstream business remains positive. Horizontal rig count numbers are projected to remain around current levels through 2010 with a continued focus on the more aggressive shale environments. This will support aftermarket sales and a further pickup in original equipment orders as customers look to both replace and expand their pressure pumping fleets, with delivery extending into 2011. As a consequence we are targeting full year SPM revenues of around US$400m, ahead of our previous expectation (US$350m). The more challenging downstream market conditions are expected to give rise to lower second half input at Gabbioneta compared to last year, while the phasing of work will result in the second half operating profits of this business being lower than that achieved in the first half.

### Power & Industrial
We are seeing continuing high activity levels across the Chinese nuclear market, good opportunities across the US nuclear market and some emerging nuclear opportunities in Eastern Europe, although timing of firm orders remains difficult to predict. We are also seeing more opportunities in other power related work, particularly in Canada and across Africa, although general industrial markets remain weak with recovery uncertain. We continue to expect the division to show revenue and margin progression over the prior year as it realises the benefits from a record order book and from business improvement plans.

### Group
Strong trading reinforces our confidence for the remainder of 2010 and we continue to expect profit for the second half of 2010 to be significantly ahead of profit for the second half of 2009 in constant currency terms.

# Consolidated
# Income Statement
## for the 26 weeks ended 2 July 2010

| 53 weeks ended 1 Jan 2010 Total £m | | Notes | 26 weeks ended 2 July 2010 Before exceptional items & intangibles amortisation £m | 26 weeks ended 2 July 2010 Exceptional items & intangibles amortisation (note 3) £m | 26 weeks ended 2 July 2010 Total £m | 26 weeks ended 26 June 2009 Before exceptional items & intangibles amortisation £m | 26 weeks ended 26 June 2009 Exceptional items & intangibles amortisation (note 3) £m | 26 weeks ended 26 June 2009 Total £m |
|---|---|---|---|---|---|---|---|---|
| | **Continuing operations** | | | | | | | |
| 1,390.2 | Revenue | 2 | **775.1** | **-** | **775.1** | 709.8 | - | 709.8 |
| | **Continuing operations** | | | | | | | |
| 183.5 | Operating profit before share of results of joint ventures | | **148.8** | **(8.4)** | **140.4** | 96.6 | (8.5) | 88.1 |
| 4.6 | Share of results of joint ventures | | **2.2** | **-** | **2.2** | 2.6 | - | 2.6 |
| 188.1 | **Operating profit** | 2 | **151.0** | **(8.4)** | **142.6** | 99.2 | (8.5) | 90.7 |
| (18.7) | Finance costs | | **(6.9)** | **-** | **(6.9)** | (8.0) | - | (8.0) |
| 2.5 | Finance income | | **0.7** | **-** | **0.7** | 1.1 | - | 1.1 |
| (1.5) | Other finance costs - retirement benefits | | **(0.8)** | **-** | **(0.8)** | (0.9) | - | (0.9) |
| 170.4 | **Profit before tax from continuing operations** | | **144.0** | **(8.4)** | **135.6** | 91.4 | (8.5) | 82.9 |
| (46.8) | Tax expense | 4 | **(41.6)** | **2.4** | **(39.2)** | (25.8) | 2.7 | (23.1) |
| 123.6 | **Profit for the period from continuing operations** | | **102.4** | **(6.0)** | **96.4** | 65.6 | (5.8) | 59.8 |
| 5.2 | Profit for the period from discontinued operations | | **-** | **-** | **-** | - | - | - |
| 128.8 | **Profit for the period** | | **102.4** | **(6.0)** | **96.4** | 65.6 | (5.8) | 59.8 |
| | Attributable to | | | | | | | |
| 128.8 | Equity holders of the Company | | **102.1** | **(6.0)** | **96.1** | 65.6 | (5.8) | 59.8 |
| - | Non-controlling interests | | **0.3** | **-** | **0.3** | - | - | - |
| 128.8 | | | **102.4** | **(6.0)** | **96.4** | 65.6 | (5.8) | 59.8 |
| | **Earnings per share** | 5 | | | | | | |
| 61.2p | Basic - total operations | | | | **45.7p** | | | 28.4p |
| 58.8p | Basic - continuing operations | | **48.5p** | | **45.7p** | 31.2p | | 28.4p |
| 60.8p | Diluted - total operations | | | | **45.2p** | | | 28.1p |
| 58.3p | Diluted - continuing operations | | **48.0p** | | **45.2p** | 30.8p | | 28.1p |

# Consolidated
# Statement of Comprehensive Income
## for the 26 weeks ended 2 July 2010

| 53 weeks ended 1 Jan 2010 £m | | Note | 26 weeks ended 2 July 2010 £m | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|---|
| 128.8 | **Profit for the period** | | **96.4** | 59.8 |
| | **Other comprehensive income** | | | |
| (0.5) | (Losses) gains taken to equity on cash flow hedges | | **(2.0)** | 1.9 |
| (51.2) | Exchange gains (losses) on translation of foreign operations | | **35.4** | (78.3) |
| 38.3 | Exchange (losses) gains on net investment hedges | | **(26.9)** | 42.4 |
| (57.7) | Actuarial losses on defined benefit plans | 8 | **(9.1)** | (36.3) |
| 12.9 | Reclassification adjustments taken to the income statement on cash flow hedges | | **(0.2)** | 6.6 |
| 12.7 | **Tax relating to other comprehensive income** | | **3.1** | 7.7 |
| (45.5) | **Net other comprehensive income** | | **0.3** | (56.0) |
| 83.3 | **Total net comprehensive income for the period** | | **96.7** | 3.8 |
| | Attributable to | | | |
| 83.3 | Equity holders of the Company | | **96.4** | 3.8 |
| - | Non-controlling interests | | **0.3** | - |
| 83.3 | | | **96.7** | 3.8 |

# Consolidated
# Balance Sheet
## at 2 July 2010

| 1 Jan 2010 £m | | Notes | 2 July 2010 £m | 26 June 2009 £m |
|---|---|---|---|---|
| | **ASSETS** | | | |
| | **Non-current assets** | | | |
| 199.4 | Property, plant & equipment | | **205.9** | 185.2 |
| 4.2 | Investment property | | **4.0** | 4.3 |
| 739.9 | Intangible assets | | **762.2** | 724.6 |
| 9.7 | Investments in joint ventures | | **11.3** | 10.1 |
| 28.7 | Deferred tax assets | | **35.2** | 18.3 |
| 0.3 | Derivative financial instruments | 9 | **0.8** | 1.2 |
| 982.2 | **Total non-current assets** | | **1,019.4** | 943.7 |
| | **Current assets** | | | |
| 235.3 | Inventories | | **240.1** | 241.6 |
| 240.5 | Trade & other receivables | | **277.1** | 265.7 |
| 25.9 | Construction contracts | | **23.8** | 14.2 |
| 7.2 | Derivative financial instruments | 9 | **6.9** | 60.3 |
| 3.4 | Income tax receivable | | **2.0** | 1.0 |
| 57.0 | Cash & short-term deposits | | **67.0** | 45.3 |
| 569.3 | **Total current assets** | | **616.9** | 628.1 |
| 1,551.5 | **Total assets** | | **1,636.3** | 1,571.8 |
| | **LIABILITIES** | | | |
| | **Current liabilities** | | | |
| 2.0 | Interest-bearing loans & borrowings | | **3.2** | 62.1 |
| 336.3 | Trade & other payables | | **331.3** | 305.1 |
| 23.2 | Construction contracts | | **23.3** | 33.3 |
| 16.8 | Derivative financial instruments | 9 | **20.1** | 75.8 |
| 23.7 | Income tax payable | | **29.2** | 21.8 |
| 33.8 | Provisions | | **34.7** | 28.1 |
| 435.8 | **Total current liabilities** | | **441.8** | 526.2 |
| | **Non-current liabilities** | | | |
| 174.2 | Interest-bearing loans & borrowings | | **161.5** | 183.2 |
| 31.0 | Derivative financial instruments | 9 | **47.8** | 41.2 |
| 36.7 | Provisions | | **37.1** | 37.5 |
| 60.4 | Deferred tax liabilities | | **61.0** | 48.5 |
| 71.0 | Retirement benefit plan deficits | 8 | **80.8** | 62.9 |
| 373.3 | **Total non-current liabilities** | | **388.2** | 373.3 |
| 809.1 | **Total liabilities** | | **830.0** | 899.5 |
| 742.4 | **NET ASSETS** | | **806.3** | 672.3 |
| | **CAPITAL & RESERVES** | | | |
| 26.6 | Share capital | | **26.6** | 26.6 |
| 38.0 | Share premium | | **38.0** | 38.0 |
| (7.9) | Treasury shares | | **(6.8)** | (7.9) |
| 0.5 | Capital redemption reserve | | **0.5** | 0.5 |
| 64.0 | Foreign currency translation reserve | | **72.5** | 41.0 |
| 0.6 | Hedge accounting reserve | | **(1.0)** | (2.3) |
| 620.4 | Retained earnings | | **676.2** | 576.2 |
| 742.2 | **Shareholders equity** | | **806.0** | 672.1 |
| 0.2 | Non-controlling interests | | **0.3** | 0.2 |
| 742.4 | **TOTAL EQUITY** | | **806.3** | 672.3 |

# Consolidated
# Cash Flow Statement
## for the 26 weeks ended 2 July 2010

| 53 weeks ended 1 Jan 2010 £m | | Notes | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|---|
| | **Continuing operations** | | | |
| | **Cash flows from operating activities** | | | |
| 302.3 | Cash generated from operations | 10 | **120.6** | 123.9 |
| (11.1) | Additional pension contributions paid | | **-** | (0.5) |
| (43.6) | Income tax paid | | **(37.0)** | (26.1) |
| 247.6 | Net cash generated from operating activities | | **83.6** | 97.3 |
| | **Continuing operations** | | | |
| | **Cash flows from investing activities** | | | |
| (0.1) | Acquisitions of subsidiaries | 10 | **(3.6)** | (0.1) |
| (1.4) | Disposals of subsidiaries | 10 | **(0.6)** | (0.7) |
| (40.6) | Purchases of property, plant & equipment & intangible assets | 7 | **(18.3)** | (17.9) |
| 1.5 | Other proceeds from sale of property, plant & equipment & intangible assets | | **0.2** | 0.9 |
| 2.5 | Interest received | | **0.6** | 1.0 |
| 5.9 | Dividends received from joint ventures | | **1.3** | 2.1 |
| (32.2) | Net cash used in investing activities | | **(20.4)** | (14.7) |
| | **Continuing operations** | | | |
| | **Cash flows from financing activities** | | | |
| (1.4) | Purchase of shares for LTIP awards | | **-** | - |
| 50.5 | Proceeds from borrowings | | **158.0** | - |
| (187.3) | Repayments of borrowings | | **(177.0)** | (59.2) |
| (16.5) | Settlement of derivative financial instruments | | **0.9** | (6.7) |
| (18.7) | Interest paid | | **(3.0)** | (7.4) |
| - | Dividends paid to non-controlling interests | | **(0.2)** | - |
| (39.2) | Dividends paid to equity holders of the Company | 6 | **(34.1)** | (29.1) |
| (212.6) | Net cash used in financing activities | | **(55.4)** | (102.4) |
| 2.8 | **Net increase (decrease) in cash & cash equivalents from continuing operations** | | **7.8** | (19.8) |
| 53.6 | Cash & cash equivalents at the beginning of the period | | **55.7** | 53.6 |
| (0.7) | Foreign currency translation differences | | **0.8** | (2.3) |
| 55.7 | **Cash & cash equivalents at the end of the period** | 10 | **64.3** | 31.5 |

# Consolidated
# Statement of Changes in Equity
## for the 26 weeks ended 2 July 2010

| | Share capital £m | Share premium £m | Treasury shares £m |
|---|---|---|---|
| At 26 December 2008 | 26.6 | 38.0 | (7.9) |
| Profit for the period | - | - | - |
| Gains taken to equity on cash flow hedges | - | - | - |
| Exchange losses on translation of foreign operations | - | - | - |
| Exchange gains on net investment hedges | - | - | - |
| Actuarial losses on defined benefit plans | - | - | - |
| Reclassification adjustments taken to the income statement on cash flow hedges | - | - | - |
| Tax relating to other comprehensive income | - | - | - |
| Total net comprehensive income for the period | - | - | - |
| Cost of share-based payments net of tax | - | - | - |
| Dividends | - | - | - |
| Exercise of LTIP awards | - | - | - |
| At 26 June 2009 | 26.6 | 38.0 | (7.9) |
| **At 1 January 2010** | **26.6** | **38.0** | **(7.9)** |
| Profit for the period | **-** | **-** | **-** |
| Losses taken to equity on cash flow hedges | **-** | **-** | **-** |
| Exchange gains on translation of foreign operations | **-** | **-** | **-** |
| Exchange losses on net investment hedges | **-** | **-** | **-** |
| Actuarial losses on defined benefit plans | **-** | **-** | **-** |
| Reclassification adjustments taken to the income statement on cash flow hedges | **-** | **-** | **-** |
| Tax relating to other comprehensive income | **-** | **-** | **-** |
| **Total net comprehensive income for the period** | **-** | **-** | **-** |
| Cost of share-based payments net of tax | **-** | **-** | **-** |
| Dividends | **-** | **-** | **-** |
| Exercise of LTIP awards | **-** | **-** | **1.1** |
| **At 2 July 2010** | **26.6** | **38.0** | **(6.8)** |
| At 26 December 2008 | 26.6 | 38.0 | (7.9) |
| Profit for the period | - | - | - |
| Losses taken to equity on cash flow hedges | - | - | - |
| Exchange losses on translation of foreign operations | - | - | - |
| Exchange gains on net investment hedges | - | - | - |
| Actuarial losses on defined benefit plans | - | - | - |
| Reclassification adjustments taken to the income statement on cash flow hedges | - | - | - |
| Tax relating to other comprehensive income | - | - | - |
| Total net comprehensive income for the period | - | - | - |
| Cost of share-based payments net of tax | - | - | - |
| Dividends | - | - | - |
| Exercise of LTIP awards | - | - | - |
| At 1 January 2010 | 26.6 | 38.0 | (7.9) |

| Capital redemption reserve £m | Foreign currency translation reserve £m | Hedge accounting reserve £m | Retained earnings £m | Attributable to equity holders of the Company £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|
| 0.5 | 76.9 | (8.3) | 570.9 | 696.7 | 0.2 | 696.9 |
| - | - | - | 59.8 | 59.8 | - | 59.8 |
| - | - | 1.9 | - | 1.9 | - | 1.9 |
| - | (78.3) | - | - | (78.3) | - | (78.3) |
| - | 42.4 | - | - | 42.4 | - | 42.4 |
| - | - | - | (36.3) | (36.3) | - | (36.3) |
| - | - | 6.6 | - | 6.6 | - | 6.6 |
| - | - | (2.5) | 10.2 | 7.7 | - | 7.7 |
| - | (35.9) | 6.0 | 33.7 | 3.8 | - | 3.8 |
| - | - | - | 2.1 | 2.1 | - | 2.1 |
| - | - | - | (29.1) | (29.1) | - | (29.1) |
| - | - | - | (1.4) | (1.4) | - | (1.4) |
| 0.5 | 41.0 | (2.3) | 576.2 | 672.1 | 0.2 | 672.3 |
| **0.5** | **64.0** | **0.6** | **620.4** | **742.2** | **0.2** | **742.4** |
| **-** | **-** | **-** | **96.1** | **96.1** | **0.3** | **96.4** |
| **-** | **-** | **(2.0)** | **-** | **(2.0)** | **-** | **(2.0)** |
| **-** | **35.4** | **-** | **-** | **35.4** | **-** | **35.4** |
| **-** | **(26.9)** | **-** | **-** | **(26.9)** | **-** | **(26.9)** |
| **-** | **-** | **-** | **(9.1)** | **(9.1)** | **-** | **(9.1)** |
| **-** | **-** | **(0.2)** | **-** | **(0.2)** | **-** | **(0.2)** |
| **-** | **-** | **0.6** | **2.5** | **3.1** | **-** | **3.1** |
| **-** | **8.5** | **(1.6)** | **89.5** | **96.4** | **0.3** | **96.7** |
| **-** | **-** | **-** | **1.5** | **1.5** | **-** | **1.5** |
| **-** | **-** | **-** | **(34.1)** | **(34.1)** | **(0.2)** | **(34.3)** |
| **-** | **-** | **-** | **(1.1)** | **-** | **-** | **-** |
| **0.5** | **72.5** | **(1.0)** | **676.2** | **806.0** | **0.3** | **806.3** |
| 0.5 | 76.9 | (8.3) | 570.9 | 696.7 | 0.2 | 696.9 |
| - | - | - | 128.8 | 128.8 | - | 128.8 |
| - | - | (0.5) | - | (0.5) | - | (0.5) |
| - | (51.2) | - | - | (51.2) | - | (51.2) |
| - | 38.3 | - | - | 38.3 | - | 38.3 |
| - | - | - | (57.7) | (57.7) | - | (57.7) |
| - | - | 12.9 | - | 12.9 | - | 12.9 |
| - | - | (3.5) | 16.2 | 12.7 | - | 12.7 |
| - | (12.9) | 8.9 | 87.3 | 83.3 | - | 83.3 |
| - | - | - | 2.8 | 2.8 | - | 2.8 |
| - | - | - | (39.2) | (39.2) | - | (39.2) |
| - | - | - | (1.4) | (1.4) | - | (1.4) |
| 0.5 | 64.0 | 0.6 | 620.4 | 742.2 | 0.2 | 742.4 |

# Notes to the Financial Statements

## 1. Basis of preparation

These interim condensed financial statements are for the 26 week period ended 2 July 2010 and have been prepared on the basis of the accounting policies set out in the Group's 2009 Annual Report and in accordance with IAS34 "Interim Financial Reporting" and the Disclosure and Transparency Rules of the Financial Services Authority. These interim condensed financial statements have been prepared on the going concern basis as the directors, having considered available relevant information, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

These interim condensed financial statements are unaudited but have been formally reviewed by the auditors and their report to the Company is set out on page 28. The information shown for the 53 weeks ended 1 January 2010 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and has been extracted from the Group's 2009 Annual Report which has been filed with the Registrar of Companies. The report of the auditors on the financial statements contained within the Group's 2009 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

These interim condensed financial statements were approved by the Board of Directors on 3 August 2010.

## 2. 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.

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 total assets 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 presentation of segment assets included in these interim condensed financial statements has been changed from that used in the Group's 2009 interim report to be consistent with the presentation in the Group's 2009 Annual Report. Segment assets consist of property, plant & equipment and working capital assets on the basis that these assets are included in measures that are used by the chief operating decision maker. 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.

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

The segment information provided to the Group Executive for the reportable segments for the 26 weeks ended 2 July 2010, the 26 weeks ended 26 June 2009 and the 53 weeks ended 1 January 2010 is disclosed below.

| | Minerals | | Oil & Gas | | Power & Industrial | | Total continuing operations | |
|---|---|---|---|---|---|---|---|---|
| | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m |
| **Revenue** | | | | | | | | |
| Sales to external customers | **421.8** | 422.5 | **223.8** | 149.7 | **115.8** | 117.4 | **761.4** | 689.6 |
| Inter-segment sales | **0.4** | 1.1 | **3.1** | 3.1 | **2.0** | 1.5 | **5.5** | 5.7 |
| Segment revenue | **422.2** | 423.6 | **226.9** | 152.8 | **117.8** | 118.9 | **766.9** | 695.3 |
| Group companies sales to external customers | | | | | | | **13.7** | 20.2 |
| Eliminations | | | | | | | **(5.5)** | (5.7) |
| | | | | | | | **775.1** | 709.8 |
| **Sales to external customers - at 2010 average exchange rates** | | | | | | | | |
| Sales to external customers | **421.8** | 457.6 | **223.8** | 147.1 | **115.8** | 118.7 | **761.4** | 723.4 |
| Group companies sales to external customers | | | | | | | **13.7** | 20.2 |
| | | | | | | | **775.1** | 743.6 |
| **Result** | | | | | | | | |
| Segment result before share of results of joint ventures | **84.3** | 68.3 | **58.7** | 23.5 | **9.8** | 8.3 | **152.8** | 100.1 |
| Share of results of joint ventures | **-** | - | **2.2** | 2.6 | **-** | - | **2.2** | 2.6 |
| Segment result | **84.3** | 68.3 | **60.9** | 26.1 | **9.8** | 8.3 | **155.0** | 102.7 |
| Group companies | | | | | | | **1.7** | 2.2 |
| Unallocated expenses | | | | | | | **(5.7)** | (5.7) |
| Operating profit before exceptional items & intangibles amortisation | | | | | | | **151.0** | 99.2 |
| Amortisation of intangibles | | | | | | | **(8.4)** | (8.5) |
| Net finance costs | | | | | | | **(6.2)** | (6.9) |
| Other finance costs - retirement benefits | | | | | | | **(0.8)** | (0.9) |
| Profit before tax from continuing operations | | | | | | | **135.6** | 82.9 |
| **Segment result - at 2010 average exchange rates** | | | | | | | | |
| Segment result before share of results of joint ventures | **84.3** | 72.9 | **58.7** | 22.8 | **9.8** | 8.1 | **152.8** | 103.8 |
| Share of results of joint ventures | **-** | - | **2.2** | 2.6 | **-** | - | **2.2** | 2.6 |
| Segment result | **84.3** | 72.9 | **60.9** | 25.4 | **9.8** | 8.1 | **155.0** | 106.4 |
| Group companies | | | | | | | **1.7** | 2.2 |
| Unallocated expenses | | | | | | | **(5.7)** | (5.7) |
| | | | | | | | **151.0** | 102.9 |
| **Total assets** | | | | | | | | |
| Property, plant & equipment | **130.6** | 114.9 | **38.3** | 33.8 | **36.8** | 36.0 | **205.7** | 184.7 |
| Working capital assets | **277.1** | 276.5 | **163.2** | 147.0 | **80.3** | 88.1 | **520.6** | 511.6 |
| | **407.7** | 391.4 | **201.5** | 180.8 | **117.1** | 124.1 | **726.3** | 696.3 |
| Investments in joint ventures | **-** | - | **11.3** | 10.1 | **-** | - | **11.3** | 10.1 |
| Segment assets | **407.7** | 391.4 | **212.8** | 190.9 | **117.1** | 124.1 | **737.6** | 706.4 |
| Group companies assets | | | | | | | **24.8** | 5.9 |
| Unallocated assets | | | | | | | **873.9** | 859.5 |
| Total assets | | | | | | | **1,636.3** | 1,571.8 |

# Notes to the Financial Statements (continued)

## 2. Segment information (continued)

53 weeks ended 1 Jan 2010

| | Minerals £m | Oil & Gas £m | Power & Industrial £m | Total continuing operations £m |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 813.3 | 299.0 | 242.0 | 1,354.3 |
| Inter-segment sales | 2.3 | 5.6 | 2.8 | 10.7 |
| Segment revenue | 815.6 | 304.6 | 244.8 | 1,365.0 |
| Group companies sales to external customers | | | | 35.9 |
| Eliminations | | | | (10.7) |
| | | | | 1,390.2 |
| **Sales to external customers - at 2010 average exchange rates** | | | | |
| Sales to external customers | 872.5 | 302.9 | 248.0 | 1,423.4 |
| Group companies sales to external customers | | | | 35.9 |
| | | | | 1,459.3 |
| **Result** | | | | |
| Segment result before share of results of joint ventures | 133.6 | 47.4 | 23.0 | 204.0 |
| Share of results of joint ventures | - | 4.6 | - | 4.6 |
| Segment result | 133.6 | 52.0 | 23.0 | 208.6 |
| Group companies | | | | |
| - ongoing operations | | | | 4.9 |
| - other disposals* | | | | 1.9 |
| Unallocated expenses | | | | (10.7) |
| Operating profit before exceptional items & intangibles amortisation | | | | 204.7 |
| Amortisation of intangibles | | | | (16.6) |
| Net finance costs | | | | (16.2) |
| Other finance costs - retirement benefits | | | | (1.5) |
| Profit before tax from continuing operations | | | | 170.4 |
| **Segment result - at 2010 average exchange rates** | | | | |
| Segment result before share of results of joint ventures | 142.6 | 47.9 | 23.2 | 213.7 |
| Share of results of joint ventures | - | 4.9 | - | 4.9 |
| Segment result | 142.6 | 52.8 | 23.2 | 218.6 |
| Group companies | | | | |
| - ongoing operations | | | | 4.9 |
| - other disposals* | | | | 1.9 |
| Unallocated expenses | | | | (10.7) |
| | | | | 214.7 |

* Other disposals include the Materials and Foundries businesses which were disposed of in 2008.

| | Minerals £m | Oil & Gas £m | Power & Industrial £m | Total continuing operations £m |
|---|---|---|---|---|
| **Total assets** | | | | |
| Property, plant & equipment | 129.5 | 33.9 | 35.7 | 199.1 |
| Working capital assets | 276.6 | 146.7 | 74.1 | 497.4 |
| | 406.1 | 180.6 | 109.8 | 696.5 |
| Investments in joint ventures | - | 9.7 | - | 9.7 |
| Segment assets | 406.1 | 190.3 | 109.8 | 706.2 |
| Group companies assets | | | | 4.3 |
| Unallocated assets | | | | 841.0 |
| Total assets | | | | 1,551.5 |

## 3. Exceptional items & intangibles amortisation

| 53 weeks ended 1 Jan 2010 £m | | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|
| | Recognised in arriving at operating profit from continuing operations | | |
| (16.6) | Intangibles amortisation | **(8.4)** | (8.5) |

## 4. Income tax expense

| 53 weeks ended 1 Jan 2010 £m | | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|
| (9.5) | Group - UK | **(4.9)** | (6.8) |
| (37.3) | Group - overseas | **(34.3)** | (16.3) |
| (46.8) | Total income tax expense in the Consolidated Income Statement | **(39.2)** | (23.1) |
| | The total income tax expense is disclosed in the Consolidated Income Statement as follows: | | |
| (52.2) | - continuing operations before exceptional items & intangibles amortisation | **(41.6)** | (25.8) |
| 5.4 | - intangibles amortisation | **2.4** | 2.7 |
| (46.8) | Total income tax expense in the Consolidated Income Statement | **(39.2)** | (23.1) |
| (0.8) | Total income tax expense included in the Group's share of results of joint ventures | **(0.4)** | (0.5) |

# Notes to the Financial Statements (continued)

## 5. 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 share awards).

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

| 53 weeks ended 1 Jan 2010 | | **26 weeks ended 2 July 2010** | 26 weeks ended 26 June |
|---|---|---|---|
| | Basic earnings per share | | |
| | Profit attributable to equity holders of the Company | | |
| 128.8 | Total operations * (£m) | **96.1** | 59.8 |
| 123.6 | Continuing operations * (£m) | **96.1** | 59.8 |
| 134.8 | Continuing operations before exceptional items & intangibles amortisation * (£m) | **102.1** | 65.6 |
| | | | |
| 210.3 | Weighted average share capital (number of shares, million) | **210.4** | 210.2 |
| | Diluted earnings per share | | |
| | Profit attributable to equity holders of the Company | | |
| 128.8 | Total operations * (£m) | **96.1** | 59.8 |
| 123.6 | Continuing operations * (£m) | **96.1** | 59.8 |
| 134.8 | Continuing operations before exceptional items & intangibles amortisation * (£m) | **102.1** | 65.6 |
| | | | |
| 212.0 | Weighted average share capital (number of shares, million) | **212.7** | 212.7 |

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.

| 53 weeks ended 1 Jan 2010 Shares Million | | **26 weeks ended 2 July 2010 Shares Million** | 26 weeks ended 26 June 2009 Shares Million |
|---|---|---|---|
| 210.3 | Weighted average number of ordinary shares for basic earnings per share | **210.4** | 210.2 |
| | Effect of dilution | | |
| 1.7 | LTIP awards | **2.3** | 2.1 |
| - | Conditional share award | **-** | 0.4 |
| 212.0 | Adjusted weighted average number of ordinary shares for diluted earnings per share | **212.7** | 212.7 |

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.

| 53 weeks ended 1 Jan 2010 £m | | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|
| 123.6 | Net profit attributable to equity holders from continuing operations * | **96.1** | 59.8 |
| 11.2 | Exceptional items & intangibles amortisation net of tax | **6.0** | 5.8 |
| 134.8 | Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation * | **102.1** | 65.6 |

* Adjusted for £0.3m (June 2009: £nil; December 2009: £nil) attributable to non-controlling interests.

## 6. Dividends paid & proposed

| 53 weeks ended 1 Jan 2010 £m | | 26 weeks ended 2 July 2010 £m | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|
| | Declared & paid during the period | | |
| | Equity dividends on ordinary shares | | |
| 29.1 | Final dividend for 2009: 16.20p (2008: 13.85p) | **34.1** | 29.1 |
| 10.1 | Interim dividend: see below (2009: 4.80p) | **-** | - |
| 39.2 | | **34.1** | 29.1 |
| 34.1 | Final dividend for 2009 proposed for approval by shareholders at the AGM: 16.20p | **-** | - |
| - | Interim dividend for 2010 declared by the Board: 6.00p (2009: 4.80p) | **12.6** | 10.1 |

The proposed final dividend and the declared interim dividend are 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 actual dividend paid may differ due to increases or decreases in the number of shares in issue between the date of approval of the financial statements and the record date for the dividend.

## 7. Property, plant & equipment & intangible assets

| 53 weeks ended 1 Jan 2010 £m | | 26 weeks ended 2 July 2010 £m | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|
| | Purchases of property, plant & equipment & intangible assets | | |
| 2.8 | Land & buildings | **1.2** | 0.5 |
| 34.7 | Plant & equipment | **16.0** | 16.9 |
| 3.1 | Intangible assets | **1.1** | 0.5 |
| 40.6 | | **18.3** | 17.9 |
| 1.0 | Impairment of plant & equipment | **-** | 1.2 |

The impairment of plant & equipment in prior periods 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.

## 8. Pensions & other post-employment benefit plans

| 1 Jan 2010 £m | | 2 July 2010 £m | 26 June 2009 £m |
|---|---|---|---|
| (71.0) | Plans in deficit | **(80.8)** | (62.9) |

The increase in deficit of £9.8m in the 26 weeks ended 2 July 2010 was primarily due to adverse actuarial movements of £9.1m recognised in the Consolidated Statement of Comprehensive Income. This was driven by a reduction in the discount rate, reflecting a reduction in bond yields, offset by a reduction in the forecast long term rate of inflation.

# Notes to the Financial Statements (continued)

## 9. Derivative financial instruments

| 1 Jan 2010 £m | | 2 July 2010 £m | 26 June 2009 £m |
|---|---|---|---|
| | **Included in non-current assets** | | |
| 0.1 | Forward foreign currency contracts designated as cash flow hedges | **0.3** | 0.2 |
| 0.2 | Other forward foreign currency contracts | **0.5** | 1.0 |
| 0.3 | | **0.8** | 1.2 |
| | **Included in current assets** | | |
| 2.3 | Forward foreign currency contracts designated as cash flow hedges | **1.0** | 1.8 |
| 0.4 | Forward foreign currency contracts designated as net investment hedges | **0.7** | 2.9 |
| 4.5 | Other forward foreign currency contracts | **5.2** | 55.6 |
| 7.2 | | **6.9** | 60.3 |
| | **Included in current liabilities** | | |
| 1.6 | Forward foreign currency contracts designated as cash flow hedges | **1.2** | 3.2 |
| - | Forward foreign currency contracts designated as net investment hedges | **2.0** | - |
| 0.6 | Interest rate swaps designated as cash flow hedges | **0.2** | 2.8 |
| 10.4 | Cross currency swaps designated as net investment hedges | **13.8** | 9.7 |
| 4.2 | Other forward foreign currency contracts | **2.9** | 60.1 |
| 16.8 | | **20.1** | 75.8 |
| | **Included in non-current liabilities** | | |
| 0.1 | Forward foreign currency contracts designated as cash flow hedges | **1.2** | 0.3 |
| - | Interest rate swaps designated as cash flow hedges | **-** | 1.8 |
| 30.7 | Cross currency swaps designated as net investment hedges | **45.7** | 38.1 |
| 0.2 | Other forward foreign currency contracts | **0.9** | 1.0 |
| 31.0 | | **47.8** | 41.2 |
| 40.3 | Net derivative financial liabilities | **60.2** | 55.5 |

## 10. Additional cash flow information

| 53 weeks ended 1 Jan 2010 £m | | **26 weeks ended 2 July 2010 £m** | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|
| | **Continuing operations** | | |
| | **Net cash generated from operations** | | |
| 188.1 | Operating profit | **142.6** | 90.7 |
| (4.6) | Share of results of joint ventures | **(2.2)** | (2.6) |
| 44.8 | Depreciation & amortisation of property, plant & equipment | **23.5** | 21.1 |
| 1.0 | Impairment of plant & equipment & intangible assets | **-** | 1.2 |
| (0.1) | Gains on disposal of property, plant & equipment | **(0.2)** | (0.7) |
| (3.7) | Defined benefit plans curtailments & settlements | **-** | (0.7) |
| (2.1) | Funding of pension & post-retirement costs | **(0.8)** | (1.8) |
| 1.6 | Employee share schemes | **1.5** | 2.1 |
| 1.8 | Net foreign exchange including derivative financial instruments | **0.8** | 1.7 |
| 9.3 | Increase in provisions | **0.8** | 0.3 |
| 30.8 | (Increase) decrease in inventories | **(1.4)** | 15.1 |
| 68.2 | (Increase) decrease in trade & other receivables & construction contracts | **(32.8)** | 44.9 |
| (32.8) | Decrease in trade & other payables & construction contracts | **(11.2)** | (47.4) |
| 302.3 | Cash generated from operations | **120.6** | 123.9 |
| | **Acquisitions of subsidiaries** | | |
| - | Current period acquisitions | **(3.5)** | - |
| (0.1) | Previous periods acquisitions deferred consideration paid | **(0.1)** | (0.1) |
| (0.1) | | **(3.6)** | (0.1) |
| | **Disposals of subsidiaries** | | |
| 1.2 | Other current period disposals | **-** | - |
| (2.6) | Previous periods disposals | **(0.6)** | (0.7) |
| (1.4) | | **(0.6)** | (0.7) |
| | **Cash & cash equivalents comprise the following** | | |
| 57.0 | Cash & short-term deposits | **67.0** | 45.3 |
| (1.3) | Bank overdrafts & short-term borrowings | **(2.7)** | (13.8) |
| 55.7 | | **64.3** | 31.5 |
| | **Reconciliation of net increase (decrease) in cash & cash equivalents to movement in net debt** | | |
| 2.8 | Net increase (decrease) in cash & cash equivalents from continuing operations | **7.8** | (19.8) |
| 136.8 | Net decrease in debt | **19.0** | 59.2 |
| 139.6 | Change in net debt resulting from cash flows | **26.8** | 39.4 |
| (18.9) | Foreign currency translation differences | **(5.3)** | 0.5 |
| 120.7 | Change in net debt during the period | **21.5** | 39.9 |
| (239.9) | Net debt at the beginning of the period | **(119.2)** | (239.9) |
| (119.2) | Net debt at the end of the period | **(97.7)** | (200.0) |
| | **Net debt comprises the following** | | |
| 57.0 | Cash & short-term deposits | **67.0** | 45.3 |
| (2.0) | Current interest-bearing loans & borrowings | **(3.2)** | (62.1) |
| (174.2) | Non-current interest-bearing loans & borrowings | **(161.5)** | (183.2) |
| (119.2) | | **(97.7)** | (200.0) |

# Notes to the Financial Statements (continued)

## 11. 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 period and outstanding balances at the period end.

| 53 weeks ended 1 Jan 2010 £m | | 26 weeks ended 2 July 2010 £m | 26 weeks ended 26 June 2009 £m |
|---|---|---|---|
| 1.3 | Sales of goods to related parties - joint ventures | **0.3** | 0.8 |
| - | Sales of services to related parties - joint ventures | **0.2** | - |
| 0.4 | Purchases of goods from related parties - joint ventures | **0.2** | - |
| - | Purchases of services from related parties - joint ventures | **0.1** | - |
| 0.2 | Amounts owed to related parties - group pension plans | **0.3** | 0.3 |

## 12. 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.

## 13. Business combinations

On 5 March 2010, the Group acquired 100% of Petroleum Certification Services, an Australian based specialist certification and testing business for a total consideration of AUS$7.6m.

On 14 June 2010, the Group agreed to acquire the Linatex group of companies ("Linatex"), a global provider of wear-resistant products to the mining and sand & aggregate industries, based in Kuala Lumpur, Malaysia. The consideration will be US$172.5m payable in cash on completion and funded from existing bank facilities. In addition, the Group anticipates assuming approximately US$27.5m of net indebtedness and similar liabilities. Completion is conditional on regulatory approvals and, subject to such approvals, is expected to take place in the third quarter of 2010.

## 14. Exchange rates

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

| 53 weeks ended 1 Jan 2010 | | 26 weeks ended 2 July 2010 | 26 weeks ended 26 June 2009 |
|---|---|---|---|
| | **Average rate (per £)** | | |
| 1.57 | US dollar | **1.53** | 1.49 |
| 1.99 | Australian dollar | **1.71** | 2.10 |
| 1.12 | Euro | **1.15** | 1.11 |
| 1.78 | Canadian dollar | **1.58** | 1.80 |
| | **Closing rate (per £)** | | |
| 1.61 | US dollar | **1.51** | 1.64 |
| 1.80 | Australian dollar | **1.80** | 2.04 |
| 1.13 | Euro | **1.21** | 1.17 |
| 1.69 | Canadian dollar | **1.60** | 1.89 |

# Directors Statement of Responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS34 “Interim Financial Reporting” as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Services Authority, paragraphs DTR 4.2.7 and DTR 4.2.8.

The directors of The Weir Group PLC are listed in the Group’s 2009 Annual Report with the exception of the following changes: Jon Stanton joined the Board on 19 April 2010 and Professor Ian Percy CBE retired from the Board on 30 April 2010. A list of current directors is maintained on The Weir Group PLC website which can be found at www.weir.co.uk.

On behalf of the Board
**Jon Stanton**
Finance Director
3 August 2010

# Independent Review Report to The Weir Group PLC

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the 26 weeks ended 2 July 2010 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes 1 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

### Directors Responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

### Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the 26 weeks ended 2 July 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**Ernst & Young LLP**
Glasgow
3 August 2010

# Financial Calendar

Ex-dividend date for interim dividend
**6 October 2010**

Record date for interim dividend
**8 October 2010**
Shareholders on the register at this date will receive the dividend

Interim dividend paid
**5 November 2010**

This interim report includes 'forward-looking statements'. All statements other than statements of historical fact included in this interim report, including, without limitation, those regarding the Weir Group's financial position, business strategy, plans (including development plans and objectives relating to the Company's products and services) and objectives of management for future operations, are forward-looking statements. These statements contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Past business and financial performance cannot be relied on as an indication of future performance.

## Registered office & company number

Clydesdale Bank Exchange
20 Waterloo Street
Glasgow G2 6DB
Scotland
Registered in Scotland
Company Number 2934

Designed by Design Motive

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

Telephone: +44 (0)141 637 7111
Facsimile: +44 (0)141 221 9789

Email: investor-relations@weir.co.uk
Website: www.weir.co.uk